DELIVERABLE

Project Acronym: **iSAC6+**

Grant Agreement number: 238887

Project Title: A unique European citizens' attention service

Deliverable 6.4 Final report on viability of iSAC in other EU contexts

Revision: 1.0

Authors:

Ruben Riestra (Inmark)
Ana Maria Franco (Inmark)
Xenia Beltrán (Inmark)
Cristina Lucas (Inmark)
Neus Barbosa (King e-Client)
Javier Aguilar (King e-Client)

Project co-funded by the European Commission within the ICT Policy Support Programme		
Dissemination Level		
P	Public	x
C	Confidential, only for members of the consortium and the Commission Services	

Document details

WP <6>	Validation for exploitation (integration, certification, and maintenance)
WPL	Inmark
Task 6.4	Business Plan for further deployment of iSAC
TL	Inmark
Dependencies	This deliverable has direct dependencies with other deliverables.
Starting date	1/04/2012
Release date	31/08/2012
Authors	Rubén Riestra; Ana Franco; Xenia Beltrán, Cristina Lucas, Neus Barbosa, Javier Aguilar
Contributors	All partners
Reviewers	Pep Lluis de la Rosa
Approved by	Project coordinator on behalf of the Project Management Board

Revision History

Version	Date	Authors/Reviewers	Sections affected
0.1	09/07/12	Ruben Riestra (Inmark)	All
0.2	22/08/12	Ruben Riestra (Inmark)	All
1.0	31/08/12	Ruben Riestra (Inmark)	All

Abbreviations

- SAC, Citizens' Attention and Information Services, Citizens' Services, Servicios de Atención Ciudadana (in Spanish), Informació Ciudadana and Atenció Ciudadana (in Catalan), Information and Referral (I&R) and 311 in the USA
- iSAC, on line Citizens Information and Service Access
- ICT, Information and Communication Technologies

Table of Contents

EXECUTIVE SUMMARY

The iSAC6+ project aims at facilitating the deployment of iSAC, a platform to deliver precise, relevant answers to open questions raised by citizens, through open on-line back office services.

Within iSAC6+, specific efforts are devoted to identify/update market based requirements as well as to define the conditions for the commercial exploitation of the system. The initial assumptions about the existence of a market opportunity which could be addressed and exploited by the Consortium members have so far been proved by means of our market validation and competitors' analysis activities.

As a consequence of the analyses of project results, we believe iSAC is well suited to be positioned as a competitive solution for SAC providers. Consequently, iSAC6+ partners are preparing themselves to undertake, under different roles, the endeavour to further exploit iSAC for their own usage as well as extending the users base, to secure sustainability and continuous development of the ISAC offering.

After the project is finished, SAM will continue the commercialization of iSAC, both in terms of augmenting its market penetration of the Spanish local administration market, as well as starting expanding its scope of action towards Local Administrations in other prioritized EU countries, with the cooperation of iSAC6+ partners, especially in identifying and developing territorially based commercial partnerships with integrators and developers.

This Deliverable presents a business plan for this radical expansion in commercializing the iSAC solution. This Business Plan describes the basic characteristics on the intended endeavour, including:

- A strategic SWOT diagnosis of iSAC in the targeted marketplace, depicting the market environment challenges and the iSAC capacities to fulfil customers needs and to compete with other suppliers.

- A definition of the market development strategy, taking into consideration both market situation as well as partners individual intended role in the future commercialising the iSAC offering.

- A set of financial forecasts derived from the deployment plan, together with major indicators showing the feasibility of the intended business.

1. ISAC, INNOVATION FOR CITIZENS´ SERVICES

iSAC is an intelligent system capable of creating and optimizing virtual care service offered by public administrations to citizens.

iSAC help to reduce administrative burdens providing citizens with the specific answer they are looking for and, for the service supplier (the local administration), iSAC contributes to improvements in effectiveness and productivity.

More in detail, some of the foreseen benefits are the following:

- iSAC Benefits for the users, especially the citizens:
    - Answers citizens' questions on *24/7 basis,*
    - Using local context, and
    - Using citizens' own language,
    - With less burdens for them.

- iSAC Benefits for SAC provider organization:
    - Extends services and increase SAC availability
    - Enhances internal coordination (back/front offices)
    - Economies of scale
    - Secures citizens' satisfaction

iSAC was launched in 2006 as an online information service to meet the needs of the citizen attention services (SAC) with a first pilot: City Council of Terrasa (200,000 inhabitants) located in the industrial area of Barcelona, Spain. Then considering this successful experience, the iSAC6+ project has taken place to better understand the potential for a wider European deployment.

Since SAC´s launching, SAM has been pursuing the development of both the product and its market, concentrating in their closest/neighbouring local administration governments.

This activity has been instrumental in advancing the implementation of organizational resources and business processes while getting the first feedback on current practices, competitors and ultimately, market acceptance of the iSAC offering.

Furthermore, the project itself has allowed the partners -most of them early adopters- and to SAM -as supplier- to get a much wider vision (impossible within its own local/national reality and resources) on the one hand about market requirements and potential, and on the other, on improvements or changes to be introduced into the iSAC offering to have an relevant impact.

2. STRATEGIC DIAGNOSIS

This chapter contains the analysis of the competitive challenges to be addressed in the formulation of a feasible business plan for deploying iSAC to a larger community of users.

2.1. External Diagnosis

This section overviews the ***Political***, ***Economic***, **Socio-cultural**, and ***Technological factors***[1]*, i.e. the m*acro-environment variables or *Market Shaping Forces* establishing the **contextual framework** for the analysis of the business potential of iSAC services offering:

- Political conditions and governmental policy not only influence macroeconomic conditions; regulations and the political realm also affect organisations both directly and indirectly.
- Economic conditions affect how easy or difficult it is to be successful and profitable because they affect availability of capital, cost and demand. Increasing globalisation presents a challenge to compete against products with world-class quality and financial strength, as well as to enter the markets of developing economies through joint ventures or partnerships.
- Technology and particularly ICT are dramatically changing everyday´s life for people and disprupting the way public and private organisations develop their activities.
- The socio-cultural environment comprises the demand, its attitudes and tastes, which depend on social dynamics and new cultural models[2].

2.1.1. Political analysis

In general, policy making and the legal framework establish a favourable context for initiatives of virtual services such as the ones based on iSAC.

Key political initiatives addressing competitive challenges driven by globalisation represent a clear source of requirements as well as opportunities for developing virtual services. The most visible example in this area is the Lisbon Strategy and its related measures promoting the consolidation of Europe as a world leading knowledge-based economy.

During the last two decades, the European Commission has being supporting “the creation of a Single European Information Space to promote an open and complete internal market for information society and media” following three objective established by i2010 – A European Information Society for Growth and Employment.

EC main objectives are reduce the political barriers, decrease the bureaucracy in some public organizations and improve how the information is organized and delivered. Within this context, the strong impulse given at political levels –at EC and Member State levels- to e-government, is of specific importance for the development potential of SAC, thus for iSAC. Actually, the fact of **certain e-government**[3] **practices becoming mandatory by law, constitutes in itself the most important market development driver for iSAC, and a fundamental feasibility factor for setting up a business focused around selling iSAC offering**.

[1] The PEST analysis. Aguilar, Francis. *Scanning the Business Environment*. New York: Macmillan.
[2] Alvermann D. (2004) ‘Media, information communication technologies, and youth literacies - A cultural studies perspective’ American Behavioral Scientist 48, 1, pp.78-83
[3] *e-Government. It is about using the tools and systems made possible by Information and Communication Technologies (ICT) to provide better public services to citizens and businesses. ICT are already widely used by government bodies, just as in businesses.* http://ec.europa.eu/information_society/activities/egovernment/implementation/idabc/index_en.htm

As an example of this favorable trait, Spanish public administrations at all levels must offer the citizens the possibility to execute all administrative procedures and services through online channels. The progressive implementation of these alternative channels has already demonstrated to generate additional large amounts of online queries.

2.1.2. Economic analysis

The **generalised process of change affecting the economy establishes diverse incentives for iSAC development.**

The progressive shift to a *Service-based economy* has given way to a content-, information-, and knowledge-based new world of businesses, both profit and non-profit oriented, coming from the private sector as well as from the public administration, with immediate effects such as increasing the strategic importance, economic relevance, and legal regulation of intellectual assets.

Services are defined[4] as a diverse group of economic activities that typically involve the provision of human value added in the form of labour, advice, managerial skill, entertainment, training, intermediation and the like. They must be consumed at the point of production, e.g. enjoying a meal at a restaurant or attending a concert; and represent a high percentage of the GDP. In 2010 services represented 71% of the European Economy[5].
Furthermore, services are a diverse group of economic activities that include high technology, knowledge-intensive sub-sectors as well as labour-intensive, low skill areas. In many aspects, service sectors exhibit marked differences from manufacturing – although these distinctions may be blurring.

For example, the Internet is narrowing the differences between services and other economic activities, it allows providers to produce a single product, which is not mass-produced, but that is capable of being mass-consumed, either on a standardised or customised basis. Such is the case of online Internet access to dictionaries, encyclopaedias, newspapers, and other sources of information, knowledge, culture, and entertainment, such as the ones addressed by iSAC offering. As a matter of fact, activities and services grouped under the concept of e-Government are rapidly becoming a mainstream public administration services delivery model in the EU. User-oriented and user-centric public e-services are beginning to emerge according to the EC economic impact estimates of e-Government. In 2006, development programmes were estimated as high as 1.5% of EU Gross Domestic Product (GDP) by 2010.

Without any doubt, the most relevant threat for iSAC development is the current economic downturn situation. In this respect, public sector budgetary restrictions are hampering investment required to be made by local authorities.

2.1.3. Social-cultural analysis

The Content, Information, and Knowledge Economy paradigm goes parallel with the development of the Information Society as a whole. This transformation of social behaviours is to a large extent explained by the generalised shift from a non-digital to a digital world.

The combination of factors behind this shift is changing the ways by which business is carried out (e.g. e-commerce), relationships between governments and citizens are created (e-voting, e-government, e-health, SAC, etc.) and consumer behaviours are changing; in

[4] OECD STI Business and Industry Policy Forum Series. 2000
[5] http://earthtrends.wri.org/searchable_db/

particular among the younger generations. During the last decade, the number of young people using mobile phones has rapidly increased, as well as all benefits from its usage. 70% of 12 and 13 year old children and 23% of 8 and 9 year old kids carry a mobile phone[6], which makes the potential on-line and digital population for the future.

Mobility is highly increasing within the EU. The growth of population in European cities among the cultural and legislative requirements increases the demands for information from local administrator and requires that all the governmental services are accessible on-line. This is one of the reasons why European citizens need to improve the efficiency and capacity of responses from local SACs.

Other fact we have to consider is that the search engine tools are pervasive in the everyday life of companies and business in the way how they provide information to their users. The new generation can't live without internet access.

Most cities are decreasing the number of queries they receive every day and significantly contribute to the reduction of time, resources, money and stress from administrative burdens for citizens in search of information. Local administrations are the target of most citizens' questions, questions that are often formulated in colloquial language rather than in administrative jargon, have a heterogeneous nature and sometimes fall outside the scope of the municipality itself.

Even though, online SAC services are not essential for public organizations, in this century is something mandatory for the system considering that citizens and business want to read, write and edit information on the site to solve their queries instead to walk-in office or phone services. This is a consequence of the high percentage of citizens with access to internet from their cellphones, offices and home that don't want to waste their time walking to a public organization to ask for information.

2.1.4. Technological analysis

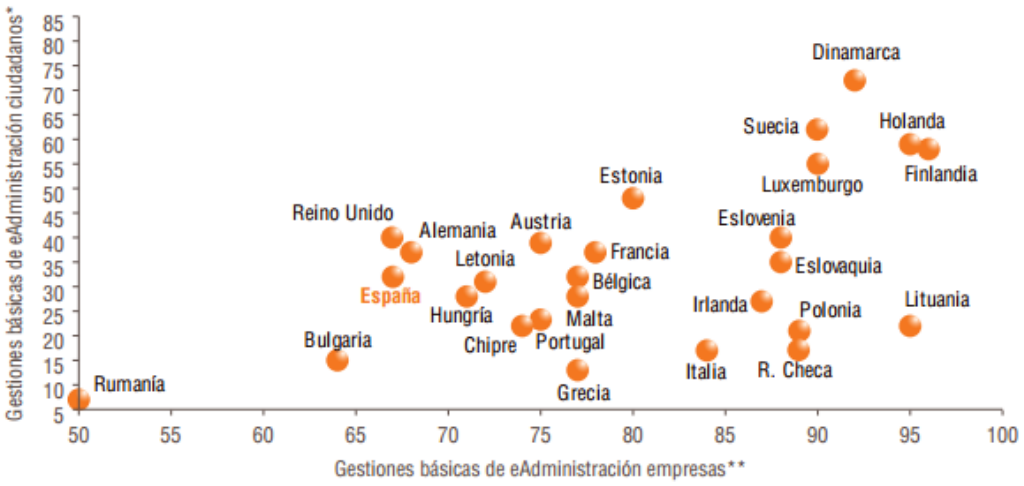
The continuous improvement of the performance of the Internet, and more recently the disruptive technologies such as The Cloud and the xaas (everything as a service) are triggering an apparently endless explosive deployment and consumption growth of Broadband infrastructure and information services, and ultimately a series of dramatic shifts in the ways and methods in which information is created, offered and exchanged among individuals and public and private organisations. All in all, these trends clearly provide a positive framework for deploying the type of services iSAC belongs to.

2.2. Analysis on iSAC Potential Demand

2.2.1. The citizens - European overview

Providing information online is the first step of sophistication of e-government initiatives and consequently is the tool in which is reserved the major part of the initiatives budget.
On average, already a 28 % of the European citizens accessed information on public authorities' websites in 2009.There is still a big potential for e-government services to citizens in Europe, which can be exploited in the next few years.
However, there are big differences in the percentage of use of online services between the European countries. While 75% of the citizens in Denmark have already looked for information from public authorities online, only 6% of Romanian citizens have searched for information on public authorities' websites.

[6] Eurobarometer survey (2011)



Relation between the utilization of the basic services in the countries of the UE.

Furthermore, the so-called “digital divide” is also visible in the use of e-government services, too. The share of persons interacting electronically with public authorities is remarkably different comparing different groups of the society:

- More than half (53 %) of persons with higher formal education used these services compared to only 12 % of persons with no or low formal education. Differences by educational attainment are the most remarkable within the data set.

- A higher percentage of persons living in urban areas (32 %) have accessed information on public authorities' website than those living in rural areas (22 %).

- The most significant figure related to occupation is the low percentage of retired and inactive persons having obtained information online from public authorities in 2009.

- This phenomenon can as well be observed for the different age classes. Starting with the age class 25 to 34 years, the percentage of persons accessing information online decreases from 39 % to a minimum of 8 % for the age class 65 to 74 years. Normally, the youngest age group shows the highest percentage of Internet activities among the different age groups. This is not the case for e-government activities, which can be explained by less need or fewer obligations concerning administrative procedures for younger people.

2.2.2. iSAC priority customers: The Local Administration market segment

The overall size of the potential demand for iSAC is quite encouraging. Within the territory of the European Union, there are slightly over 120.000 municipalities. And the countries where iSAC6+ partners are located, concentrate 55% of the total market. From this perspective, the structure of the market represents a favorable trait for a step-by-step deployment strategy. There is sufficient critical mass of potential customers to develop the market without the need of deploying a very dispersed effort neither from a territorial nor a language wise effort, to create a significative potential user base.

Country		Municipalities
EU members	**27**	**121,601**
Austria	AT	2,357
Belgium	BE	589
Bulgaria	BG	5,329
Cyprus	CY	613
Czech Republic	CZ	6,249
Germany	DE	**12,379**
Denmark	DK	2,148
Estonia	EE	227
Spain	ES	**8,111**
Finland	FI	416
France	FR	**36,683**
Greece	GR	6,130
Hungary	HU	3,152
Ireland	IE	3,441
Italy	IT	**8,101**
Lithuania	LT	518
Luxembourg	LU	116
Latvia	LV	527
Malta	MT	68
Netherlands	NL	443
Poland	PL	2,478
Portugal	PT	4,260
Romania	RO	3,174
Sweden	SE	290
Slovenia	SI	211
Slovakia	SK	2,928
United Kingdom	UK	10,664

Table 1. Number of municipalities by Member State. EU-27. Eurostat

Regarding the basic characteristics of the market at national level, the key variable to work with is the size of the cities/municipalities, as this parameter is a direct indicator of the value of the cities as prospective customers, in terms of total budget, ICT penetration and ultimately social pressure for SAC from the population.

Although there are natural differences among the main countries, the patterns shown in the following examples, corresponding to Italy and Spain, allows to mention that even restricting our targeted customers to the range between 10.000 and 500.000 inhabitants, the size of country market segments show interesting volumes of potential customers.

Number of Inhabitants	Number of Municipalities/Cities		Total Population	
	v.a.	%	v.a.	%
0 - 1.999	3.521	43,51	3.379.515	5,57
2.000 - 4.999	2.162	26,72	6.979.354	11,51
5.000 - 9.999	1.192	14,73	8.458.578	13,95
10.000 - 19.999	701	8,66	9.671.759	15,95
20.000 - 59.999	412	5,09	13.564.660	22,37
60.000 - 249.999	92	1,14	9.455.827	15,60
> 250.000	12	0,15	9.116.749	15,04
Italia	8.092	100%	60.626.442	100%

Table 2. Number of Municipalities by population size. Italy

Less than 5000	• 6.800 municipalities • Hard access to TIC y and lack of TIC strategy. Lack of infrastructure and orogrpahy. • Citizens not used to use digital platforms. Age, socio-economic status and immigration. • Only a 48% of the local administrations have own web • Telefonica report: the smaller the municipality the smaller is the proportion of the TIC budget. • IRIA report: 0,89% of the budget reserved for TIC • TIC investment is not the priority for this segment of administrations due to the long term return, the poor knowledge and interest among the citizens and the cyclic rotation every 4 years in the city hall mayoralty.
5.001 to 50.000	• 1.170 municipalities • Access to TIC principally for local administrations with more than 20.000 citizens • Citizens used to new technologies • IRIA report: 1,22% of the budget reserved for TIC • Segment with a lot of intrinsic diversity.
More than 50.000	• 145 municipalities • Access to TIC usual among local administration and citizens. • Citizens used to make online consults • iSAC6+ would generate economies of scale and efficiency given the high volume of consults. • Existence of technologic parks. • IRIA report: **1,9%** of the budget reserved for TIC.

Table 3. Number of Municipalities by population size and key features. Spain

2.3. Competitors Analysis

The landscape of semantic search tools, in general, is expanding, following the general trends seen both in the semantic search market as well as in the deployment of e-government support tools. This is true in general, but in particular some initiatives, both commercial and promoted by public entities, addressed the specific issue of searching for public information published on web sites of public administrations.

Looking for products and service on this market sector on the internet we can see that, respect ISAC, the existing products are not covering the two features of “semantic” capabilities and “natural language” interface.

We can find products, services and tools implementing semantic approach in text/web pages analysis and natural language search engines.

Within this context, the assumption about two main sources of potential competitors has been ratified. We have identified and assessed two types of likely competitors for the ISAC system:

- On the one hand, competition might arise from some “big” public bodies themselves.
- On the other hand, there are some software providers who offer specific tools addressing support for managing diverse aspects of SACs.

Generic threats arising from each of these sources are of different nature although of course they finally operate as reducing the market potential “free” market for ISAC penetration. On the one side, regional governments create “captive” markets by means of developing their own solutions for the local governments of their regions

On the other hand, independent system providers work on the conventional fight for capturing customers, having the advantage of previous entry to certain regional/national markets or by being present in certain customers covering other ICT needs of such local governments.

The general conclusion of the performed enquiries is that at present there is no one system available which has been recognised (nor by competitor neither by local governments) as a “industry standard” or even as a market leader. The usual universal benchmark tends to be Google.

The market of “semantic” tools seems more oriented to offer “Google style” search engines oriented to specific sectors. One of the main covered sectors is that of Public Sector related information. These product are not offered under licences or other fees, but just try to build a similar business model like Google in the specific sectors. In some case they are initiatives created by regional (or even national) governments to support restricted group of local administration bodies. Therefore, although they are not exactly market competitors, de facto act as such, diminishing or blocking opportunities for suppliers such as iSAC.

Following, we depict some features of products that have been considered as competitors for the iSAC offering:

– Inbenta: It is a Semantic Search Engine, considered as the main opponent for iSAC in Spain. It has not been designed especially for the public sector SAC, but can be customized for such usage.Its main characteristics are:
  - Creation of a knowledge database about doubts, needs and fears that thanks to the natural language processing and semantic search technology can give relevant responses no matter how the form the questions.
  - Expert team of linguists would optimize and enrich the database in order to constantly improve the database.
  - The system would progressively self-learn responses and obtain more relevant responses.

– **Citation, citizens information tool:** aims at providing citizens with an intelligent ambient for the provision of governmental services in the administration sector, meeting their needs for customized information delivery and flexible access. CITATION will create an innovative information platform that addresses the needs of both national and non- national citizens for direct access to essential public data (administration, legislation, available services). Citation system will provide several innovative features, such as convenience and flexibility in access, intelligent information categorization, user profiling, customization of information, multi-functionality and multilingualism. Citation

will create an innovative platform for all European Union citizens that will improve and promote electronic government services, ensuring that citizens have easy and direct access to essential public data.

- **Respond**; Citizens attention platform: Increase public sector productivity and empower citizens' interactions. Tools: Service case management, information delivery, self-service mobility, mapping via Bing maps and ESRI, reporting and business intelligence. Uses: Microsoft dynamics CRM cloud.
- www.volunia.com .is a general purpose Italian search engine based on semantic analysis of indexed web pages. It does not seems to have also NLI capabilities.
- www.italia.gov.it. A search engine managed by the Italian Ministry of Innovation, and therefore not a commercial product. The searched web site are those related to the PA. The search can be guided selecting the specific type of document or info you are looking for (e.g. Norms, on-line procedures, addresses, etc…).
- www.comuniverso.it. Operated by ANCI (National Association of Italian Municipalities) to index all municipalities web site. You can look for specific kin of information, but it has not real semantic/NLI capabilities
- CSI Piemonte (ICT provider for Piemonte Region Local Authorities) and the company CELI (www.celi.it) are implementing a search engine (based on Sophia technology by CELI) for creating a dedicated search engine for specific databases managed by CISI Piemonte.

Another source of potential competition in the future is the tools coming out of specific projects/pilot operations: For example the Italian "Easy URP" (URP stands for SAC in Italian). This project has been developed specifically for the Province if Livorno www.provincia.livorno.it . It is both a semantic and NLI search engine like ISAC.

Information about prices: Almost all the analysed solutions can´t be considered "off-the-shelf" products or licensed software. Therefore, establishing benchmark prices it is very difficult.

One of the few exceptions is the one offered by the Italian company Dreams & co. Even if they don't have an official pricelist, their offer it based on selling it under a standard licence fee plus some ancillary services to support the customer in the deployment of the desired solution. The software is normally offered through their cloud. The database is initially created using the bulk of existing data provided by the client and then all NLI services are offered to the customer's web site user in ASP mode. Activation of an instance of their system is about 1.000 € one-time, and the usage of the platform costs about 3.000 € per year. This is the price that include only textual NLI tool (including SMS tools). Additional fee need to be paid in case of usage of speech recognition and/or voice synthesis tools are required.

2.4. SWOT Analysis

Based upon findings presented in previous chapters, a SWOT analysis has been performed to assess the iSAC potential competitive position from the combined point of view of the **market environment competitive challenges,** understood as the combination of Opportunities & Threats and **iSAC´ own capacities** in terms of Strengths & Weaknesses, upon which SAM and its commercial partners must manage to develop a successful commercial exploitation strategy. Within this context, main barriers for market entrance have been identified and assessed.

As a general conclusion, we believe that the overall balance between Opportunities and Threats is positive, our Strengths are valuable for the market and our weaknesses have been clearly identified and assessed, therefore paving the way for controlling them or in best cases, minimized. All in all, the challenge to develop the SAC market at least in the most attractive EU markets is addressable.

Opportunities

- The demand potential arising from the European local authorities
- A pipeline of prospect customers is already identified.
- Overall competitive pressure is still low, providing enough space for manoeuvring in terms of market entrance and positioning of a new player

Threats

- The current budgetary situation prevents a quickly enough market development
- Future reaction from other suppliers.

Strengths

- Outstanding Geographical coverage by means of diversity of partners localization and territories of activities. This situation is significatively stronger than all identified competitors.
- Combined experience in the technical and marketing and commercial fields, derived from ongoing activities.
- Outstanding System features. iSAC has been specifically designed for SAC domain. Developed from the expertise of existing SACs local administrations, face-to-face and phone services

Weaknesses

- SAM is an SME, therefore shows constraints for e.g. developing sales capacity big enough to cover all territorial linked opportunities simultaneously.

3. EXPLOITATION STRATEGY

This section describes the Objectives of the proposed commercial endeavour, our intended Strategic lines of action for pursuing them and the key features of the organisational resources to be allocated for the endeavour. Finally, the initial marketing mix devised to enter the market is presented, together with the foreseen set of activities ("Roll-Out" Programme) for implementing iSAC market development.

3.1. Strategic Positioning

Strategic positioning is essential in marketing strategy because decisions are taken in order of how we want our products to be perceived by the potential customers.

We have defined the market positioning statement considering that iSAC is addressed to public organizations wishing to implement an on-line service attention service solution to improve the citizen service attention they provided. The overall business strategy has been formulated based on previous analysis of the market carried out by the Consortium as well as the basic assumption that iSAC fulfills public organizations management needs in an innovative way.

The long term mission for iSAC is to become one of **the leader products in virtual citizen attention services in the European market**. To secure the attainment of this strategic objective, the market positioning desired for iSAC is the brand name for a fully integrated range of innovative on-line services and solutions specialized in the support and enhancement of citizens' attention services.

3.2. Target Market Segmentation

For the purpose of launching a business venture around the commercialization of the iSAC offering, and taking into consideration the nature and capabilities of SAM for such endeavor, the "natural" and primary market environment for iSAC is Europe, where the economic, legal, cultural and business conditions are better known for us.

Within this context, the prime market targets of public organization segments are: Spain, Germany, France and Italy. On the other hand, all these countries are the home-market for the Consortium members own activities. Taking both reasons into consideration, these five countries configure the initial prime geographical target market segments for launching iSAC offering marketing & commercialization efforts.

Finally, the rest of European countries are considered as further expansion fields, once the start-up stage of the venture is covered.

3.3. Marketing Mix

3.3.1. Product Policy

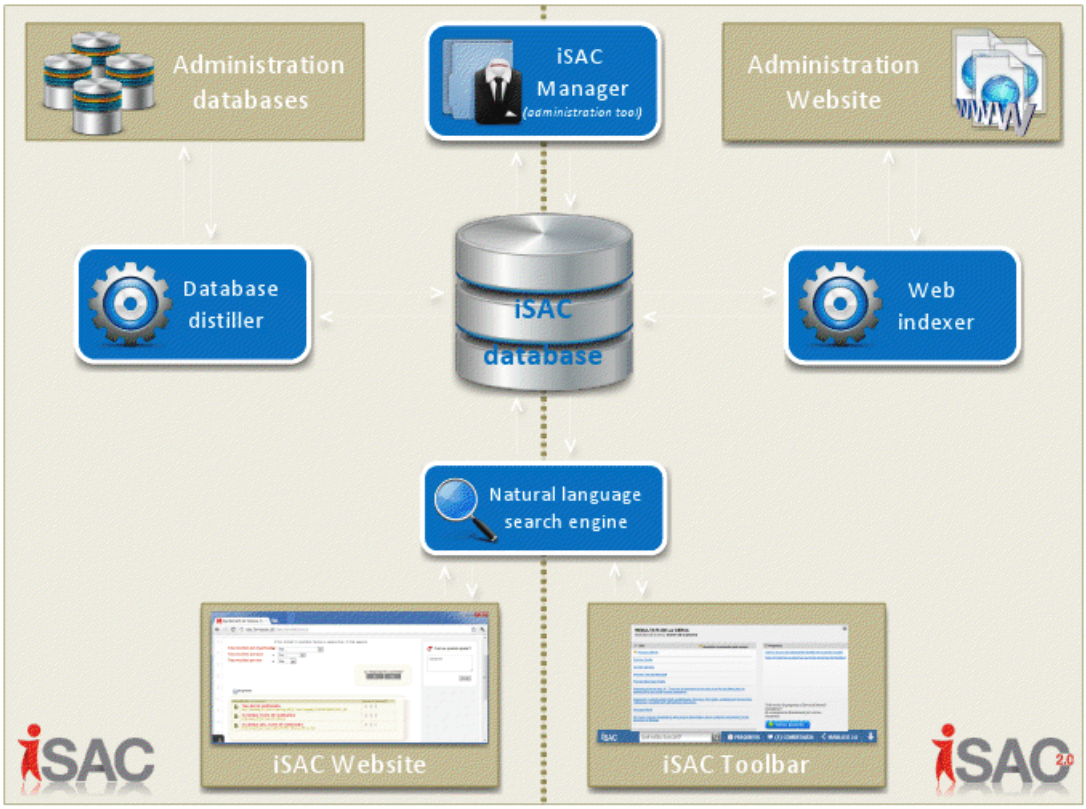
iSAC offering will have three different service packages**:** iSAC Website, iSAC Databases and iSAC Premium focused in different size of public administrations (tiny, small, medium and large).

The main difference among these service packages are basically how the information is obtained and entered to the iSAC Database (this modules are inside the rectangle in the following diagram) and the complexity of the implementation.

a) iSAC Website: the easyest one. To index the website, in this indexing process we adapt the context and structure of your website and we incorporate this information in iSAC Database.

b) iSAC Database: instead of extracting the information of the website, we extract the information from the inside of the database and we incorporate this information in iSAC Database.

c) iSAC Premium: is a mix of iSAC Database and iSAC Website in order to achieve custom requirements and services. So it can have multiple options in the way it will work. This product will be focus to a niche market, because clients will pay a premium fee to customize iSAC according with their requeriments .



3.3.2. Pricing policy

The operational pricing model will take into consideration both the obvious covering of costs (supply side effect) and the Value for money (demand side effect) considerations. On this basis, segmentation of starting point prices due to service package and the complexity of customer databases to be accessed by iSAC shall also be incorporated in the price formation.

Given the fact that there are no market prices references, the only source of estimations so far is the experience of SAM in recent cases, although they are totally comparable. Therefore, for financial forecast purposes conservative average prices have been used and market development exercises will help setting up a stable pricing policy.

3.3.3. Distribution Channels

The access to municipalities interested in improving their virtual services to citizens is quite direct. Selling the iSAC offering will follow a straight forward B2B scheme. This means that under the leadership of SAM, the commercial partners will directly contact potential customers. In order to implement such strategy, the following issues have already been addressed:

a) A basic geographical/language based market distribution among the willing partners will be contractually established.

b) The prospective customers identified along market research will be transformed into a prioritised list of potential customers
c) Out of the results of a) and b), sales programmes will be negotiated among the partners, and the gaps to be filled by the rest of the partners in terms of selling capacities and support to the local partner will be identified and implemented.

3.3.4. Commercial Promotion

The promotion of iSAC will be supported by the following communication outlets:

– Project website: has to be updated with all the products SAM offer related to iSAC. It have to be a friendly webpage and easy to use. An iSAC toolbar is a must, considering that you need to used what you are selling.

– International workshops and events: we think that the best strategy will be to develop international workshops or events (3 times per year) related with innovation technology for public organizations. In this events iSAC early adopters have to share their successful experience to help SAM to convince new clients to use this unique tool.

– Community of practice and social networks: We also identified that most of the public organization are part of social network communities online and offline. Social network strategies have to been used to communicate the new versions of iSAC and all the improvements the software will have in the following years using tools as:. Linkedin, Twitter, blogs, youtube, among others.

3.4. Roll-out Programme

The initial implementation phase of the Market Entrance Plan during the remaining months of 2012 will comprise different sets of tasks, covering the organisational set-up, the allocation of human and other resources, the preparation of marketing actions and supporting material as well as planning and execution of the first operational marketing plan.

3.4.1. Organisational set-up and staffing

Along the last months of 2012, efforts will be concentrated in the following organisational set-up activities:

1. Close the negotiations on the Commercial Exploitation Agreements and signature by involved parties. SAM will allocate ate least one strategic alliance to undertake the actual performance of sales activities in their respective geographical areas.
2. Launch the processes for recruiting staff to be directly involved in iSAC commercial operations (technical support, sales management and operations management). These tasks will be jointly performed by SAM. The staff requirements are as follows:
   - 1 FTE equivalent technicians in charge of commercial packages implementation, update, maintenance and improvements of iSAC components
   - 1 FTE equivalent software consultants, who will actually implement the system (or its modules) for the customers
   - 1 FTE equivalent persons in charge of sales programming and overall management
   - 1 FTE equivalent person in charge of administrative procedures

- 1 technology manager
- 1 Marketing manager

Location of these persons will be mainly distributed in *Parc Científic i Tecnològic* de la Universitat de Girona taking advantage of SAM existing infrastructure.

3.4.2. Commercial launching activities

Main features of the first operational Marketing Plan are as follows:

- Target initial customers: A nominated list of some potential customers is under preparation, consdering those who have already shown a positive reaction and interest in discussing the possible implementation of the Service or, at least, some of its modules.These customers, mainly based in Spain, France and Italy, will be the focus of initial sales efforts during the two first years (2013 and 2014), looking for getting the first actual “reference” customers before the end of 2012.

- The basic sales technique approach to be used is the personal visit and corresponding detailed presentation of the Service and related components. For such purposes, contact persons have been already identified during market research activities and the marketing support team, closely working with those actually performing the presentations will programme visit agendas for the different countries and market segments.

- We will continue with marketing support activities, such as the workshops with the associations, as they have proved to be a powerful way of getting in contact with both prescribers and final decision makers. SMED and PRATO partners had developed workshops were they already got 5 next adopters that will used iSAC service in the following months.

- With respect to marketing material, the general iSAC brochure will be produced in the six main iSAC languages.

- We will take the opportunity derived form public presentations to request the publication of press releases in the major industry periodical publications, and, obviously, in the associations´newsletters and web sites.

- A new commercially oriented web site will be created and will become alive by the end of 2012

4. BUSINESS FORECASTS

4.1. Sales forecast

The specific assumptions for sales forecast are the following:

- Prime Target: For years 1 and 2, municipalities located close to the pilots in Spain, Italy, Germany and France (around 600 by the end of year 2).
- Second Target: For years 3, 4 and 5, progressive target widening in order to include other European countries in order to reach a total of some 4.500 customer municipalities by the end of year 5.

Year	2012	2013	2014	2015	2016	2017
New Clients	-	144	456	852	1.248	1.860
Total Clients	-	144	600	1.452	2.700	4.560

Table 4. Number of customers

The resulting sales volumes by year and market segments are as follows:

Year	2012	2013	2014	2015	2016	2017
Tiny	-	243.000	850.500	1.674.000	2.578.500	3.820.500
Small	-	180.000	645.000	1.320.000	1.995.000	2.970.000
Medium	-	102.600	290.700	547.200	820.800	1.197.000
Large	-	-	59.400	138.600	217.800	356.400
Maintenance	-	-	525.600	2.371.200	6.051.000	11.663.100
Grant Total Revenues	**-**	**525.600**	**2.371.200**	**6.051.000**	**11.663.100**	**20.007.000**

Table 5. Sales volumes

4.2. Direct costs and general operational expenses

Basic assumptions for determining the forecast of costs and expenses derived from the actual running as follow:

- Company costs of the personnel described in 3.4.1.
- Basic infraestructure (office space and equipment, computers, etc.) will continue to be rented in Parc Científic i Tecnològic run by Universitat de Girona.
- Direct costs have been calculated according to the equivalent personnel effort and average per hour rate, servers requirements per units and maintenance, as follow:

Year	2012	2013	2014	2015	2016	2017
IT Personnel	-	-	-	-	-	-
iSAC IT consultant	-	10.161	33.022	62.052	90.357	135.717
iSAC IT programmer		44.029	141.523	265.225	386.830	579.721
iSAC Server manager	-	32.498	105.356	197.608	288.288	432.432
Implementation	-	-	-	-	-	-
Servers	-	380.000	1.178.000	2.128.000	3.192.000	4.712.000
Server startup personnel	-	26.208	81.245	146.765	220.147	324.979
Rack and Sais	-	27.400	68.500	137.000	191.800	274.000
Maintenance	-	17.867	85.067	228.000	456.000	793.067
TOTAL	**-**	**538.163**	**1.692.713**	**3.164.651**	**4.825.422**	**7.251.916**

Table 6. Direct Costs

- Direct logistic costs: comprises travel, lodging and per diems directly related to the delivery of actually sold projects. Estimate as an average 10% of sales revenues.
- Operational General Expenses and overhead costs have been established according to the following working assumptions:

- Management: comprises payments to those directly involved in the sales effort. Estimated as an average of 5% of sales volume in 2013 and 2014 plus a fixed charge of 36,000 euros each year. And following a decrease rate to 3% for the years 2017.
- Distribution and Commercial:
  - Advertising/promotional actions: Fixed charge covering basic costs such as marketing material. Estimated as an average of 8% of sales revenues.
  - Costs of initial marketing programme is estimated in 20.000 Euros.
  - General marketing actions (workshops, presence in fairs and conferences, road-shows for presenting the offering, etc.). Estimate as a fixed charge of 15.000 euros per event, considering a minimum of 3 events per year.

- Overheads charges: Reflects recovery of initial and ongoing efforts by SAM to supply infrastructure and basic organizational support from 20% of direct cost.

The resulting forecasts and their breakdown by market segments and type of expenditure are as follows:

Year	2012	2013	2014	2015	2016	2017
Management						
Sales revenues %		5%	5%	4%	4%	3%
Variable cost	-	26.280	118.560	242.040	466.524	600.210
Direct Cost	12.000	36.000	36.000	42.000	42.000	46.000
Distribution and Commercial						
Sales revenues %		8%	8%	8%	8%	8%
Variable cost	-	42.048	189.696	484.080	933.048	1.600.560
Initial Campaing	20.000					
Workshops	15.000	45.000	45.000	45.000	45.000	45.000
Direct Logistic costs						
Sales revenues %		10%	10%	10%	10%	10%
Variable cost	-	52.560	237.120	605.100	1.166.310	2.000.700
Basic Infraestructure & personnel	20.000	60.000	60.000	60.000	60.000	60.000
Overheads						
Direct Cost %		20%	20%	20%	20%	20%
Variable cost	-	107.633	338.543	632.930	965.084	1.450.383
TOTAL	**67.000**	**369.521**	**1.024.919**	**2.111.150**	**3.677.966**	**5.802.853**

Table 7.Overhead Costs

4.3. Profits and losses

The forecast of likely profit or losses by fiscal year is based in the following assumptions:

- Sales, costs and operational expenses forecasts, as presented in 10.2. and 10.3
- Financial costs: Assumed as the cost for covering eventual financial operations-related deficits. Estimated as the cost of a revolving credit line (7% discount rate)
- For Corporate Tax calculation, initial losses are entirely deducted from profits for the following fiscal year

The resulting Profit and Losses forecast are shown in the following table. With respect to overall results:

- EBIDTA values range from 13% in 2015 up to an average of 35% for the following years.

- From the perspective of investors, by 2016 initial investment and losses could be outset by Net profits by the end of 2016.

Year	2012	2013	2014	2015	2016	2017
Revenues	-	525.600	2.371.200	6.051.000	11.663.100	20.007.000
Direct Costs	**-**	**538.163**	**1.692.713**	**3.164.651**	**4.825.422**	**7.251.916**
Gross Margin	**-**	**- 12.563**	**678.487**	**2.886.349**	**6.837.678**	**12.755.084**
General Expenses	**67.000**	**369.521**	**1.024.919**	**2.111.150**	**3.677.966**	**5.802.853**
Management	12.000	62.280	154.560	284.040	508.524	646.210
Distribution and Commercial	35.000	87.048	234.696	529.080	978.048	1.645.560
Direct Logistic costs	-	52.560	237.120	605.100	1.166.310	2.000.700
Basic Infraestructure & personnel	20.000	60.000	60.000	60.000	60.000	60.000
Overheads	-	107.633	338.543	632.930	965.084	1.450.383
EBIDTA	**- 67.000**	**- 382.083**	**- 346.431**	**775.199**	**3.159.711**	**6.952.231**
		-73%	**-15%**	**13%**	**27%**	**35%**
Depreciation	-	-	-	350.000	900.000	-
EBIT	**- 67.000**	**- 382.083**	**- 346.431**	**425.199**	**2.259.711**	**6.952.231**
		-73%	**-15%**	**7%**	**19%**	**35%**
Interest	571	4.111	9.202	12.082	4.815	-
EBT	**- 67.571**	**- 386.194**	**- 355.633**	**413.117**	**2.254.896**	**6.952.231**
Taxes rate	35%	35%	35%	35%	35%	35%
Taxes	-	18.465	41.832	315.666	809.003	2.433.281
Net Profits	**- 67.571**	**- 404.659**	**- 397.465**	**97.451**	**1.445.893**	**4.518.950**

Table 8. Profit & Losses forecast

4.4. Return on investment analysis

4.4.1. Cash-flow analysis

The annual Cash Flows are based on the forecasted sales, costs and profits assumptions mentioned above. In order to consider the risk that the project implies, a discount rate of 6.5% was used, which contains a correct proportion of uncertainty. The Net Present Value (NPV) derived from the Cash Flow is of 3.630.264.Euros, and the resulting Internal Rate of Return (IRR) of 55%.

Year	2012	2013	2014	2015	2016	2017
Net Profits	- 67.571	- 404.659	- 397.465	97.451	1.445.893	4.518.950
Depreciation	-	-	-	350.000	900.000	-
Initial Investment	- 160.000	- 310.000	- 390.000	- 40.000	-	-
Cash Flow	- 227.571	- 714.659	- 787.465	407.451	2.345.893	4.518.950

Table 9. Cash Flow Analysis

4.4.2. Sensitivity analysis

To make evident the margins of maneuvering, an Optimistic Scenario and a Pessimistic Scenario were calculated.

- In the Pessimistic Scenario, sales forecast was penalised by a 20% and resulting IRR goes down to 50%.
- For the Optimistic Scenario, sales forecast was increased by a 20%, providing a resulting IRR of 66%.