



**Universidad  
Europea**

**INTERNATIONAL BUSINESS  
GRADUATION PROJECT**

**Grab N' Smash Rage Room**

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## 1. Executive Summary

The purpose of this project is to primarily investigate the feasibility of establishing a business dedicated to social activities in the leisure activities market in Madrid. This project will analyze possible competition, the market structure and its current trends. This study also recognizes some constraints that will come to affect decision making, future forecasting and the businesses adaptability abilities with regards to the ongoing pandemic. Since the outbreak at the end of 2019, the uncertainty factor has become a prominent factor to consider in the world of business and there is no exception here. With the whole world slowly recovering from the COVID-19 pandemic and most of the major economies starting to recover worldwide, the analysis of the leisure activities market and possible competitors have shed light on a possible hole in the market and the purpose of this business plan is to present structured plan on how to capitalize on this niche in the market. As The financial calculations and forecasts have been concluded the level of liquidity of the business thanks to its very low productional and operational costs gives the opportunity for the business to break even already at year 1 which is very impressive considering that many new businesses in other market are prepared to face some years of negative profits until they have managed to establish themselves properly. Having concluded the market and competitors' analysis, we can conclude that yes even though the market of which Grab N' Smash operates is an blue ocean, there is more thana fair amount of indirect competitors that pose a threat to potential market share and customers. Because of this understanding, even though the forecasts and prospects of the business is good, the owner and employees of the company will have to work very hard to ensure the building of a good reputation and brand awareness, especially in the early days of the business. In the end, if the quality of the business and the services we render is top level, the customers will do the job for us which will be spreading the good word that there finally is a high quality Rage Room open for business in Madrid with the best of their clients in mind.

## 2. Introduction

Grab N' Smash Rage Room will be a new business that will operate from a permanent location in the central regions of Madrid. The concept of a “rage room” or “anger room” is believed to have first originated in Japan, as a form of anti-stress therapy. After being introduced in 2008, the concept gained momentum all over Japan and it did not take long before it gained traction all over the globe in countries such as Russia, Serbia, Australia and all over the United States and Europe. Originally the idea was for clients to enter these establishments and basically just smash things, such as teacups, plates and bowls. Nowadays the objects set for destruction vary widely depending on the establishment and one can find anything between televisions, computers and keyboards all the way to tables, chairs, sofas and in some cases even vehicles, (The Insurance Center, 2019).

This concept of anti-stress therapy is known as “DestructoTherapy” and the way it works is the following: Clients enter a safe and supervised room wearing full protective gear such as safety helmets, goggles, gloves and overalls. They then choose a weapon of their choice, usually a baseball bat, crowbar, golf club or a sledgehammer and then after careful instructions they are allowed to start breaking and destroying the objects found within the room. This experience aims to help clients get in touch with their internal anger and stress and offer the possibility to ventilate said anger through the proper channels. (Sebashtion, 2018).

According to (Better Health Channel, 2019), having your frustrations and anger building up inside without properly ventilating in a healthy way can have long term physical effects such as anxiety, headaches and high blood pressure. Not attending to this can even have psychological effects leading to destructive and toxic behavior affecting not only oneself but also others around you. To manage anger, long term strategies are recommended which can include counseling, exercise and learning techniques to release the anger appropriately. This is where destruction therapy becomes useful, helping people release their anger at an appropriate place and time. The point of the rage room is to provide anyone that is feeling sadness, anxiety, depression, anger and stress a safe and fun venue where they can ventilate or “blow off some steam”.

## **2.1 The Company Name**

### **“Grab N’ Smash Rage Room”**

The name of the business intends to play with words for the clients that already have a somewhat prominent knowledge of the English language. For those clients that have a more basic level of English understanding, by using such a clear and simple word play, the main idea of the business is still conveyed, with regard of the linguistic capabilities of our clients.

## **2.2 Business Description**

The idea of a rage room came to me after having lived in Madrid for almost 5 years as a university student, taking advantage of the hundreds of different leisure activity establishments that are scattered over the city. Having tried all these activities such as escape rooms, hatchet throwing businesses, paintball, laser tag and virtual reality establishments, it was not until the summer of 2018 that I became aware of the concept of rage rooms. After doing only a very brief market research I concluded that there is a massive hole in the leisure activities markets when it comes to rage rooms, since up until this day there is not one rage room operating within the borders of the city. Now with the creation of this business plan the perfect opportunity presented itself in conducting proper research and investigating whether the idea as a business is feasible.

## **2.3 Our Products**

Grab N’ Smash Rage Room will be offering its clients a wide variety of product ranges. In essence our establishment will only offer one principal product or service in this case and that is the rage rooms that we will have available for our clients. By a wide variety of products, I refer to the endless customizations that each rage room will be able to offer. Out of our rented facility in Madrid, the clients will have the option to book 1 of 4 different rage rooms, all with their distinct decorations. The rooms will be classified as “bathroom”, “kitchen” and “living room”. Depending on what type of room our clients reserve, the inanimate objects found within each room will vary. A fourth “special” room will also be available for reservations where the contents of that room will vary depending on the season and destroyable objects available but will always be something unique that cannot be found in the other rooms.

Clients will also have the option of bringing their own items for destruction and I will also offer a unique approach to waste management where our clients won't have to worry about clean up or waste disposal. We will happily accept anything that the clients bring, as long as they abide by our set safety regulations. The safety criteria for objects to be accepted include no hazardous materials, no flammable materials, no liquids or any type of consumables. Apart from the service of rage room Grab N' Smash will also have a small cafeteria corner where basic condiments and refreshments can be purchased.

## **2.4 Mission & Vision**

### **2.4.1 Mission**

Our mission will be consisting of 2 main parts. One is to offer our customers an additional unique service in the leisure activities market, while standing out from the competition but also raising awareness about our increased production of e waste. Secondly, I want to take advantage of this niche in the market by establishing a business and seeing its financial development and ability to grow over a 5-year span.

### **2.4.2 Vision**

Our vision is to be regionally recognized as the go to rage room establishment in all of Madrid. By capitalizing on this remarkable opportunity presented in front of us in the form of not having any direct competitors I aspire to become the go to when it comes to our clients and their need of a rage room experience. As mentioned briefly above, I also aim to increase the awareness of the ever-increasing production of waste, with e-waste being at the crosshairs. By informing our clients of the concept basic circular economic models, our target will be to spread knowledge regarding waste disposal as well as introducing them to our unique way of disposing of electronic waste. On another hand I also envision the business to grow and expand over the long term with establishments opening at new venues, firsthand in Madrid but with other major Spanish cities as targets.

## 2.5 Financial Plan Overview

The company will require 100,000 EUR in start-up funding. The owner (myself) will contribute with 50,000 Euros in cash and for the remaining 50,000 EUR a business loan will be necessary. The loan will be a 50,000 EUR ICO loan, (Instituto de credito Oficial, 2022) with Santander. ICO loans are given by public financial institutions in Spain by the name “Instituto de Crédito Oficial”. With this loan comes low interest rate and a hefty repayment period that can stretch up to 20 years. In Grab N’ Smash’s case it will be a fixed interest rate of 4.503% annual rate to be paid back in 7 years.

Financial Plan Overview	Capital in EUR
Start-up funding	100,000
Owners Contribution	50,000
ICO loan	50,000

*Table 1: Financial Plan Overview. Source: Own elaboration*

### 3. Objectives

By offering a service and experience yet to be seen in the leisure market of Madrid I aspire to be the first business to open doors offering the Rage Room experience. Having a clear mission ahead of me and a vision for the long-term sustainability of the business the objectives are better recognized as set between primary and secondary.

#### 3.1 Primary Objectives:

- a) Establish the business and get a stable position in the market within the first year.
- b) Once having somewhat solidified a corner in the market the aim will shift to producing profits from the daily operations with the ambition of increasing sales by 10%-15% on a yearly basis.
- c) A massive and intensive marketing and social media campaign to ensure maximum reach in the early days of the business.



### 3.2 Secondary Objectives:

These objectives direct themselves toward the strategies to be implemented for the long run.

- a) Maintaining a consistent and up to date social media presence making use of all available platforms, help keeping clients updated on events and offers.
- b) By being first to market within this sector the goal is to become the go to rage room in the city by building brand loyalty in the early months and year of the company.
- c) Informing our clients and raising as much awareness possible about circular economic efforts and our unsustainable production of waste.

## 4. Strategic Plan

### 4.1 PESTEL Analysis

Importance (1-4)		-2	-1	0	1	2	O
1 not so – 4 very	<b>POLITICAL</b>						
2	Taxation		x				-2
1	Labor law			x			0
2	Coronavirus response		x				-2
2	Political Stability	x					-4
	<b>ECONOMIC</b>						
3	Economic growth		x				-3
1	Interest rates			x			0
2	Inflation rates		x				-2
	<b>SOCIAL</b>						
3	Trends					x	6
3	Tourism Recovery					x	6
2	Age distribution					x	4
	<b>TECHNOLOGICAL</b>						
2	Digital Marketing Tools				x		2
2	Technological change rate			x			0
	<b>ENVIRONMENTAL</b>						
1	Weather			x			0
3	Waste management policies		x				-3
1	Climate change		x				-1
	<b>LEGAL</b>						
2	Employment laws			x			0
1	Health and safety laws			x			0
1	Discrimination laws			x			0
	<b>TOTAL</b>						<b>1</b>

Table 2: PESTEL table – Own Elaboration

A PESTEL analysis was concluded to investigate the macro-environment around the business and to get a broader understanding on how the different factors come into play with regards to setting up the business and conducting operations on a daily basis. The biggest risks come from the political and economic spheres following the aftermath of the COVID-19 pandemic and the economic recovery that each country has struggled with. With recent geopolitical

developments and the Russian invasion of Ukraine I must also consider that the political factor might be subject to drastic changes with little to no notice over a very short time span. On the other side the social and environmental factors are extremely favorable for the business since the community is on the bounce back from the pandemic and leisure activities or tourism is starting to slowly recover, (Comunidad Madrid, 2021). Since our target clients mainly will be the millennial generation, looking over the population pyramid we can see that they represent roughly 35% of the total population of Madrid, indicating that the social factor of the analysis will carry the highest opportunity for the business, (Madrid Population Pyramid, 2021). From the environmental perspective we also identify great opportunities with regards to our waste management system and contribution to the recycling of electrical waste. The remaining factors have very little implications considering that Spain as a country and member of the European Union has well-structured frameworks and policies set in place.

#### **4.1.1 Political Factor**

Spain is a parliamentary monarchy which basically means that the ruling monarch acts as a ceremonial head of state. The democratically elected parliament and prime minister hold the legislative power. Over the last 5 years there has been a lot of turmoil and political uncertainty with the indictment of the former prime minister Mariano Rajoy. With 16 political groups achieving representation in the parliament and most of them having asymmetrical representation the only way a government could be formed was through a coalition government. With the Covid-19 pandemic hitting as hard as it did in Spain and this new government, the likeliest outcome would be an increase in taxes to accommodate for the massive public expenditures that had to be done as a counteract to the confinements and relative shutdown of the economy, (Garcia, 2019). Now in 2022 Spain is at a stage of recovery from the pandemic as most western countries and has a very high rate of its population vaccinated, lowering the risk for additional shutdowns and confinements. Even though this presents a more positive outcome from the perspective of the business, I still must consider the plausible risks and political implications that the pandemic can bring with it. Another factor to consider within the political sphere that might come to affect the business is the level of corruption. Looking at the worldwide corruption index, Spain ranks in the top half of the index which indicates a good level of transparency, but unfortunately compared to other well developed European nations, Spain's score puts it at the bottom half, (Transparency International, 2021).

In more recent times, the turmoil and war developments in Ukraine has raised additional red flags with regards to policy changes that might come to affect the business. Even though highly unlikely the prospects of a world war, I must still consider the risks of war and political instability in the event of NATO joining the war between Russia and Ukraine since Spain is a member nation of NATO. Taking these aspects into consideration, the political factor of this analysis carries great threat against the creation of our business.

#### **4.1.2 Economic Factor**

Further building on the political factor, the interest and inflation rates are expected to be somewhat mitigated by the European Central Bank looking over the horizon to the future. Thanks to the COVID-19 pandemic public expenditure and debt have increased substantially and are expected to keep the same trajectory, affecting every member nation of the European Union and its currency which is shared between many member nations. In the case of Spain, many economists expect the country to be hit very hard, some claim the worst crisis since the civil war in 1936, (Pindado, 2021). At a global scale, the uncertainty and economic turmoil brought by the pandemic has made households more careful with their expenditures, especially within the leisure activities market, in which the business operates. Over the course of the last year, the economy of Madrid has been recovering slowly and the local GDP is expected to grow by 5.8% by the end of this year, with private consumption being the main driver of growth, especially services. Tourism is also expected to start reaching levels of normalization, particularly foreign and urban tourism, (BBVA Research, 2021).

#### **4.1.3 Social Factors**

With our main target group being the millennial generation and seeing that they represent approximately 35% of the population of Madrid, following the current trends will be imperative since most of the millennials nowadays spend a lot of their time online and on social media. Having a strong presence online will ensure the businesses maximal reach out to its clients while being up to date regarding the latest trends and social expectations. Another point to also consider is the social recovery and resurgence of tourism, both nationally and internationally. As the country is moving forward, recovering from the pandemic, tourism levels are slowly starting to return to pre pandemic levels. (Carter, 2021)

#### **4.1.4 Technological Factors**

With the businesses main operation being a service provided where clients are allowed to destroy a wide variety of items in a controlled environment, the technological aspect of this analysis is not as relevant as anterior ones. The segment where technology applies for the business will be the marketing strategy and especially the digital marketing campaigns that the business will undertake. Considering that this business activity is still very unexploited in Spain and especially in Madrid, the best way to deal with the marketing challenges will be to hire already well-established marketing professionals. s

#### **4.1.5 Environmental Factors**

The environmental factor is a segment with high relevance to the business. Starting from one end, the weather and its extremities will not be a problem for the business or its operations as the daily operation will be conducted indoors at the company venue located within the central districts of Madrid. The increased awareness about climate change that has occurred over the last year in conjunction with governmental environmental policies, the business will have to take into consideration any types of environmental policies that the Spanish government and Madrid council have in place. Grab N' Smash will obviously operate within the legal frameworks when it comes to the managing and disposal of any type of materials, ensuring that they are disposed of and recycled in correct ways through the proper channels.

#### **4.1.6 Legal Factors**

It is important to highlight employment laws applicable in Spain. The company is expected to be a small PYME with only three employees in its starting stage. The company is constituted as a S.L.U. with a limited liability of the minimum 3,000 EUR required by law and with the power-making decisions under one member. To ensure a problem free inauguration and not to encounter more problems or possible fines in the future of the business, Grab N' Smash will make sure to have all possible permits required to be able to operate. Civil Liability Insurance and insurances for the staff will also be required, ensuring the business operations running smoothly.

## 4.2 Client Analysis

The clients targeted by the business will mainly be the millennial population residing in Madrid, other age groups to be taken into consideration will also be middle class working people above their 40s also known as generation X, the younger generation of clients known as generation Z and the massive influx of tourists that visit Madrid throughout the entire season and year. The focus will mainly be on the millennial generation since most of these clients today have started their careers and have their own disposable incomes. The products offered and marketing strategies will vary to some extent with regards to the younger generation of clients since most of them will be underage and will be accompanied by adults.

A client survey was conducted with a sample size of around 80 people with the intention of gathering empirical data regarding potential clients and their expectations. The most important questions that was asked was if people had prior knowledge of Rage Rooms, their desired session length and price that they were willing to pay.

Have you heard of the concept of a rage room before?

78 svar

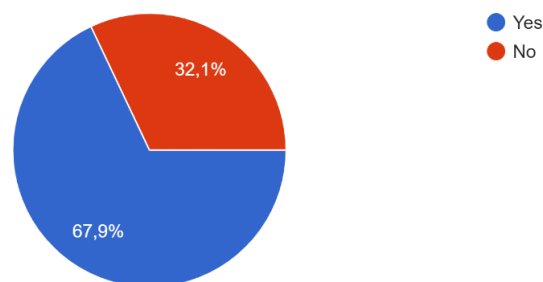


Figure 1 – Client Survey, Prior Knowledge – Own elaboration

How long would you prefer a rage room session to be?

78 svar

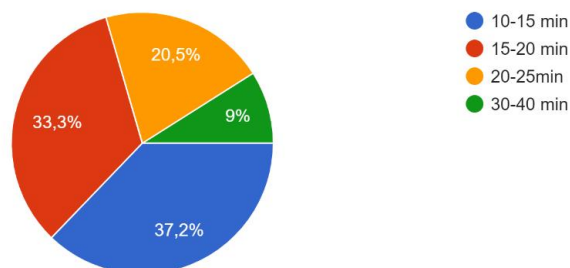
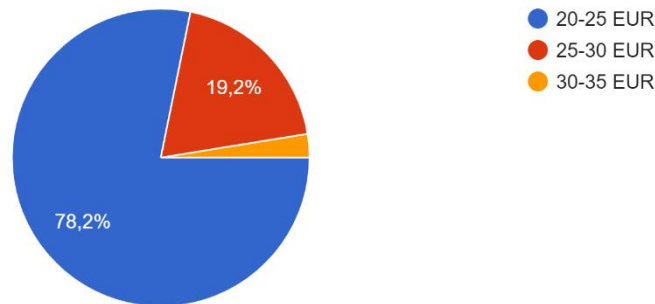


Figure 2 - Client Survey, Desired Session Length – Own elaboration

What price ranges are you willing to pay for a rage room session?

78 svar



*Figure 3 - Client Survey, Desired Price – Own elaboration*

As can be seen in figure 1, more than 65% of the sample had prior knowledge of the Rage Room concept, ensuring a much more facilitated entry to the leisure activities market since the concept of the business is to some extent familiar with the possible clients. Looking over the client survey results regarding session length and prices, there is a clear majority of preferability of which we will go deeper into further below in the pricing of our product.

### **4.3 Competitor's Analysis**

Grab N' Smash will be operating within the leisure activities market, which without proper definition is a very broad market with thousands of establishments operating within different sub sectors. Because of this the competitor's analysis has been segmented into direct and indirect competitors with the intention of identifying the main competitors and distant competitors. The research about competitors was conducted with Madrid and its surrounding regions as the main hub, even though competitors all over Spain were considered for some segments of the analysis. To help clarify, the term direct competitor refers to all the businesses that are presenting themselves as rage or anger rooms where the business idea and plan is similar to what is being presented in this report. Indirect competitors on the other hand refers to the many different leisure activities businesses that are in existence today, such as escape rooms, virtual reality arenas, hatchet throwing establishments and many more. Following below is a more detailed analysis that shows the many indirect competitors that are currently operating in Madrid and its surrounding regions.

**Direct Competitors:** After having conducted very thorough research the conclusion that was reached is that there is an extremely rare opportunity here in the terms of entering an almost entirely untouched blue ocean market. There is currently only 1 rage room in operation in the

entirety of Spain. Axerum in Vilanova in la Geltrú, a 30-minute drive outside of Barcelona take pride in being the only operating Rage room in the country and are currently boasting with weeklong waiting lists for their clients, (Camino, 2022). Focusing more locally into the Madrid region, another establishment presenting themselves as a rage room was found, Vendetta Rage Room, (Vendetta Rage Room, 2022). Even though the company is a registered business and has an operating website, the information that they provide is that they are still in the process of opening and this situation has been unchanged for the last 6 months as their website has been checked for any types of updates on a weekly basis. Since one of Grab N' Smash's main goals is to establish itself in Madrid and cement its presence in the first couple of years before even considering any type of expansion, the conclusion from the direct competitors analysis is that we have very free hands when it comes to the decision making regarding pricing, marketing campaigns and competitors strategies since there is no industry or competitor standard to follow, in fact this is the contrary where Grab N' Smash has the opportunity to set an industry standard and achieve milestones which future competitors instead have to follow.

**Indirect Competitors:** As defined earlier in the report, it is within in this subgroup where the real competition lies. Even though we have concluded that there are no direct competitors that can pose a threat to our business, there is more than plenty of indirect competitors. Having been a very avid consumer of leisure activities in Madrid myself, for this part of the analysis the most popular and trendy leisure activity businesses were considered since considering every player in the market would be almost an impossibility since there is thousands of leisure activity businesses currently in operation in the Madrid region alone. According to the Statistical Institute of Madrid, there is roughly 36700 registered business operating within the leisure industry in Madrid and of whom which circa 3000 are dedicated to sports, culture and recreational activities. The rage room concept falls in under the recreational and social leisure activities, (Instituto de Estadística, 2021). Following below is a sample of the many different competitors that offer to some extent similar services. There are many details however that need to be taken into consideration to make a fair analysis since many of these businesses operate within the same market, even though their services are fundamentally different and, in the end, it comes down to the companies' ability to market themselves and the different preferences of consumers. The different businesses that were considered for this analysis was derived based on their rating on Google and TripAdvisor since in today's society many

private consumers, especially the younger generations get their initial information from these websites before making their decisions.

COMPANY	AREA OF OPERATIONS	HQ
Cubick Escape Room	Pacífico, Madrid	Madrid, Spain
Locktopus Escape Game	Palos de Moguer, Madrid	Madrid, Spain
Fox in a Box Escape Room	Palos de Moguer, Madrid	Madrid, Spain
Exit Madrid Escape Game	Chamberi, Madrid	Madrid, Spain
El Hachazo	Pacífico, Madrid	Madrid, Spain
Urban Safari	Atocha, Madrid	Madrid, Spain
Virtual Zone Madrid	La Castellana, Madrid	Madrid, Spain
Arena Gaming	Tetuán, Madrid	Madrid, Spain

*Table 3 - Competitors offering similar services - Own elaboration*

Evidently there are many more companies in Madrid offer services whether it being escape rooms, virtual reality experiences or even other leisure activities not mentioned in this analysis. Since the whole industry is so broad and the term leisure activity covers almost infinite aspects, the decision was made to concentrate on a healthy number of indirect competitors within all subbranches of the sector. As can be seen in table 3 there is a dominating amount of escape rooms in comparison to the other services on offer, because of this, the escape room concept will be considered as the most direct of all the indirect competitors. The hatchet throwing establishments which share a striking similarity with our business idea in terms of physical activity is limited to only 2 businesses currently in operation in Madrid. In the end looking objectively over all the indirect competitors, the services offered are fundamentally different and it will come down to each individual business's ability regarding marketing, customer experience and journey and company image that will decide who will reap the benefits of having a bigger and more constant flow of customers with their daily operations.



### **4.3 Porter's Five forces analysis**

To get a clearer image of the industry that the business plans to operate in, the business plan utilizes a Porter's five forcer analysis to break down the industry further.

#### **4.3.1 Threat of substitution**

The level of this threat is medium. As mentioned earlier in the business plan Grab N' Smash operates primarily in a blue ocean, having no competitors for clients to substitute the service for. From this perspective the threat would be classified as low, but the indirect competitors must be taken into consideration since the service we offer can easily be substituted for the somewhat similar services offered by the indirect competitors. Additional factor to be taken into consideration is that the switching costs of the clients is almost nonexistent. The extremely low switching costs coupled with the wide variety of indirect competitors offering to an extent similar services puts the threat of substitution at a medium level.

#### **4.3.2 Threat of new entrants**

The threat of new entrants in the market is very high taking into consideration the low barriers of entry on one hand and the ease of establishing a recreational leisure activity company on the other. Adding more onto this the core service that Grab N' Smash offers can easily be replicated requiring almost no previous experience. Furthermore, the economic recovery from the COVID-19 pandemic is another factor to consider here since both the spending of disposable income of individuals have increased as well as investments both by individuals and companies. As much of the population worldwide, the inhabitants of Spain and Madrid spent almost 2 years of being either locked in or having their movement and social life severely restricted and it is only now in the last 6 months that life has somewhat returned to normalcy and people are eager to spend and invest their incomes.

#### **4.3.3 Bargaining power of customers**

The threat from the bargaining power of customers is considered high considering the very low switching cost for our customers, the availability of indirect competitors and how easy it is for the customers to simply spend their money at another establishment if for some reason they are not content with the quality of the service that Grab N' Smash offers. Due to the high supply and wide variety of almost similar services that are available on the market today and the fact that our prices fall within the same range as the Escape Rooms and hatchet throwing establishments, attracting customer attention and the ability to retain the customers will be a key factor for Grab N' Smash.

#### **4.3.4 Bargaining power of suppliers**

This risk is considered to be low with a few factors in play behind this decision. Our company delivers a service, and the possible suppliers are the many different “Punto Limpio” stations that are spread all over Madrid. (Ayuntamiento de Madrid, 2022) Because of this service-oriented nature there is also a lack of massive inventories, intermediaries or exclusive suppliers. The idea behind the supplier strategy will be to enter beneficial partnerships with as many of the “Punto Limpio” stations as possible which will be explained further later in this report when explaining the supply chain management. Thanks to the wide availability of these recycling stations, if for any reason one were to fail to hold up their end of the agreement or simply not wanting to enter a partnership, the low cost of switching and the wide availability of the other stations make the bargaining power of our suppliers low.

#### **4.3.5 Industry Rivalry**

As mentioned earlier even though there is high rivalry between the many indirect customers that our company faces, it becomes rather low or almost nonexistent when zooming in to the specific service that Grab N’ Smash offers. Companies in the leisure activities market tend to meticulously compete for the attention of their customers since it is very easy for the customers to just go to another company offering almost an identical service as has been established by this five forces analysis. The way the companies compete for the customers today is mostly through massive promotions on the internet and the different social media platforms. However, in the end the final decision is in the hand of the customer, and it is they who chose where they want to go. On this note a very important priority for Grab N’ Smash will be to gain recognition by allocating a lot of resources into publicity and different marketing campaigns to increase company recognition and brand awareness as much as possible.

#### 4.4 SWOT Analysis

Table 4 below shows the identified strengths, weaknesses, opportunities and threats of the business. Due to recent recovery both socially and financially from the Covid-19 pandemic and the nature of the business, the conclusion taken from the analysis is that this is a perfect moment to risk capital and invest in the creation of Grab N' Smash. The identified threats and opportunities will also help with the pessimistic and optimistic scenarios for the compiling of the financial calculations and forecasts.

Importance 1-3 1 - Not so Important 3 - Very important		EXTERNAL OPPORTUNITIES & THREATS							
		Blue ocean market	Economic recovery & tourism	Partner Punto Limpios	Indirect Competitors	Economic downturn	Failing partnerships	TOTAL	
INTERNAL	STRENGTHS	No stock & inventory	3	3	3	-1	0	-1	7
		Extremely low COGS	3	3	3	-2	1	-3	5
		Very liquid & big cash reserves	3	2	1	3	2	1	12
	Eco-Friendly Business	2	2	2	1	-2	0	5	
	WEAKNESSES	Financing needs	2	-1	-1	-2	-3	-2	-7
		No marketing exp	-2	-1	0	-3	-2	-1	-9
TOTAL								13	

Table 4 - SWOT analysis - Own elaboration

##### A) Strengths

- a) **No stock or inventory.** Since the company is entirely service based and, in this case, the only stock or inventory held will be all the discarded everyday objects that have been brought from the recycling stations. Because of this the handling and managing costs of the inventory is almost nonexistent and the objects will be stored on site within the facility where the business operates.
- b) **Extremely low production costs and costs of goods sold.** Relating back to the point above, since our main product is service based, Grab N' Smash will not be producing any goods and the main component of our product will be the items brought from the recycling stations. These items will be acquired for free or at an extremely low price which in turn leaves room for higher profit yields per unit of product sold since the

costs of goods sold will consist mainly of the different utilities' expenses incurred when acquiring said item and objects.

- c) **Very liquid business with big cash reserves.** Based on the fact of our very low production costs and the generous profit margins per unit sold, the cash forecasting of the business looks very promising. This will be explained more in detail later in the financial calculation and forecasting.
- d) **Eco-Friendly Business.** As mentioned in the beginning of this report, apart from starting and managing a business with the ambition to be profitable, one of the main objectives of Grab N' Smash is to be eco-friendly and to help increase awareness about the importance of circular economy and how our current model of consumption is not very sustainable. The objective of this is for the sake of our planet, future generations but also because Grab N' Smash wants to be the brand that is associated with being sustainable and eco-friendly.

## **B) Weaknesses**

- a) **The need of financial help** in the way of a 50.000 EUR ICO loan to acquire the needed equipment, such as a truck for the transportation between our facility and the recycling stations, the renting of a spacious locale in Madrid, the renovation and decoration of said locale. The loan will be at 4.503% interest rate, to be paid back in 7 years with monthly payments.
- b) **Extremely limited marketing experience.** Having only studied marketing briefly at university, the owner's marketing competence is very limited thus creating a need and dependency on marketing professionals to reach the goals set for the company. This will require big expenditures to ensure maximizing the marketing campaigns and the biggest reach possible.

### **C) Opportunities**

- a) **Complete blue ocean market.** As mentioned, several times earlier in this report, the lack of direct competitors gives rise to an unprecedented opportunity in the form of a blue ocean market where there are no active actors for the moment. If Grab N' Smash is founded properly and in time and the marketing strategies yield positive results, the possibility of capturing a massive share of the market becomes a reality. Another positive takeaway for the business from this opportunity is the ability to set industry standards in for example pricing and session durations. Being first to market will also have a massive impact on the establishment of the company's brand and the brands recognition with the clients once more competitors start to enter the market.
- b) **Economic recovery and the return of tourism.** With life somewhat having returned to normalcy after the massive restrictions of the COVID-19 pandemic, the inhabitants of Madrid are eager to pass their time with social and leisure activities and the city is prospering with life once again. Adding to this the levels of tourism are returning more and more to the pre-pandemic era and the economic recovery is seeing positive numbers finally for the first time in some years. (BBVA Research, 2021). This opportunity paired with the blue ocean one creates a very advantageous position when calculating the best-case scenario for the optimistic financial forecasts.
- c) **Extensive use of social media platforms.** Social media plays a massive role in today's society, especially with the younger generations, because of this reason our company will be heavily reliant on the use of **Instagram, Twitter, Facebook and Snapchat** and the accounts will be managed by professionals from the beginning until the brand has gained traction with the clients. Recognizing the role social media plays in how clients are exposed to companies and how they view them based on that fact will be the differentiating factor for the initial takeoff for Grab N' Smash and we intent to capitalize on this opportunity.
- d) **Partnerships with Punto Limpio Stations.** In essence, one of the biggest opportunities of this business is the lack of production materials and the costs to produce them. By entering mutually beneficial partnerships with the different Punto Limpio stations spread all over Madrid a substantial part of the production costs can

be avoided. The goal of the partnerships will be to create a beneficial situation for all parties involved, in Grab N' Smash's case this will mean the possibility to acquire the needed objects either for free or at a very low cost. In the case that they are acquired for free, once the items have been "destroyed" by our clients, the same items now in much smaller and separated pieces will be returned to the recycling stations and hence removing the need of dismantlement and the labor it takes to do that. On the other hand, if they are acquired at a very low cost, the earlier statement still applies but since the objects will be paid for, this will create a new small revenue stream for the recycling stations, since the discarded objects will be picked up on a weekly basis.

#### **D) Threats**

- a) Indirect competitors.** One of the biggest threats that Grab N' Smash faces is the wide variety of indirect competitors that today already are active on the market. Many of the businesses have operated for years and have well established business models and widespread brand recognition with the inhabitants of the city. For this reason, it must be taken into consideration that even though Grab N' Smash will do everything correctly, there is still the possibility of not reaching the set goals because of the indirect competitors and their already established positions in the market.
- b) Economic downturn with regards to increased inflation and the war in Ukraine.** Even though most economies globally, Madrid included are seeing recovery from the COVID-19 pandemic and restrictions have been lifted allowing for the public to spend money again, we must consider the ever higher and still increasing inflation rates. This together with the spike in commodities prices because of the Russian – Ukrainian war is more than enough reason for people to become more conscious of their expenditures and therefore this threat must be taken seriously. This threat paired with the above-mentioned threat of indirect competitors will be the base for the pessimistic financial forecasts.
- c) Failure of reaching beneficial agreement with Punto Limpio.** This threat must be recognized since the entire partnership and its terms are based on negotiations between Grab N' Smash and the different recycling stations. Depending on how these

negotiations go there is a possibility that the expected terms and opportunities forecasted by Grab N' Smash will not be met, and compromises have to be made.

## 5. Production/Operational Plan

### 5.1 Cost Analysis – Setup Costs, Fixed & Variable Costs

#### 5.1.1 Setup Costs

As can be seen in table 5 below, the company will confront various costs which will be needed for setting up the company before opening the doors up for business. One thing to be noticed here is the strategy to start preparing the acquirement of the company's main product which is the items that are required to be brought from the Punto Limpio stations. The plan is to start a campaign approximately one month before officially opening the business and hence having an adequate stock of items ready for destruction by the time the first customers come through the doors. This strategy is to give a small buffer window in case reaching an agreement with the Punto Limpio's takes longer than originally anticipated. This strategy will be explained more in detail in the supply chain management further below.

<b>Setup Costs of Grab N' Smash</b>	<b>EUR</b>
Creation of the company	3000
First Month rent & Security Deposit	7000
Protective Equipment	1500
Small truck	25000
Renovating rented venue	10000
Diesel costs	600
Small stock of drink & snacks	500
<b>TOTAL</b>	<b>47600</b>

*Table 5 – Setup Costs -Own Elaboration*

### **5.1.2 Fixed & Variable Costs**

As the company has no production costs since our main product will be conceived through partnerships with the Punto Limpio stations the focus will mainly be on the fixed costs that the company will face on a monthly and yearly basis. Expenses such as the rent for the venue, utilities such as electricity, internet connection, gas, water fees and diesel for the truck will all be considered fixed costs and will be paid on a monthly basis. The salaries and wages for the staff together with social security and the rent will be the operating expenses that Grab N' Smash will have. It has been decided that the marketing expenditures will be at 10% of the revenue and hence the marketing costs will be increasing at a steady rate with the revenue on a year-to-year basis. Since the marketing expenditure is set at a firm 10% it will be considered a fixed cost. Sometime within the first weeks of opening up the business a onetime cost of 5000 EUR will be incurred for the creation of a website for Grab N' Smash. (The Upwork Team, 2021) As mentioned earlier, since there are no productional costs and the marketing expenditures have been set as a fixed amount based on revenue, Grab N' Smash will have no variable costs and because of this, variable costs have not been considered in any of the financial calculations.

### **5.2 Human Resources Plan**

The company will compose of a team of four people including the owner(myself). It is important to mention that the team must embrace an agile and flexible work environment to minimize downtimes and adopt to maximum efficiency. Hence, everybody in the team should be able to complement each other and cover for each other when needed. As the work tasks of the staff to be hired will require basically no prior experiences or competencies, 3 persons will be hired at start on an hourly based contract with a minimum salary. 1 person will be stationed at the reception and register and will spend the time welcoming the customers and taking care of bookings, registrations, payments and all that will be needed for the customers to start their destructional therapy. 2 persons will be spending their time going between the different rooms that we will have available, explaining the routines for the customers and giving them the very important safety instructions before the start of each session.

Finally, the last person who will be myself will have a kind of hybrid position were depending on the demand, the work tasks will be varying. The main plan is to act as an extra help with the daily operations together with the 2 other members of the staff. Apart from this I will also



be in charge the weekly trips to the Punto Limpio stations which will be further explained in the supply chain strategy. The owner's role will also be a financial officer overlooking and managing all the financing of the company, such as maintaining all records and receipts, preparing budgets and reconciling all the company's transactions.

### **5.3 Supply Chain Management**

Grab N' Smash's supply chain management is very straight forward considering that the main product used for the service that we render will be acquired from the Punto Limpio stations spread all over the city of Madrid. But before we go deeper into that, one thing to be noted is the small stock of snacks and beverages that will be available for sale at the venue. The intention of the sales of these products is not to gain any type of profit and it is mainly to add some extra added value whilst at the same time having some type of consumables and condiments available for our customers. Because of this the consumables will be sold at a break-even price and will be included in the generic value of the stock which can be seen further below in the balance sheet.

Regarding the acquirement of the products and items from the Punto Limpio stations the strategy for the supply chain will be divided into 2 parts. Primarily, 1 month before officially opening the doors open for business a campaign will be conducted over social media, posting flyers all over the city and basically going door to door, asking anybody for any type of items that they do not need anymore and would like to throw away. It is because of this part of the strategy that one months' worth of diesel is included in the setup cost of the company. The idea with this campaign is to gather a fair amount of goods to store at our facilities so that when Grab N' Smash opens up for business there will be an adequate amount of items already available for destruction as the days and weeks start to pass and customers start to use our services.

Secondly, the point of the partnerships with the Punto Limpio stations is to reach favorable agreements with as many stations as possible and in that way ensuring a constant supply of items to be recovered on a weekly basis. I myself will be driving the truck between the different stations of which agreements have been made with once a week, picking up as many items as possible and thus ensuring that Grab N' Smash always has a proper supply of items ready and available on site.

## **5.4 Marketing Analysis**

Having in regard the very limited marketing experience of myself and the crucial weight that a proper marketing strategy it carries the decision was made to entirely outsource the marketing segment of the company to professionals. In today's very dynamic and fast-moving business environment, especially with the leisure market, having a digital presence is fundamental and synonymous with success. Therefore, with this understanding, the creation and managing of the social media accounts will be at the hand of myself and the employees for the first year of the company. Grab N' Smash will have a prominent presence on the most popular social media platforms such as Instagram, Facebook, Twitter and TikTok mainly as these platforms today serve as a source of firsthand information for millions of people all over the world. All other segments of the marketing such as SEOs (search engine optimization), the different campaign and ads will be outsourced to professionals of whom I will be in contact with on a regular basis, ensuring that the information and data generated is up to date and true to Grab N' Smash's ideals and principles. Having understood the importance of a proper presence online, especially through the SEO the decision has been made to allocate around 10% of the yearly revenue on a marketing budget. Even though this gives a big marketing budget, it will be of a necessity especially in the beginning of the birth of the company and thus guaranteeing that Grab N' Smash will stand out from its competitors. Apart from this the marketing campaign will be divided into 2 different segments with the content being different and customized depending on the prior knowledge of our customers when it comes to the Rage Room experience. Looking over the results of the client surveys roughly 68% of the clients had prior knowledge of what a Rage Room is and because of this we do not want to run the risk of boring them with marketing campaigns where we will be explaining the concept from scratch all over again. Thanks to the data from the client surveys, primarily the main focus of the marketing strategy will therefore be to spread awareness about the brand and the products offered and secondarily a second campaign will be conducted aiming for the client without any prior knowledge about the concept of a Rage Room.

## **5.5 Price/Sales**

All in all, Grab N' Smash will only have one product or service to offer which is the experience to enter a room and destroy a set number of items. To facilitate the calculations for accounting purposes but also to have a clearer picture of the operations of the business, this service offered will be divided into 4 different products, since the venue of which the business will operate will have 4 different rooms available. 3 of the rooms will be identical and will be

priced the same, the fourth room will be the special occasions/seasonal room which will have more special and limited time items and will have an individual price of its own. To avoid confusion and facilitate the distinction between the different rooms the products have been labeled as Product 1-4.

Based on the data gathered from the client surveys and on research made on the prices of the many indirect competitor the first 3 rooms will have a price of 25 EUR per session while the fourth room will have a fee of 35 EUR per session. Apart from this, the operational hours of Grab N' Smash will be 6 days a week from 14:00 – 23:00, reserving the final hour before closing for cleanup and preparation for the upcoming day. This gives Grab N' Smash an operating time of 8 hours a day for 6 days a week. The sessions will have a duration of 15 minutes and the session length is based on the data gathered from the client surveys. Counting in a window of 5 minutes between each session to do a quick cleanup and give the security instructions to the new clients, each room will have 3 sessions/hour

Based on the opportunities and threats of the SWOT analysis, the optimistic scenario would allow the business to have all 4 rooms booked for 8 hours a day/6 days a week. The pessimistic scenario on the other hand would have all 4 rooms booked but only for 4 hours a day and 6 days a week. The neutral and most possible scenario would be having all 4 rooms booked but only for 6 hours a day and for 6 days a week.

## **6. Financial Plan**

The financial plan aims to clarify and to translate into more economical terms the business plan which has been explained thoroughly throughout this entire report. One thing to be noted is that all calculations have been made through Microsoft Excel and all tables are sources of own elaborations. Before dwelling deeper into the financials, I would like to explain the reasoning behind the amounts set aside for the renting of space of which Grab N' Smash will conduct its daily operations. It was concluded that the optimal size of the rented venue should be somewhere between 100-130 square meters. Having researched extensively both on the many webpages of the hundreds of different real estate agencies that reside within the city of Madrid and using the webpage ([www.idealista.com](http://www.idealista.com)), the conclusion that was reached was that the average renting cost would be around 3500 EUR with an additional months rent put forward as a security deposit.

As mentioned earlier in the report the company will be constituted as a limited capital company (SLU) in the form of a proprietorship with one shareholder (myself). At the moment

of the creation of the company an initial investment of 50000 EUR was made with an additional 50000 EUR being borrowed through an ICO loan given by bank Santander.

### 6.1 Sources of Finance

As mentioned earlier the funding of Smash N’ Grab comes from 2 different sources, on one hand the owner (myself) made an initial investment of 50000 EUR which come from many years of saving. It was concluded though that this would not be enough to get the company up and running and because of this an additional 50000 EUR loan was required. ICO loans are very beneficial loans given by the Instituto de Credito Oficial here in Spain with very reasonable interest rates and hefty repayment periods. Having researched the different loans available for offer by the many different banks, the decision was made to take the loan from Santander (Instituto de credito Oficial, 2022) with an APR (annual percentage rate) of 4.503% and a repayment period of 7 years. The loan is meant to be paid back on a monthly basis. ICO loans have many requirements among which is to have a business plan and a bank guarantee. This guarantee in this case is the apartment of which I own and currently live in here in Madrid, valued at 140,000 EUR.

Unfortunately, the possibility of using a loan simulator with Santander was not possible and because of this an online amortization tool was used to break down the loan, the interest to be paid and the number of instalments needed to finish payments, the entirety of the loan and the accumulated interest.

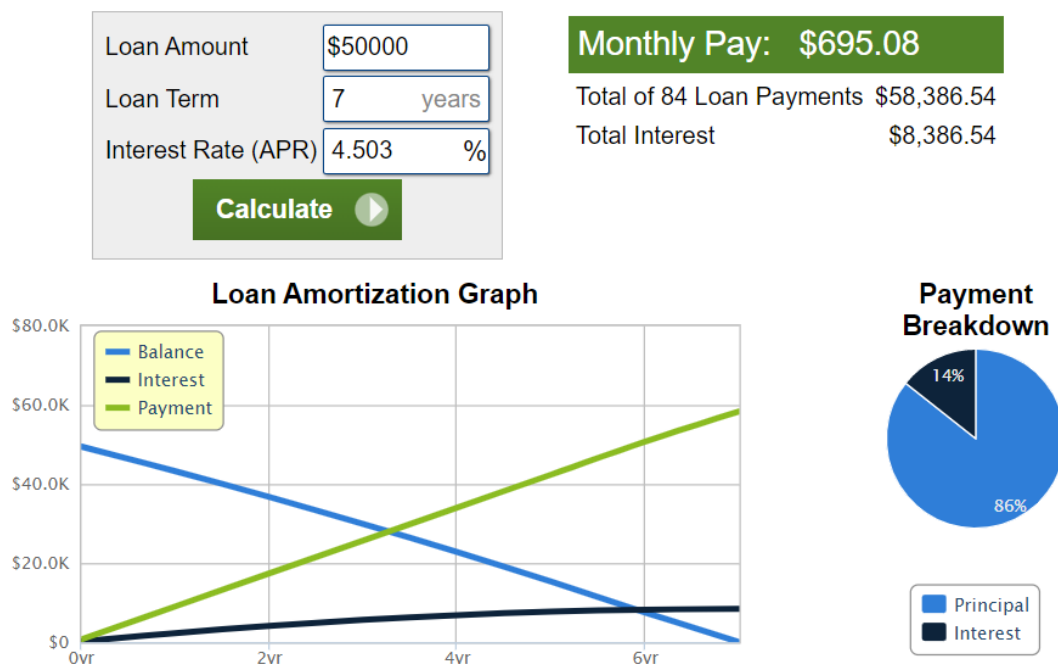


Figure 4 - Loan Amortization Tool

As can be seen here the monthly payment will be around 695.08 EUR with a total interest paid after the 7 years of 8,386.54 EUR. Note that there will be a very minor discrepancy between the loan amounts repaid, the interest and monthly payments between the amortization tool and the data in the financial statements and balance sheets.

- **Annual Amortization**

Annual Schedule		Monthly Schedule		
	Beginning Balance	Interest	Principal	Ending Balance
1	\$50,000.00	\$2,124.23	\$6,216.73	\$43,783.30
2	\$43,783.30	\$1,838.45	\$6,502.51	\$37,280.82
3	\$37,280.82	\$1,539.52	\$6,801.44	\$30,479.40
4	\$30,479.40	\$1,226.86	\$7,114.10	\$23,365.32
5	\$23,365.32	\$899.80	\$7,441.16	\$15,924.20
6	\$15,924.20	\$557.75	\$7,783.21	\$8,141.00
7	\$8,141.00	\$199.96	\$8,141.00	\$0.00

Figure 5 - Annual Amortization

- **Monthly Amortization**

### Monthly Amortization Schedule

Annual Schedule		Monthly Schedule		
	Beginning Balance	Interest	Principal	Ending Balance
1	\$50,000.00	\$187.62	\$507.46	\$49,492.55
2	\$49,492.55	\$185.72	\$509.36	\$48,983.19
3	\$48,983.19	\$183.81	\$511.27	\$48,471.92
4	\$48,471.92	\$181.89	\$513.19	\$47,958.73
5	\$47,958.73	\$179.97	\$515.11	\$47,443.62
6	\$47,443.62	\$178.03	\$517.05	\$46,926.58
7	\$46,926.58	\$176.09	\$518.99	\$46,407.59
8	\$46,407.59	\$174.14	\$520.94	\$45,886.66
9	\$45,886.66	\$172.19	\$522.89	\$45,363.77
10	\$45,363.77	\$170.23	\$524.85	\$44,838.92
11	\$44,838.92	\$168.26	\$526.82	\$44,312.10
12	\$44,312.10	\$166.28	\$528.80	\$43,783.30
<b>year 1 end</b>				
13	\$43,783.30	\$164.30	\$530.78	\$43,252.52
14	\$43,252.52	\$162.31	\$532.77	\$42,719.75
15	\$42,719.75	\$160.31	\$534.77	\$42,184.98
16	\$42,184.98	\$158.30	\$536.78	\$41,648.20
17	\$41,648.20	\$156.28	\$538.80	\$41,109.40
18	\$41,109.40	\$154.26	\$540.82	\$40,568.59
19	\$40,568.59	\$152.23	\$542.85	\$40,025.75
20	\$40,025.75	\$150.20	\$544.88	\$39,480.86
21	\$39,480.86	\$148.15	\$546.93	\$38,933.94
22	\$38,933.94	\$146.10	\$548.98	\$38,384.96
23	\$38,384.96	\$144.04	\$551.04	\$37,833.92
24	\$37,833.92	\$141.97	\$553.11	\$37,280.82
<b>year 2 end</b>				

Figure 6 - Monthly Amortization year 1&2

25	\$37,280.82	\$139.90	\$555.18	\$36,725.63
26	\$36,725.63	\$137.81	\$557.27	\$36,168.37
27	\$36,168.37	\$135.72	\$559.36	\$35,609.01
28	\$35,609.01	\$133.62	\$561.46	\$35,047.56
29	\$35,047.56	\$131.52	\$563.56	\$34,484.00
30	\$34,484.00	\$129.40	\$565.68	\$33,918.32
31	\$33,918.32	\$127.28	\$567.80	\$33,350.52
32	\$33,350.52	\$125.15	\$569.93	\$32,780.59
33	\$32,780.59	\$123.01	\$572.07	\$32,208.52
34	\$32,208.52	\$120.86	\$574.22	\$31,634.31
35	\$31,634.31	\$118.71	\$576.37	\$31,057.94
36	\$31,057.94	\$116.54	\$578.54	\$30,479.40
<b>year 3 end</b>				
37	\$30,479.40	\$114.37	\$580.71	\$29,898.70
38	\$29,898.70	\$112.19	\$582.89	\$29,315.82
39	\$29,315.82	\$110.01	\$585.07	\$28,730.75
40	\$28,730.75	\$107.81	\$587.27	\$28,143.48
41	\$28,143.48	\$105.61	\$589.47	\$27,554.01
42	\$27,554.01	\$103.40	\$591.68	\$26,962.33
43	\$26,962.33	\$101.18	\$593.90	\$26,368.43
44	\$26,368.43	\$98.95	\$596.13	\$25,772.30
45	\$25,772.30	\$96.71	\$598.37	\$25,173.93
46	\$25,173.93	\$94.47	\$600.61	\$24,573.32
47	\$24,573.32	\$92.21	\$602.87	\$23,970.45
48	\$23,970.45	\$89.95	\$605.13	\$23,365.32
<b>year 4 end</b>				

Figure 7 - Monthly Amortization Year 3&amp;4

49	\$23,365.32	\$87.68	\$607.40	\$22,757.92
50	\$22,757.92	\$85.40	\$609.68	\$22,148.25
51	\$22,148.25	\$83.11	\$611.97	\$21,536.28
52	\$21,536.28	\$80.81	\$614.27	\$20,922.02
53	\$20,922.02	\$78.51	\$616.57	\$20,305.45
54	\$20,305.45	\$76.20	\$618.88	\$19,686.57
55	\$19,686.57	\$73.87	\$621.21	\$19,065.36
56	\$19,065.36	\$71.54	\$623.54	\$18,441.83
57	\$18,441.83	\$69.20	\$625.88	\$17,815.95
58	\$17,815.95	\$66.85	\$628.23	\$17,187.73
59	\$17,187.73	\$64.50	\$630.58	\$16,557.15
60	\$16,557.15	\$62.13	\$632.95	\$15,924.20
<b>year 5 end</b>				

Figure 8 - Monthly Amortization year 5

## 6.2 Financial Statements

### 6.2.1 Balance Sheet

For the elaboration of the balance sheets for all 3 scenarios some parameters have been taken into consideration.

- As all the revenue from the services that Smash N' Grab renders will be entering directly into the cash register of the company, neither debit or credit accounts have been generated or any types of receivables.
- Based on the opportunities and threats of the SWOT analysis, it is forecasted that for the neutral scenario each of the 4 products will sell 5184 units per annum. The optimistic scenario forecasts 6912 units per annum sold and the pessimistic scenario forecasts 3456 units sold per annum.
- Since the business will be operating from a rented venue situated centrally in Madrid, no values for land and building have been considered.
- The loan received from the bank has been amortized from the long-term debts account
- The social security fees for the salaries of the employees have been calculated as an additional 24% of the salaries.
- Lastly to keep calculations simple and concise, the assumption has been made that the social security payments, the withholding of personal income tax of the employees, VAT and corporate tax have all been paid in their due time and hence there are no imbalance generated in the accounts.

## Balance Sheet Neutral Scenario

ASSETS						
<b>Current Assets</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	73,000.00	363,113.34	691,647.70	1,104,789.36	1,670,279.52	2,499,893.17
Total inventory	500.00	500.00	500.00	500.00	500.00	500.00
<b>Total current assets</b>	73,500.00	363,613.34	692,147.70	1,105,289.36	1,670,779.52	2,500,393.17
<b>Property and Equipment</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Machinery and equipment	26,500.00	26,500.00	26,500.00	26,500.00	26,500.00	26,500.00
Less Accumulated depreciation expense		3,785.71	7,571.43	11,357.14	15,142.86	18,928.57
<b>Total Property and Equipment</b>	26,500.00	22,714.29	18,928.57	15,142.86	11,357.14	7,571.43
<b>Other Assets</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>TOTAL ASSETS</b>	100,000.00	386,327.63	711,076.28	1,120,432.22	1,682,136.66	2,507,964.60
LIABILITIES						
<b>Total Current Liabilities</b>	-	-	-	-	-	-
<b>Debt</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/loan	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
<b>Total Debt</b>	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
<b>Total Other Liabilities</b>	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
EQUITY						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Retained earnings	-	292,562.14	623,826.03	1,039,990.59	1,608,810.26	2,442,073.81
<b>TOTAL EQUITY</b>	50,000.00	342,562.14	673,826.03	1,089,990.59	1,658,810.26	2,492,073.81
<b>TOTAL LIABILITIES AND EQUITY</b>	100,000.00	386,327.63	711,076.28	1,120,432.22	1,682,136.66	2,507,964.60

Figure 9 - Balance Sheet Neutral Scenario



### Balance Sheet Optimistic Scenario

ASSETS						
Current Assets	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	73,000.00	490,704.54	959,660.50	1,541,450.64	2,326,397.66	3,463,536.05
Total inventory	500.00	500.00	500.00	500.00	500.00	500.00
<b>Total current assets</b>	<b>73,500.00</b>	<b>491,204.54</b>	<b>960,160.50</b>	<b>1,541,950.64</b>	<b>2,326,897.66</b>	<b>3,464,036.05</b>
Property and Equipment	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Machinery and equipment	26,500.00	26,500.00	26,500.00	26,500.00	26,500.00	26,500.00
Less Accumulated depreciation expense		3,785.71	7,571.43	11,357.14	15,142.86	18,928.57
<b>Total Property and Equipment</b>	<b>26,500.00</b>	<b>22,714.29</b>	<b>18,928.57</b>	<b>15,142.86</b>	<b>11,357.14</b>	<b>7,571.43</b>
Other Assets	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>TOTAL ASSETS</b>	<b>100,000.00</b>	<b>513,918.83</b>	<b>979,089.08</b>	<b>1,557,093.50</b>	<b>2,338,254.80</b>	<b>3,471,607.48</b>
LIABILITIES						
<b>Total Current Liabilities</b>	-	-	-	-	-	-
Debt	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/loan	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
<b>Total Debt</b>	<b>50,000.00</b>	<b>43,765.50</b>	<b>37,250.25</b>	<b>30,441.62</b>	<b>23,326.41</b>	<b>15,890.79</b>
<b>Total Other Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>50,000.00</b>	<b>43,765.50</b>	<b>37,250.25</b>	<b>30,441.62</b>	<b>23,326.41</b>	<b>15,890.79</b>
EQUITY						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Retained earnings	-	420,153.34	891,838.83	1,476,651.87	2,264,928.40	3,405,716.69
<b>TOTAL EQUITY</b>	<b>50,000.00</b>	<b>470,153.34</b>	<b>941,838.83</b>	<b>1,526,651.87</b>	<b>2,314,928.40</b>	<b>3,455,716.69</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100,000.00</b>	<b>513,918.83</b>	<b>979,089.08</b>	<b>1,557,093.50</b>	<b>2,338,254.80</b>	<b>3,471,607.48</b>

Figure 10 - Balance Sheet Optimistic Scenario

### Balance Sheet Pessimistic Scenario

ASSETS						
<b>Current Assets</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	73,000.00	235,522.14	423,634.90	668,128.08	1,014,161.37	1,536,250.30
Total inventory	500.00	500.00	500.00	500.00	500.00	500.00
<b>Total current assets</b>	73,500.00	236,022.14	424,134.90	668,628.08	1,014,661.37	1,536,750.30
<b>Property and Equipment</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Machinery and equipment	26,500.00	26,500.00	26,500.00	26,500.00	26,500.00	26,500.00
Less Accumulated depreciation expense		3,785.71	7,571.43	11,357.14	15,142.86	18,928.57
<b>Total Property and Equipment</b>	26,500.00	22,714.29	18,928.57	15,142.86	11,357.14	7,571.43
<b>Other Assets</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>TOTAL ASSETS</b>	100,000.00	258,736.43	443,063.48	683,770.94	1,026,018.52	1,544,321.73
LIABILITIES						
<b>Total Current Liabilities</b>	-	-	-	-	-	-
<b>Debt</b>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/loan	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
<b>Total Debt</b>	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
<b>Total Other Liabilities</b>	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	50,000.00	43,765.50	37,250.25	30,441.62	23,326.41	15,890.79
EQUITY						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Retained earnings	-	164,970.94	355,813.23	603,329.31	952,692.11	1,478,430.94
<b>TOTAL EQUITY</b>	50,000.00	214,970.94	405,813.23	653,329.31	1,002,692.11	1,528,430.94
<b>TOTAL LIABILITIES AND EQUITY</b>	100,000.00	258,736.43	443,063.48	683,770.94	1,026,018.52	1,544,321.73

Figure 11 - Balance Sheet Pessimistic Scenario

## 6.2.2 Income Statement

### Income Statement Neutral Scenario

INCOME					
Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Product 1	129,600.00	142,560.00	171,072.00	222,393.60	311,351.04
Product 2	129,600.00	142,560.00	171,072.00	222,393.60	311,351.04
Product 3	129,600.00	142,560.00	171,072.00	222,393.60	311,351.04
Product 4	181,440.00	199,584.00	239,500.80	311,351.04	435,891.46
<b>Total revenue</b>	<b>570,240.00</b>	<b>627,264.00</b>	<b>752,716.80</b>	<b>978,531.84</b>	<b>1,369,944.58</b>
Cost of Sales					
Product 1	648.00	648.00	648.00	648.00	648.00
Product 2	648.00	648.00	648.00	648.00	648.00
Product 3	648.00	648.00	648.00	648.00	648.00
Product 4	907.20	907.20	907.20	907.20	907.20
<b>Cost of goods sold</b>	<b>2,851.20</b>	<b>2,851.20</b>	<b>2,851.20</b>	<b>2,851.20</b>	<b>2,851.20</b>
<b>Gross Profit</b>	<b>567,388.80</b>	<b>624,412.80</b>	<b>749,865.60</b>	<b>975,680.64</b>	<b>1,367,093.38</b>
<b>TOTAL REVENUE</b>	<b>567,388.80</b>	<b>624,412.80</b>	<b>749,865.60</b>	<b>975,680.64</b>	<b>1,367,093.38</b>
EXPENSES					
Operating expenses					
Sales and marketing	57,024.00	62,726.40	75,271.68	97,853.18	136,994.46
Depreciation	3,785.71	3,785.71	3,785.71	3,785.71	3,785.71
Insurance	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Payroll and Payroll Tax	44,640.00	44,640.00	44,640.00	44,640.00	44,640.00
Maintenance, repair, and overhaul	3,975.00	3,975.00	3,975.00	3,975.00	3,975.00
Utilities	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Administrative fees	300.00	300.00	300.00	300.00	300.00
Interest expense on long-term debt	2,081.24	1,800.50	1,507.12	1,200.52	880.13
Rent	42,000.00	42,000.00	42,000.00	42,000.00	42,000.00
<b>Total operating expenses</b>	<b>167,305.95</b>	<b>172,727.61</b>	<b>184,979.51</b>	<b>207,254.42</b>	<b>246,075.30</b>
Non-Recurring Expenses					
Unexpected Expenses	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
<b>Total Non-Recurring Expenses</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>
<b>TOTAL EXPENSES</b>	<b>177,305.95</b>	<b>182,727.61</b>	<b>194,979.51</b>	<b>217,254.42</b>	<b>256,075.30</b>
TAXES					
Income Tax	97,520.71	110,421.30	138,721.52	189,606.55	277,754.52
<b>TOTAL TAXES</b>	<b>97,520.71</b>	<b>110,421.30</b>	<b>138,721.52</b>	<b>189,606.55</b>	<b>277,754.52</b>
<b>NET PROFIT</b>	<b>292,562.14</b>	<b>331,263.89</b>	<b>416,164.57</b>	<b>568,819.66</b>	<b>833,263.56</b>

Figure 12 - Income Statement Neutral Scenario

### Income Statement Optimistic Scenario

INCOME	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue</b>					
Product 1	172,800.00	190,080.00	228,096.00	296,524.80	415,134.72
Product 2	172,800.00	190,080.00	228,096.00	296,524.80	415,134.72
Product 3	172,800.00	190,080.00	228,096.00	296,524.80	415,134.72
Product 4	241,920.00	266,112.00	319,334.40	415,134.72	581,188.61
<b>Total revenue</b>	<b>760,320.00</b>	<b>836,352.00</b>	<b>1,003,622.40</b>	<b>1,304,709.12</b>	<b>1,826,592.77</b>
<b>Cost of Sales</b>					
Product 1	864.00	864.00	864.00	864.00	864.00
Product 2	864.00	864.00	864.00	864.00	864.00
Product 3	864.00	864.00	864.00	864.00	864.00
Product 4	1,209.60	1,209.60	1,209.60	1,209.60	1,209.60
<b>Cost of goods sold</b>	<b>3,801.60</b>	<b>3,801.60</b>	<b>3,801.60</b>	<b>3,801.60</b>	<b>3,801.60</b>
<b>Gross Profit</b>	<b>756,518.40</b>	<b>832,550.40</b>	<b>999,820.80</b>	<b>1,300,907.52</b>	<b>1,822,791.17</b>
<b>TOTAL REVENUE</b>	<b>756,518.40</b>	<b>832,550.40</b>	<b>999,820.80</b>	<b>1,300,907.52</b>	<b>1,822,791.17</b>
<b>EXPENSES</b>					
<b>Operating expenses</b>					
Sales and marketing	76,032.00	83,635.20	100,362.24	130,470.91	182,659.28
Depreciation	3,785.71	3,785.71	3,785.71	3,785.71	3,785.71
Insurance	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Payroll and Payroll Tax	44,640.00	44,640.00	44,640.00	44,640.00	44,640.00
Maintenance, repair, and overhaul	3,975.00	3,975.00	3,975.00	3,975.00	3,975.00
Utilities	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Administrative fees	300.00	300.00	300.00	300.00	300.00
Interest expense on long-term debt	2,081.24	1,800.50	1,507.12	1,200.52	880.13
Rent	42,000.00	42,000.00	42,000.00	42,000.00	42,000.00
<b>Total operating expenses</b>	<b>186,313.95</b>	<b>193,636.41</b>	<b>210,070.07</b>	<b>239,872.15</b>	<b>291,740.12</b>
<b>Non-Recurring Expenses</b>					
Unexpected Expenses	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
<b>Total Non-Recurring Expenses</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>
<b>TOTAL EXPENSES</b>	<b>196,313.95</b>	<b>203,636.41</b>	<b>220,070.07</b>	<b>249,872.15</b>	<b>301,740.12</b>
<b>TAXES</b>					
Income Tax	140,051.11	157,228.50	194,937.68	262,758.84	380,262.76
<b>TOTAL TAXES</b>	<b>140,051.11</b>	<b>157,228.50</b>	<b>194,937.68</b>	<b>262,758.84</b>	<b>380,262.76</b>
<b>NET PROFIT</b>	<b>420,153.34</b>	<b>471,685.49</b>	<b>584,813.05</b>	<b>788,276.53</b>	<b>1,140,788.29</b>

Figure 13 - Income Statement Optimistic Scenario

### Income Statement Pessimistic Scenario

INCOME	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue</b>					
Product 1	86,400.00	95,040.00	114,048.00	148,262.40	207,567.36
Product 2	86,400.00	95,040.00	114,048.00	148,262.40	207,567.36
Product 3	86,400.00	95,040.00	114,048.00	148,262.40	207,567.36
Product 4	120,960.00	133,056.00	159,667.20	207,567.36	290,594.30
<b>Total revenue</b>	<b>380,160.00</b>	<b>418,176.00</b>	<b>501,811.20</b>	<b>652,354.56</b>	<b>913,296.38</b>
<b>Cost of Sales</b>					
Product 1	432.00	432.00	432.00	432.00	432.00
Product 2	432.00	432.00	432.00	432.00	432.00
Product 3	432.00	432.00	432.00	432.00	432.00
Product 4	604.80	604.80	604.80	604.80	604.80
<b>Cost of goods sold</b>	<b>1,900.80</b>	<b>1,900.80</b>	<b>1,900.80</b>	<b>1,900.80</b>	<b>1,900.80</b>
<b>Gross Profit</b>	<b>378,259.20</b>	<b>416,275.20</b>	<b>499,910.40</b>	<b>650,453.76</b>	<b>911,395.58</b>
<b>TOTAL REVENUE</b>	<b>378,259.20</b>	<b>416,275.20</b>	<b>499,910.40</b>	<b>650,453.76</b>	<b>911,395.58</b>
<b>EXPENSES</b>					
<b>Operating expenses</b>					
Sales and marketing	38,016.00	41,817.60	50,181.12	65,235.46	91,329.64
Depreciation	3,785.71	3,785.71	3,785.71	3,785.71	3,785.71
Insurance	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Payroll and Payroll Tax	44,640.00	44,640.00	44,640.00	44,640.00	44,640.00
Maintenance, repair, and overhaul	3,975.00	3,975.00	3,975.00	3,975.00	3,975.00
Utilities	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Administrative fees	300.00	300.00	300.00	300.00	300.00
Interest expense on long-term debt	2,081.24	1,800.50	1,507.12	1,200.52	880.13
Rent	42,000.00	42,000.00	42,000.00	42,000.00	42,000.00
<b>Total operating expenses</b>	<b>148,297.95</b>	<b>151,818.81</b>	<b>159,888.95</b>	<b>174,636.69</b>	<b>200,410.48</b>
<b>Non-Recurring Expenses</b>					
Unexpected Expenses	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
<b>Total Non-Recurring Expenses</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>
<b>TOTAL EXPENSES</b>	<b>158,297.95</b>	<b>161,818.81</b>	<b>169,888.95</b>	<b>184,636.69</b>	<b>210,410.48</b>
<b>TAXES</b>					
Income Tax	54,990.31	63,614.10	82,505.36	116,454.27	175,246.28
<b>TOTAL TAXES</b>	<b>54,990.31</b>	<b>63,614.10</b>	<b>82,505.36</b>	<b>116,454.27</b>	<b>175,246.28</b>
<b>NET PROFIT</b>	<b>164,970.94</b>	<b>190,842.29</b>	<b>247,516.09</b>	<b>349,362.80</b>	<b>525,738.83</b>

Figure 14 - Income Statement Pessimistic Scenario

### 6.2.3 Cash Flows

The following statements serves to provide information about the inflows and outflows of cash for Grab N' Smash for the following 5 years taking into consideration all 3 possible scenarios.

#### Cash Flow Statement Neutral Scenario

Operating activities	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Net income	164,970.94	190,842.29	247,516.09	349,362.80	525,738.83	
Depreciation	3,785.71	3,785.71	3,785.71	3,785.71	3,785.71	
Accounts receivable	-	-	-	-	-	
Inventories	-	-	-	-	-	
Accounts payable	-	-	-	-	-	
Amortization	- 8,340.96	- 8,340.96	- 8,340.96	- 8,340.96	- 8,340.96	
<b>Total operating activities</b>	<b>160,415.69</b>	<b>186,287.04</b>	<b>242,960.84</b>	<b>344,807.55</b>	<b>521,183.58</b>	
<b>Cumulative cash flow</b>	<b>154,181.18</b>	<b>179,771.80</b>	<b>236,152.21</b>	<b>337,692.33</b>	<b>513,747.97</b>	
<b>Beginning cash balance</b>	<b>73,000.00</b>	<b>227,181.18</b>	<b>406,952.98</b>	<b>643,105.20</b>	<b>980,797.53</b>	
<b>Ending cash balance</b>	<b>227,181.18</b>	<b>406,952.98</b>	<b>643,105.20</b>	<b>980,797.53</b>	<b>1,494,545.50</b>	

Figure 15 - Cash Flow Statement Neutral Scenario

#### Flow Statement Optimistic Scenario

Operating activities	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Net income	420,153.34	471,685.49	584,813.05	788,276.53	1,140,788.29	
Depreciation	3,785.71	3,785.71	3,785.71	3,785.71	3,785.71	
Accounts receivable	-	-	-	-	-	
Inventories	-	-	-	-	-	
Accounts payable	-	-	-	-	-	
Amortization	- 8,340.96	- 8,340.96	- 8,340.96	- 8,340.96	- 8,340.96	
<b>Total operating activities</b>	<b>415,598.09</b>	<b>467,130.24</b>	<b>580,257.80</b>	<b>783,721.28</b>	<b>1,136,233.04</b>	
<b>Total investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Cumulative cash flow</b>	<b>409,363.58</b>	<b>460,615.00</b>	<b>573,449.17</b>	<b>776,606.06</b>	<b>1,128,797.43</b>	
<b>Beginning cash balance</b>	<b>73,000.00</b>	<b>482,363.58</b>	<b>942,978.58</b>	<b>1,516,427.76</b>	<b>2,293,033.82</b>	
<b>Ending cash balance</b>	<b>482,363.58</b>	<b>942,978.58</b>	<b>1,516,427.76</b>	<b>2,293,033.82</b>	<b>3,421,831.25</b>	

Figure 16 - Cash Flow Statement Optimistic Scenario

### Cash Flow Statement Pessimistic Scenario

Operating activities	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Net income	164,970.94	190,842.29	247,516.09	349,362.80	525,738.83	
Depreciation	3,785.71	3,785.71	3,785.71	3,785.71	3,785.71	
Accounts receivable	-	-	-	-	-	
Inventories	-	-	-	-	-	
Accounts payable	-	-	-	-	-	
Amortization	- 8,340.96	- 8,340.96	- 8,340.96	- 8,340.96	- 8,340.96	
<b>Total operating activities</b>	<b>160,415.69</b>	<b>186,287.04</b>	<b>242,960.84</b>	<b>344,807.55</b>	<b>521,183.58</b>	
<b>Cumulative cash flow</b>	<b>154,181.18</b>	<b>179,771.80</b>	<b>236,152.21</b>	<b>337,692.33</b>	<b>513,747.97</b>	
<b>Beginning cash balance</b>	<b>73,000.00</b>	<b>227,181.18</b>	<b>406,952.98</b>	<b>643,105.20</b>	<b>980,797.53</b>	
<b>Ending cash balance</b>	<b>227,181.18</b>	<b>406,952.98</b>	<b>643,105.20</b>	<b>980,797.53</b>	<b>1,494,545.50</b>	

Conclusively as can be seen by the different statements, thanks to the incredibly high profit margin and the low cost of goods sold, the cash liquidity of the company is extremely high. The business has the prospect of being very profitable within one year of operating business and all profits will be retained within the company with the ambition of preparing for the expansion when reaching the end of year 5. Even though the company will have the possibility to pay of all liabilities within a short amount of time, the strategy is to follow the initial plan and focus on growth and increased brand awareness for the 5 first years before taking the decision of liquidating the debts and using the retained profit for expansion into other cities in Spain.

Considering the income statements some points with regards to the utilities expenses and corporate tax is to be made. Firstly, regarding the corporate tax, a flat rate of 25% has been used even though there are several different schemes that can be utilized depending on how young a company is and the size of it here in Spain. To avoid any complications and to keep things simple the flat rate of 25% was the most sensible to use. Secondly regarding the utilities fees which in Grab N' Smash's case consists of electricity, internet connection, water, gas and diesel for the truck, a fairly generous amount has been calculated with the intention to mitigate the ever changing and increasing prices that have occurred in Spain over the last couple of years.

### 6.2.4 WACC

When calculating the WACC, the cost of capital weighted is what is calculated. Preferred stocks, common stocks, bonds should be taken into consideration but since Grab N' Smash is a small business, only the cost of debt will be considered since there is no cost of equity. To calculate the WACC, following formula was used:

$$WACC = \left( \frac{E}{V} \times Re \right) + \left( \frac{D}{V} \times Rd \times (1 - Tc) \right)$$

Using the formula above the WACC was calculated using excel.

Total Debt	€ 50,000.00
Total Equity	€ 50,000.00
Total Equity + Debt	€ 100,000.00
Cost Of Equity	€ -
Interest Expense	€ 8,386.54
Tax Rate	25%
<b>WACC</b>	0.0629
%=	6.29%

### 6.2.5 NPV (Net Present Value) & IRR (Internal Rate of Return)

The NPV calculate the difference present value of cash inflows and outflows over a certain period. The IRR on the other hand calculates the profitability of any potential investments and is also the annual return of whom which the NPV is at 0. Obviously the higher the IRR the more lucrative the investment. The IRR can be calculated using the following formula: All the following calculations have been made in excel for facilitation and clarity.

$$0 = NPV = \sum_{t=1}^T \frac{C_t}{(1 + IRR)^t} - C_0$$



Calculate NPV	
Interest Rate	6.29%
Initial Investment	100,000.00
Net Cash Flows	
0	-100000
1	292,562.14
2	331,263.89
3	416,164.57
4	568,819.66
5	833,263.56
Output	
NPV	1,874,909.86
IRR	310%

### 6.2.6 Financial Ratios

- Working-capital-ratio:** Measures the ease of which a company can convert its assets into cash to pay off debts Basically meaning the ability of a company to pay its current liabilities with its current assets. Working capital ratio is calculated by dividing total assets by total liabilities.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Assets	100000.00	377986.67	694394.36	1095409.34	1648772.82	2466259.80
Total Liabilities	50000.00	43765.50	37250.25	30441.62	23326.41	15890.79
Working Capital Ratio	2	8.64	18.64	35.98	70.68	155.20

- Debt-to-equity Ratio:** This shows how much of a company's operations is financed by borrowed money. It is calculated by dividing the total liabilities by total Shareholder equity.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Liabilities	50000.00	43765.50	37250.25	30441.62	23326.41	15890.79
Total Equity	50000.00	50000.00	50000.00	50000.00	50000.00	50000.00
Debt to Equity Ratio	1	0.88	0.75	0.61	0.47	0.32

- **Return on Equity Ratio:** This ratio measures how effectively a company makes use of shareholder money to generate revenue. It is calculated by dividing net income by the total shareholder equity.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Net Income	50000.00	292562.14	331263.89	416164.57	568819.66	833263.56
Total Equity	50000.00	50000.00	50000.00	50000.00	50000.00	50000.00
Return on Equity Ratio	1	5.85	6.63	8.32	11.38	16.67

## 7. Contingency Plan & Limitations

The world of business is very dynamic as has been mentioned before and unfortunately many unforeseen events both internally and externally might take place and happen and because of this a contingency plan has been designed to prepare for worst case scenarios. The external scenarios are much harder to anticipate and prepare against compared to the internal ones. Externally Grab N' Smash is exposed to major global events that can come to affect the business and its daily operations such as the major consequences of the COVID-19 pandemic and the economical effects of which we are starting to feel more clearly today with increased inflation rates and once again the downturn of individual expenditures as prices are starting to increase. On another hand the Russian war in Ukraine is still going on and the effects have been felt worldwide both socially and financially, especially in the financial markets and the prospects for future possible investments.

Internally the risks are a bit different, as the company's main product is the destruction of items and any type of customer is allowed into the premises, proper safety protocols will have to be put in place and be followed diligently. Any type of misbehavior or not adhering to the safety protocols will result in warning and eventually permanent bans of the facilities and its services as the risk of physical damage is very high. It is because of this reason a very hefty amount has been set aside for different types of insurances as can be seen in the financial statements. Grab N' Smash will ensure to have its staff fully insured and having the proper civil liability insurances in place in the case of any accidents that might occur. Apart from this as a safety precaution all customers will have to sign a civil liability waiver and thus minimizing the risk of any potential lawsuits due to the incompetence or straight-out unwillingness of the customers and their ability to follow the safety protocols.

## **7.1 Limitations**

The goal of this project was to determine the feasibility of starting a business in today's business climate. The limitations of this financial plan are, but not limited to:

- The technical limitations of the Microsoft Excel for all the accounting and financial statements.
- The financial plan is based on the Spanish General Accounting Plan of 2007.
- The Inability to forecast figures with accuracy.
- Not having access to the financial reports of some of the indirect competitors to analyse their services and products offered in more detail.
- A lack of experience as an entrepreneur with only limited theoretical financial knowledge
- Not having considered all possible costs and minor risks.

## **8. Conclusion**

Conclusively after having spent many years as an avid consumer of the services offered by the many different leisure activities companies based in Madrid, the moment to take the leap and to start my own business within this part of the market has never been more correct. Over the course of the last few years the world has been through an roller coaster both emotionally and physically with a massive global pandemic, complete lockdown of societies and an complete shift in the way of life of basically every person on the planet. Many of us have had to change ou ways of life completely in order to adapt to this new reality and returning back a normal life seemed very far away on the horizon not so long ago. But thanks to the technological advances, especially withing the medicinal sector and the roll out of vaccines, slowly slowly life has started to regain its balance and today the majority of people are living their lifes as they were before the pandemic started. It is because of this reason that I felt that it was the right time to take the leap and risk and invest the capital needed in order to be able to capitalize on this opportunity. On the other hand looking closer into the Grab N' Smash and the business plan by itself, as it has been established by the thorough client and market research, the competitor analysis and the financial calculations the business plan have great potential of being very successful within a short amount of time and the prospect of the

company to be financially free within 1 year of operations is very good. The market analysis has concluded that this is indeed a blue ocean market that is basically untouched giving the possibility of becoming market leader and setting industry milestones and standard. Looking over the financials one can clearly see that thanks to the very beneficial opportunity of reaching agreements with the Punto Limpio Stations the cost of which the main products can be achieved is basically nothing giving way to an extremely low productional cost for the services rendered. This in turn gives a very generous profit margin and since the business does not have any major costs apart from some fixed operational costs the cash liquidity of the business is substantial, creating a massive buffer in case of any types of emergencies. The massive cash reserves that will be accumulated over the first few years will then be used to follow the one of the main objectives of Smash N' Grab which in the end is to establish itself and its brand in Madrid primary but with the end ambition of expanding into several major cities in Spain and thus making a name for itself as the go to Rage Room Experience provider.

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