

2009

JAMS LLC Business Plan



UNT-ITDS BCIS 4720

John Cutler

May Lai

Ashutosh Sharma

4/17/2009

Table of Contents

1. Executive Summary.....	3
1.1. Objectives.....	3
1.2. Mission.....	3
1.3. Keys to Success.....	3
2. Company Summary.....	3
2.1. Company Ownership.....	3
2.2. Company Start-Up Plan.....	4
2.3. Company Locations and Facilities.....	4
3. Products and Services.....	4
3.1. Product and Service Description.....	4
3.2. Competitive Description.....	5
3.3. Sales Literature.....	5
3.4. Sourcing.....	5
3.5. Technology	5
3.6. Future Products.....	5
4. Market Analysis	5
4.1. Market Segmentation	6
4.2. Target Market Segment Strategy	6
4.3. Industry Analysis.....	8
5. Strategy and Implementation	8
5.1. Strategy Pyramids.....	8
5.2. Value Proposition.....	8
5.3. Competitive Edge	8
5.4. Marketing Strategy.....	9
5.5. Sales Strategy.....	9
5.6. Milestones.....	10
6. Management Summary.....	10
6.1. Organizational Structure.....	10
6.2. Management Team	10
6.3. Management Team Gaps	10
6.4. Personnel Plan	10
7. Financial Plan	11
7.1. Important Assumptions.....	11
7.2. Key Financial Indicators	11
7.3. Breakeven Analysis.....	11
7.4. Projected Profit and Loss.....	11
7.5. Projected Cash Flow.....	11
7.6. Projected Balance Sheet	12
7.7. Long-Term Plan	12

1. Executive Summary

PainRelief.com is a dot com company providing cutting edge, innovative, over the counter pain management medical devices to the aging and sport injury population to manage their pain by doing treatment at their own homes and at their own pace.

1.1. Objectives

- To serve the medical need of the aging and sport injury population by providing high quality and effective pain management devices
- To reduce dependency on chemical pain relief
- To reduce dependency on doctor and chiropractor visits
- To improve quality of life of pain sufferer through our innovative technology
- To improve mobility of individuals who suffer from chronic severe pain
- To regain confidence and freedom
- To reduce medical bills of those who rely on long term physician care to manage their pain

1.2. Mission

Our mission is to provide effective pain management devices for the aging and sport injury population through our innovative infrared and ultrasonic technology. As the baby boomers approach their retirement years, they need much more medical attention than any other group of the population. Wear and tear of muscles, joints and bones is inevitable to this group of individuals. The injury rate of the younger population is also increased at an exponential rate due to their active life style and their increased participation in sport and fitness activities to keep them in shape.

1.3. Keys to Success

The key to the success of our company is our patented infrared and ultrasonic technology and the continuous excellent product maintenance service provided under our product warranty.

2. Company Summary

JAMS LLC is a Limited Liability Corporation founded in April of 2009 based in Denton, Texas. It is a start up company founded by three very talented students who major in information technology.

2.1. Company Ownership

JAMS LLC is a privately owned Corporation funded by friends and families. It will eventually go public when the company reaches a certain size and revenue. The company ownership is divided equally among the three owners.

2.2. Company Start-Up Plan

JAMS LLC estimated start up cost for the first year of operation is about a quarter million. The estimated figure will be readjusted quarterly as the company grows in response to the market condition and sales revenue.

Raw Material:	\$20,000
Labor:	\$140,000
Equipment Leasing:	\$20,000
Factory Leasing:	\$30,000
Supplies:	\$5,000
Web Hosting:	\$1,500
Domain Registration:	\$200
Incorporation:	\$500
Patent Fee:	\$12,000
Advertising:	\$7000

Total start up cost for the first year projection is \$ 236,200

2.3. Company Locations and Facilities

JAMS LLC is located in Denton, Texas. The factory leased is located 5 miles from UNT campus. Customers are welcome to visit our factory.

3. Product and Services

JAMS LLC will design and produce state of the art medical devices for pain relief and it will also provide a six month warranty from the day the product is purchased to maintain the product in case of hardware, software or design failure of the device.

3.1. Product and Service Description

JAMS LLC will manufacture pain relief devices with infrared and ultrasonic technology. Our products will range from low end infrared massagers to high end infrared heat pads. We will also offer consumers ultrasonic massagers as well as the combination of infrared and ultrasonic massagers.

Our products include:

- Infrared massager
- Infrared lamp
- Infrared heat pad
- Infrared deep penetrating light heat pad
- Infrared blanket
- Ultrasonic massager
- Infrared and Ultrasonic massager

Our service is as follow:

- Six month warranty for free
- Extended warranty available with purchase

- Return shipping label with postage for product repair
- Free labor and parts within the first six month warranty period for product repair
- Free product replacement if product failed due to design fault of the product

3.2. Competitive Description

The competitive advantage of JAMS LLC pain relief devices is coming from its patented infrared and ultrasonic technology. Regular massagers and head pads can only reach and heat up to the surface of the skin. Our infrared and ultrasonic can reach 880 nano meter deep into the muscle, joints, and bones to activate production of endorphins and block pain-transmitting chemicals, causing non-narcotic analgesia. Our products are natural, environmental friendly, and FDA approved. They only emit light and vibration and do not involve any chemical usage, emit harmful gas, nor give off any byproducts that would contaminate the environment.

3.3. Sales Literature

JAMS LLC mainly sells our products on the internet. Our online marketing strategy will use search engines such as Google and Yahoo as well as email marketing to heavily promote our products on the internet. As far as off line marketing strategy, we will set up brochures and booklets in doctor and chiropractor clinics as well as massage therapy locations.

3.4. Sourcing

We are a patriotic company. We facilitate the promotion of growth of US economy by purchasing all our supplies and raw materials from US suppliers and assembling, and designing our products with domestic labor. JAMS LLC does not plan to out source any part of the business to foreign countries at this time.

3.5. Technology

JAMS LLC patented infrared and ultrasonic technology will be applied to manufacturing of products. As far as internet technology for web hosting, we will use html, ASP.net, Visual Studio, IIS web server, and SQL database servers on the back end to process and host customer, product, and sales information.

3.6. Future Products

Infrared and Ultrasonic technologies are also known to be good for skin treatment. We are looking forward to expand our product lines into the skin care arena targeting to the female population.

4. Market Analysis

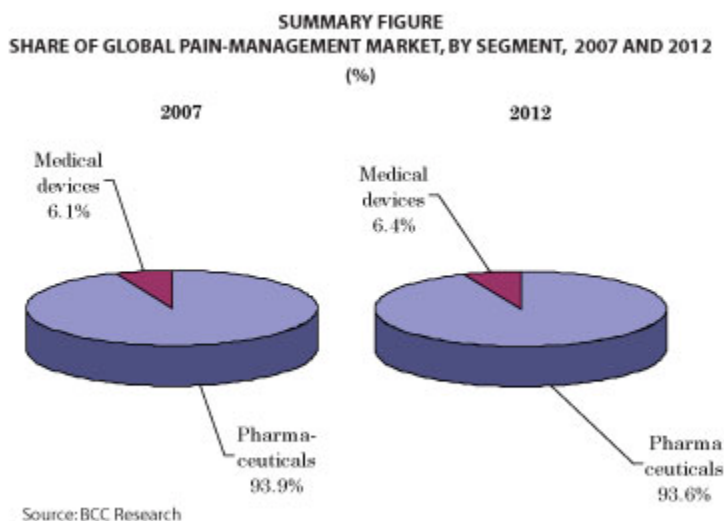
About 1.5 billion people suffer from moderate to severe chronic pain worldwide and approximately 50 million Americans suffer with pain. The value of the market for pain relief reflects this worldwide epidemic of pain, reaching nearly \$80 billion in 2009.

4.1. Market Segmentation

Each year, approximately 30 million children participate in organized sports and 150 million adults participate in non-work-related sports or recreational activities in the United States. Although these activities are generally beneficial to one’s health, they do involve the risk of injury. According to the Centers for Disease Control and Prevention, approximately 4.3 million sports- and recreation-related injuries are treated in U.S. hospital emergency rooms annually.

The pharmaceuticals segment of the pain-management market is about \$29 billion in 2007. It will be worth \$38 billion by 2012. In 2007, market revenue from the medical devices segment was around \$1.9 billion. This segment will grow at a 6.5% to reach \$2.6 billion by the end of 2012.

The underlying fundamentals of the medical devices industry are strong as the baby boomer population contributes to the demand for medical devices. Among the market segments, the medical devices segments are the ones that are the most likely to benefit from the aging baby boomer trend. The incidence of heart-related diseases and joint-related disorders increases with age. People of age 65 and above account for 40% of the total population diagnosed with some form of heart disease or arthritis. This is significant due to the fact that this segment of the population represents 12.4 percent of the total U.S. population.



4.2. Target Market Segment Strategy

JAMS LLC target market segments are the aging baby boomer and sport injury populations. Our strategy is to convert a percentage of the pharmaceutical pain management segment and the and the invasive procedure market segment to the medical device for pain management segment.

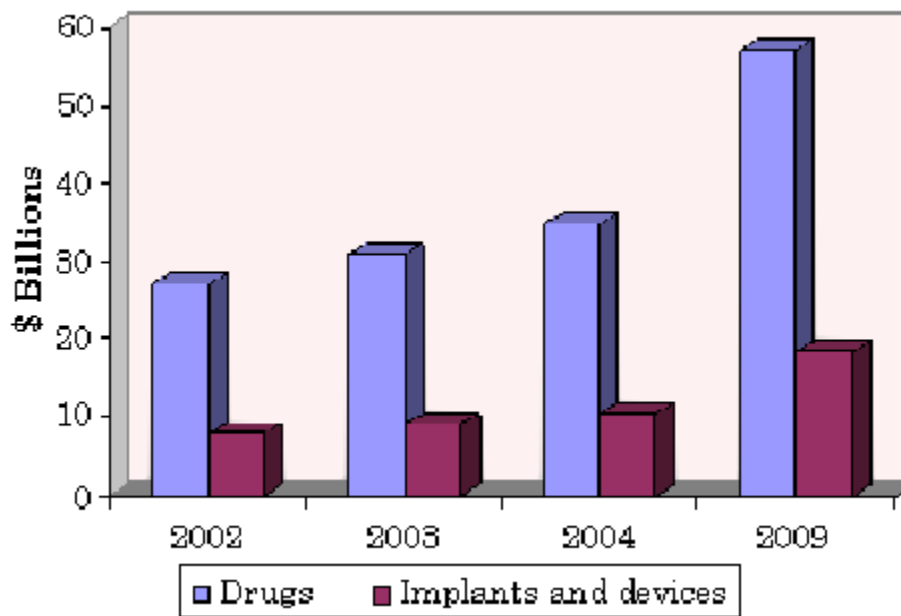
4.2.1. Market Needs

Since more than 11 million Americans report pain as a significant disability, there's no question that pain management is big business. The pain management market needs an alternative besides pharmaceutical pain killers such as Tylenol and COX-2 inhibitor. Unsafe use of Tylenol could cause damage of liver and the long term use of COX-2 inhibitor could cause heart failure which is fatal. Our medical devices are natural and safe with no side effect, an ultimate alternative to fulfill the needs of those who seek an option to avoid pain killers.

4.2.2. Market Trends

The market for pain management products is growing at a fast pace. Some segments move at above 20% rate. The future for specialized pain management device products in this market is bright. The device market growing rate is nearly double from 2004 to 2009.

Consumers tend to drift away from pain killer and invasive procedure to deal with their pain. The market trend is to seek alternative, safe, and non-invasive approaches for pain management.



4.2.3. Market Growth

Spurred by an aging population, the U.S. medical devices industry is expected to demonstrate a growth rate of 9.0 percent between 2006 and 2013. Increasing activity levels of aging baby boomer, increasing demand for non-invasive treatment, and increasing awareness of prevention and rehabilitation are all contributing factors for the growth of medical devices.

4.3. Industry Analysis

Pain is the most common reason patients seek medical care. It accounts for half of all physician office visits in the U.S. Each year, more than 25 million people in the U.S. experience acute pain as a result of injury or surgery. Chronic pain affects more than 50 million people in the U.S.. In 2005, U.S. sales of pain management products totaled approximately \$20.4 billion. Prescription analgesics accounted for approximately 78% of total sales. Non-analgesic usage was 16% and pain management devices totaled 6%. Sales are expected to increase at a compound annual rate of 6.6%, reaching approximately \$29.9 billion by year 2011.

4.3.1. Industry Participants

Some of major industry participants include major pharmaceutical companies such as Pfizer, Merck, and Eli Lilly

4.3.2. Factors of Competition

Competitive factors include:

- How effective is the product
- How fast does the product takes effect
- How safe is the product to consumers
- How much side effect of the product will be transferred to consumers

4.3.3. Main Competitors

Tylenol, VIOXX, Aleve, and Excedrine

5. Strategy and Implementation

5.1. Strategy Pyramid

We put consumer safety as number one, on top of the pyramid followed by excellent customer service. We strive to provide satisfaction guaranteed products and services to consumers and turn them into repeated loyal customers.

5.2. Value Proposition

JAMS LLC products provide consumers with great value. Our products are affordable, durable, and effective. We provide a six month warranty for free and extended warranty are available for purchase. Consumers order products on our web site and we ship products free to their doors. We also offer customers a 30 day money back guarantee and return free shipping.

5.3. Competitive Edge

Safe and natural attributes of our products give us the competitive advantage over pain killers. Consumers do not need to worry about fatality and side effect by using our products. Our products works within 15 minutes of treatment vs. pain killers which can take a whole hour to take effect. Pain killers can only cover up the symptoms and are

short lived. Our products work at the root of the problem to shorten treatment and recovery time, treating a wide variety of conditions. With continued use, our product can return the mobility and freedom that the customer enjoyed before their chronic pain.

5.4. Marketing Strategy

5.4.1. Positioning Statement

JAMS LLC products are the safest and the most effective alternative to pain killers. We are number one in the medical device for pain management industry. Our patented infrared technology delivers the ultimate pain relief to consumers at their own home and at their own pace.

5.4.2. Pricing Strategy

JAMS LLC products are high in quality and affordable. Our products pricing strategy is designed to tailor to consumers of different income levels. The low end infrared heat pad is priced at \$89.95 /unit with free shipping. The high end infrared system is priced at \$399.95/unit with free shipping. We also offer products at a variety of levels between these two.

5.4.3. Promotion Strategy

To provide consumers the chance to try our products, all our products offer a 30 day money back guarantee. Within 30 days of product purchase, if customers are not fully satisfied with our product, they can return the product with no question asked. We even pay for the return shipping.

5.4.4 Marketing Programs

JAMS LLC will adopt both online and offline approaches to promote our superior products. We will heavily promote our products on major search engines and use banner exchange networks and email marketing. Our offline strategy includes distributing brochures to doctor, chiropractor, and massage therapy clinics. We will also set up booths in the mall to raise public awareness of our products and give them a hands on demo of the benefits of our product.

5.5. Sales Strategy

5.5.1. Sales Forecast

Our target sale of the first year is \$500,000. The subsequent year of sales projection is \$750,000. We expect at least one million dollars in sales during the third year.

5.5.2. Sales Programs

JAMS LLC will also adopt the traditional door to door sales strategy. We will pay salesman commission and bonus based on their performance. Sales affiliated program is the other approach that we will use to pay those who refer customers to our site to complete a purchase.

5.6. Milestones

JAMS LLC milestones are as follow and will be updated based on progress:

- Product design
- Product implementation
- Product testing
- FDA approval
- Web site design
- Web site implementation
- First million sales

6. Management Summary

6.1. Organizational Structure

- Assembly/Production
- Marketing/Sales
- Accounting/Purchasing
- Personnel/Customer service
- Information Technology

6.2. Management Team

John Cutler is the CEO of JAMS LLC. He will also oversee Assembly/Production, and Marketing/Sales departments.

May Lai is the Director of Accounting/Purchasing, Personnel/Customer Service, and Information Technology departments.

6.3. Management Team Gaps

Since JAMS LLC is a startup company, ownership of some of interdepartmental functional units of the organization have not been clearly defined. When difficult situations arise, CEO and directors of all departments will have to cooperate and take initiative to get issues resolved. Coordination among departments is the key to the success of the whole company.

6.4. Personnel Plan

	2010	2011	2012
Assembly/Production	\$160,000	\$250,000	350,000
Sales/Marketing	\$10,000	\$30,000	\$40,000
Accounting/Purchasing	\$20,000	\$30,000	\$30,000
Personnel/Customer Service	\$10,000	\$20,000	\$30,000
Information Technology	\$40,000	\$50,000	\$60,000
Total	\$240,000	\$380,000	\$510,00

7. Financial Plan

7.1. *Important Assumptions*

JAMS LLC assumes the following in order to sustain the growth of the business:

- There are no new effective pain killers out on the market that have no side effects
- The baby boomer population will remain prevalent
- Younger generations are still maintaining their active life style

7.2. *Key Financial Indicators*

Bad economy, cold weather, and rainy days are good indicators of sales growth of our products. When the economy is bad, people get tense and have more aches and pains. Arthritis pain seems to have a high correlation with rainy days and cold weather. High gas prices are a good indicator of the slowing down of sale of our products. People tend to buy less online products when the shipping prices increase. Due to the fact that we provide free shipping, high gas prices will increase our operating cost.

7.3. *Breakeven Analysis*

On average, our product is sold for \$200/unit. Our first year operating expense is estimated to be \$240,000. We will have to sell at least 1200 units in order to breakeven for the first year operation.

7.4. *Projected Profit and Loss*

Profit and Loss projection of 2010

Sales Revenue	\$500,000
Expenses	\$240,000
Profit	\$260,000

7.5. *Projected Cash Flow*

Projected cash flow for 2010

First quarter	\$200,000
Second quarter	\$250,000
Third quarter	\$300,000
Fourth quarter	\$350,000

7.6. Projected Balance Sheet

Projected balance sheet of 2010

Assets	
Cash	\$350,000
Inventory	\$250,000
Accounts Receivable	\$100,000
Liabilities	
Accounts Payable	\$200,000
Tax Payment	\$100,000
Equity	
Investment Capital	\$150,000
Total Liability & Equity	\$450,000

7.7. Long-Term Plan

Currently JAMS LLC product line is targeting to consumer market in US. We will eventually expand our business into the commercial market on a global basis. Commercial version of our products will be targeted to hospital, clinic, chiropractor's office, and massage therapy site.