

ALDWIN PAIGE

L I M I T E D

The Guide to Your Success

"Our success is based on your success".

Aldwin Paige is dedicated to providing new and existing customers with the best advice on the formulation, packaging, marketing and distribution of new products. This guide is designed to help you and Aldwin Paige make a success of the product or products you wish to develop.

Bringing an idea from conception to a profit making product of fully realised potential requires a great deal of planning with understanding of the processes and the goals that need to be achieved.

Step by Step Guide

Before You Start

Have you a business plan?

Yes? Move to Step 2. No? Read on.

It is great that you have an idea for a product or products that you wish Aldwin Paige to make for you. But have you thought how you can turn your good idea into a profit? A famous old marketing adage goes: *"You may have found a gap in the market;but is there a market in the gap?"*

You need a business plan. A business plan does not have to be a highly detailed piece of accountancy work but it should answer the following questions:

- What is the market for the product/s?
- What competitors will the product/s have?
- What are your products' points of difference? Why will a customer buy your product rather than a competitor product?
- What is the price point you think the market can sustain? What will customers be prepared to pay for your product?
- At this price point what is the maximum cost of manufacture of the product that will give you profit at a level you need?
- How are you going to fund the development of the product/s?
- How are you going to market the product/s?
- How are you going to fund the marketing budget?
- What are the costs of running the business? Office, phones, travel, loan interest, etc.
- What will the volume of your first order be? Manufacturing costs come down with volume and there will be a minimum volume that is viable as a manufacturing run.
- Aldwin Paige can manufacture scale up batches as small as 20kg but normal minimum batch size will be 100kg. Can you fund the initial order?
- What level of sales will I need to sustain the business? You will find a simple example of a profit calculation below.

If you need a template example business plan, Aldwin Paige can provide you with one.

If you have the answers to all or most of these questions and as a result you think there is a satisfactory or better profit to be made from your product, move to Step 2. If not, don't give up hope. Talk to us and tell us where your idea appears to fail the test. There may be a solution.

ALDWIN PAIGE

L I M I T E D

Step 1

Contact Aldwin Paige.

- A. Have you a fully formulated product?
Yes? Go to Step 2. No? Go to B.
- B. Talk to us about what your product idea is. We can develop formulations to satisfy your requirements. Discuss the requirements of the product so that theoretical product can be 'costed.' *Aldwin Paige has some ready developed ranges of products that with minor changes, perhaps the addition of your particular ingredient, can be launched with a minimum of development costs. You can find details of some these ranges on the AldwinPaige.com website.*

Step 2

- A. Aldwin Paige will calculate the manufacturing cost of the theoretical product/s based on your product brief.
- B. If the costings are accepted by you move to Step 3. If the costings are not accepted return to Step 1B.

Step 3

- A. Formulation can be complex and take our development chemists considerable time and effort on your behalf. A development deposit of NZ\$5,000 is normally required. Large product ranges may require a larger deposit; for ranges of more than 5 products an additional NZ\$1,000 per product may be required.
- B. This deposit is refundable as part of your first order for that developed product so long as the order is received within 12 months of payment of the deposit. The development deposit helps Aldwin Paige cover the upfront cost of formulating and testing initial products based on a brief specified by you the client, usually with the advice of your Aldwin Paige development chemist. The development deposit is not payment for development work but helps ensure that the development proceeds efficiently to production at which time the deposit is returned.
If the brief for products is changed substantially and further formulation and development is required it may be necessary to arrange a further deposit or agreement to pay for development chemist time at an agreed rate.

Step 4

- A. Aldwin Paige will produce samples in the laboratory for your approval.

Step 5 Scale-Up Batch

- A. Once you have approved the formulation a scale up batch will be produced to assure the quality in the manufacturing process.
- B. Payment is required for the scale up batch and is usually a minimum of 20kg. The first production batch will follow and will be a minimum of 100Kg. Consider how many units this is of your product and how you will fund production and marketing.
- C. Remember your development deposit is usually refunded at this point.

Step 6 Full Sized Production Batches

- A. The larger the batches that are manufactured the lower the unit cost to you. However, there is no point manufacturing more products than you can be confident of selling in a reasonable time. Test the market.

ALDWIN PAIGE

L I M I T E D

Keen to continue? Let's do the Math

Your results may look something like this:

1. 5% of the population would be interested in my product.
2. Within this market I have three competitors each holding 40, 30 & 20% market share respectively. This totals 90% leaving 10% for me.
3. I believe that I could initially sell my product to 1 in 5 (20%) of the people in My market.
4. Most people purchase 1 unit every 2 months (6/year or 0.5/month)
5. Market dictates that a price point below \$20 will sell well.

Let's calculate what our potential **monthly sales**, looking at a population of 4 million people:

From 1: $4\,000\,000 \times 5\% = 200,000$ people in the market.
From 2: $200\,000 \times 10\% = 20,000$ people in "My Market"
From 3: $20\,000 \times 20\% = 4,000$ (from the 1 in 5 response)
From 4: $4\,000 \times 0.5 = 2,000$ (1 purchase every 2 months)
From 5: $2000 \text{ units} \times \$20 = \mathbf{NZ\$ 40,000 \text{ per month!!}}$

Looks pretty good doesn't it? But you have to remember that this is your turnover (total sales) per month and it is not all profit!

Hence we need to deduct the cost of sales:

Let's say the cost of each unit to manufacture is NZ\$6.00.

Then $2000 \text{ unit} \times \text{NZ\$}6.00 = \mathbf{NZ\$12,000}$

Then we would deduct the operating costs. From your business plan you should have a good idea of what it will cost you each month to run this business.

Office, phones, vehicle, travel, etc. **NZ\$14,000** per month.

Your business plan should give you an idea how much money would be required to start up the business. This is usually a lump-sum amount which would need to be repaid, with interest, over a period of time (take the same approach even if it is your money being used; it would otherwise be sitting in the bank gaining interest). Let's say that you borrow NZ\$200,000 (NZ\$240,000 with interest) and would like to see a return on this investment within 24 months.

Then $240,000 \div 24 = \mathbf{NZ\$10,000}$ per month

Now we have:

	NZ\$ 40,000	Sales (income)
minus	NZ\$ 12,000	Cost of Sales
minus	NZ\$ 14,000	Operating Costs
minus	NZ\$ 10,000	Cost of Financing
	(NZ\$ - 4,000)	

ALDWIN PAIGE

L I M I T E D

Is this enough profit? This is the decision you will have make. Do these calculations with a range of sales so that you are aware what the minimum sales that give you a profit that is acceptable.

Conclusion

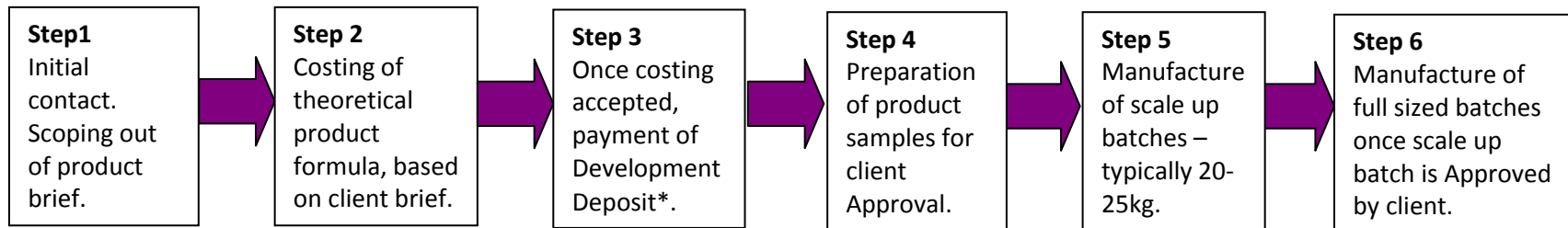
Keep in mind that the above is nothing more than a rough and hypothetical example. One can never tell how viable a venture may be, just by looking at it from the outside. There are a great many mathematical permutations that will work, but some that don't. It is in your best interests that these exercises are conducted as thoroughly as possible. If you are able to answer these questions and do the calculations and you find that even if sales at the lower end of your predicted range give you sufficient profit, you will have confidence to move forward with the plan.

ALDWIN PAIGE

L I M I T E D

NEW PRODUCT DEVELOPMENT PROCESS – CUSTOMER GUIDELINE

The following flow chart shows the process Aldwin Paige Ltd uses for the development of new products, from product concept to commercialized product.



*DEVELOPMENT DEPOSIT (DD)

The Development Deposit is currently set at NZ\$1,000 + GST and this covers the R&D and time required to formulate a number of samples. For large product ranges we reserve the right to increase the Development Deposit. The Development Deposit is deducted from the cost of the first full-sized production batch.

CREDIT TERMS

As there is no trading history between the two parties, the Development Deposit, all scale up batches and the first full sized batch must be paid in advance. After this we will be happy to extend credit subject to a credit check by a reputable credit assessment house.

We do not require all prepayments to be paid in one payment – normally the process is;

- 1) Development Deposit is paid, then samples are made.
- 2) After the samples are approved, the scale up batches are prepaid and then produced.
- 3) After the scale up batches have been assessed and approved by the customer, the first full-sized batch must be prepaid.
- 4) When repeat orders are received, then we will offer credit subject to credit checks as outlined above.

If you have any further questions, please contact us on 03 389 9156 or email sales@aldwinpaige.com