

**BUSINESS PLAN**  
**FULL CIRCLE: FUNDING THE THIRD SECTOR THROUGH**  
**GAMIFICATION**

Pedro Xavier Del Campo Carroggio Zoio  
Project submitted as partial requirement for the conferral of  
Master of Science in Business Administration

Supervisor:

Prof. Ana Margarida Madureira Simaens, Assistant Professor, ISCTE Business School,  
Department of Marketing Operations and General Management

Co-Supervisor:

Prof. Nelson José dos Santos António, Full Professor, ISCTE Business School,  
Department of Marketing Operations and General Management

November 2016

## Table of Contents

Executive Summary .....	1
Sumário Executivo .....	2
1. Introduction .....	3
2. Literature Review .....	4
2.1 Corporate Social Responsibility .....	4
2.2 Stakeholder Theory .....	5
2.3 Hybrid Organizations .....	6
2.4 Cross-Sector Partnerships .....	8
2.4.1 Cross-sector partnerships and the effects of product design and brand equity 12	
2.4.2 Cross-sector partnerships and the congruity concept .....	13
2.5 Gamification .....	14
2.6 Online Education .....	15
3. External Analysis .....	16
3.1 PEST Analysis .....	16
3.1.1 Political/Legal .....	16
3.1.2 Economic .....	17
3.1.3 Social .....	18
3.1.4 Technological .....	19
3.2 Industry Analysis .....	20
3.2.1 Competitors .....	20
3.2.2 Clients .....	21
3.2.3 Regulators .....	21
4. Internal Analysis .....	22
4.1 The Foundation .....	22
4.2 Business Model .....	22
4.3 The Infrastructure .....	23
4.4 Analysis of Core Competences .....	24
4.5 Founders .....	26
4.5.1 CEO .....	26
4.5.2 Vice President of sales .....	26
4.5.3 Chief Financial Officer .....	26
4.5.4 Chief Information Officer .....	27

5.	SWOT Analysis .....	27
5.1	Strengths .....	28
5.2	Weaknesses .....	28
5.3	Opportunities.....	29
5.4	Threats .....	29
6.	Business Strategy .....	29
6.1	Value Proposition.....	29
6.2	Differentiation.....	29
6.3	Entry Strategy .....	30
6.3.1	Partnerships.....	31
6.3.2	Launch of marketing efforts .....	32
6.4	Operations.....	32
6.5	The Selection Process.....	32
6.6	Operational Risk .....	34
6.7	The Agility Component.....	36
7.	Marketing Plan.....	37
7.1	Market Segmentation.....	37
7.1.1	Social Class/ Income .....	37
7.1.2	Demographics .....	37
7.1.3	Market Estimation .....	38
7.2	Pricing and Positioning Strategy.....	39
7.3	Marketing Materials and Promotion.....	39
7.4	Online Marketing Strategy.....	40
7.5	Joint Ventures and Partnerships .....	40
7.6	Referral and Retention Strategy .....	40
8.	Financial Plan.....	40
8.1	Cash-flows 5 year forecast.....	48
9.	Conclusion .....	49
10.	Bibliography .....	50

## Figures:

Figure 1: Portuguese age distribution (Source: indexmundi.com, 2016) .....	18
Figure 2: Business model.....	23
Figure 3: Analysis of Competences.....	25
Figure 4: Highlights.....	41
Figure 5: Sales by Year .....	43
Figure 6: Profit Yearly.....	45
Figure 7: Gross Margin Yearly .....	45

## Tables:

Table 1: Analysis of competences .....	24
Table 2: SWOT Analysis .....	27
Table 3: Selection process .....	34
Table 4: Operational Risk.....	35
Table 5: Profile of potential segments .....	38
Table 6: Market Estimation .....	39
Table 7: Start-up Requirements.....	42
Table 8: Sales Forecast .....	42
Table 9: Personnel Plan .....	43
Table 10: Pro Forma Profit and Loss.....	44
Table 11: Pro Forma Cash Flow .....	46
Table 12: Balance Sheet .....	47
Table 13: Investment Assumptions .....	48
Table 14: Revenue Projections.....	48
Table 15: Free Cash Flow Forecast .....	48
Table 16: Financial Indicators.....	49

## **Executive Summary**

This project aims to link sales of ordinary products to funding for social or environmental causes, while offering online courses to people who buy products with the Full Circle badge through a gamified online platform. The company will attach its badge to goods and services sold by regular companies, allowing them to raise their prices on the basis that the perceived value of their products is increased (because they will be contributing to the greater good). Then it takes a percentage of sales as capital to grow its operations and fund affiliate non-profit organizations (NGOs). When people buy products with the Full Circle badge, they win points that can be spent on humanitarian causes available at Full Circle's online platform. Upon allocating points to causes, customers will be able to see the effects of their contributions through live updates and directly team up with non-profits individually. As customers earn more points they can "unlock" online courses for themselves. These online courses will vary from business, IT, languages and life coaching. This gamification element is crucial for creating a sufficient level of user engagement, people need to feel compelled to accumulate points.

The target market segments will be college students, artists and corporate workers, totaling a total market of 600 000 and growing 3.78% annually. Marketing efforts will be mostly done online through social media, pay per click and client focused content like blogs, web copies, audio and video. The offline aspect of the marketing plan will be flyer and brochure distribution.

The business strategy is divided in two phases. The first phase will be the development of the online platform and android app. The second phase will be partnering with a non-profit organization, a for-profit company and a wholesale distributor in order to make a six-month test run of the business model. If the test run is successful, the marketing plan will be launched along with full operation.

Sales are estimated to be 52.000 € in the first year, 75 000 € in the second, with a payback in 1 year and an Internal Rate of Return (IRR) of 349% over a cost of capital of 10%.

## Sumário Executivo

O projecto Full Circle visa ligar vendas de produtos a financiamento de causas sociais e humanitárias. Disponibilizando também cursos *online*, através de um *website* e aplicação *android* gamificados, às pessoas que compram bens com o selo da Full Circle. A empresa vai disponibilizar o seu selo a produtos e serviços vendidos por empresas normais, permitindo-lhes aumentar os preços dos seus produtos, devido ao aumento do valor percebido dos seus produtos. Como também pelo facto de ficarem ligados a financiamento de causas. Depois, a Full Circle destina uma percentagem do lucro de vendas das empresas para financiar organizações sem fins lucrativos e financiamento interno para se desenvolver.

Quando as pessoas compram produtos com o selo da Full Circle, ganham pontos que podem ser gastos na plataforma *online* da empresa, de modo a poderem “desbloquear” cursos online para uso próprio, gastando esses pontos nas causas humanitárias disponíveis na plataforma. Após terem pontos em causas humanitárias, os consumidores poderão ver os efeitos que as suas contribuições fizeram, através de reportagens colocadas na plataforma ao longo do tempo. Para os clientes mais leais, poderão ter a oportunidade de se ligarem directamente às ONGs, através de estágios propostos por estas, disponíveis também na plataforma Full Circle. Este elemento de gamificação será crucial para criar um nível suficiente de aderência por parte dos utilizadores, uma vez que as pessoas precisam de ter uma motivação para acumular pontos.

Os segmentos de mercado alvo serão estudantes universitários, artistas e empresários, convergindo num mercado total de 600 000 pessoas, que cresce a um ritmo de 3.78% anualmente. O plano de marketing será executado maioritariamente *online*, através de redes sociais, *pay per click* e marketing de conteúdo focado no cliente. A secção *offline* do plano de marketing será distribuição de *flyers* e brochuras.

A estratégia de negócio está dividida em duas fases. A primeira será o desenvolvimento da aplicação *android* e do *website*. A segunda fase será obter parcerias com organizações sem fins lucrativos, empresas e um distribuidor, de modo a realizar um teste de 6 meses do plano de negócio.

As vendas estimam-se ser de 52 000 € no primeiro ano, 75 000 € no segundo, com um *payback* num ano e um IRR de 349% acima de um custo de capital de 10%.

## 1. Introduction

In increasingly competitive markets it is getting more difficult for companies to beat competition through traditional factors such as quality or brand equity, as markets are getting saturated. Due to the capitalist economy we live in today, any demand is a good demand because it increases spending and keeps the wheel turning. As a side effect all sorts of products and services are being produced and sold with large profits. On the other side of the “fence” we have thousands of non-profit organizations struggling to get funding. Many donors are providing much less funds than required and, in many cases, non-profits fight each other for funding (Hari, 2016). What if sales of goods and services of other companies could be used to fund non-profit organizations? This is the project’s foundational question.

If Full Circle were to be launched during the mid-twentieth century it would probably fail. Back then society did not care as much about humanitarian or environmental issues, the paradigm was very entrenched on the priorities of industry and nationalism. The riveting changes that began to happen in the 60s and 70s like the civil rights movements, the clean air act and other big cultural reforms only began to take momentum in the 90s (Geary, 2016). Today environmentalism, a social movement regarding concerns for environmental protection and improvement of the health of the environment, is at its ultimate form in developed countries. A study conducted by the European commission in 2004 asked citizens about the first thing they thought of when prompted by the word: “Environment”. Twenty five percent responded “pollution in towns and cities” and 22% “Protecting Nature”. When asked how important the environment is for their quality of life, 72% considered the latter an important aspect (Eurobarometer, 2005).

The USA’s budget for environmental protection expenditure skyrocketed from \$1003 984 000 in 1970 to \$8 139 887 000 in 2015 (EPA, 2015). The total environmental protection investments made in the European Union increased 162% between 1996 and 2000 (ec.europa.eu, 2002). According to the National Philanthropic Trust, charitable giving rose from roughly 160 billion to 373.23 billion between 1975 and 2015 (nptrust.org, 2015). Thus there is sufficient evidence that there is a suitable market for Full Circle. The logical step from conventional environmental funding and charity methods is a platform that accomplishes the same without the “charity” label.

This is where Gamification comes in. Full Circle bases itself on the assumption that with Gamification, customers will feel intrinsically motivated to participate in processes that lead to funding for humanitarian causes. It is this project's premise that Gamification will take the charity word out of funding for non-profits.

## **2. Literature Review**

### **2.1 Corporate Social Responsibility**

The idea of corporate social responsibility or CSR is that companies have obligations to society and the environment beyond making profits for shareholders (Carroll, 2010). The formal definition of Corporate Social Responsibility began to appear in the 1970s (Carroll, 1991). The main concept was a method of self-regulation that is integrated into a company's business model, and ensures the company acts according to the law and ethical standards (Wood, 1991). As well as to prevent the erosion that saturated markets impose on brand images (Alcheva, 2009).

A corporate social responsibility policy has the main objective of creating social value and goes beyond the interests of the company as well as minimal requirements imposed by law (McWilliams and Siegel, 2001). A notable fracture of ideologies exists regarding the effectiveness of CSR. On one side of the argument we have supporters that argue CSR increases long term profits of a given company. On the other side we have critics that say CSR disturbs the main function of the business (McWilliams, 2000). McWilliams (2000) conducted a study that successfully correlated the R&D intensity with the CSR of a firm, but failed to establish conclusive results regarding the correlation of CSR with profitability.

According to Carroll (2008), CSR remains a preeminent word in academic literature and business practice that evolved into a modernized concept called CSR 2.0. The latter is an evolution that emerged from the ashes of failed classical CSR principles. According to Visser (2008) CSR is currently failing due to being incremental, relying on marginal improvements that do not match the urgency of the problems. The second debilitating factor for CSR is being peripheral, not being integrated with the core business. The last factor is not being economic, a lot of cases CSR does not make sense from a financial



standpoint, as short-term markets still reward companies that externalize their costs to society.

CSR 2.0 unlike the classic concept, is mainly defined by relying on innovative partnerships, stakeholder panels, real-time transparent reporting and social entrepreneurship. It acknowledges the shift in power from centralized to decentralized positions and the end of exclusivity in contrast to the rise of availability (Visser, 2012). Besides philosophical disparities, the business culture acknowledges that CSR is a win-win-win situation. And as a result it has been growing steadily among companies ever since (Endacott, 2004).

## **2.2 Stakeholder Theory**

The Stakeholder Theory builds its foundation on corporate social responsibility, it determines that a company should identify all its stakeholders and seek methods that fulfill their interests (Freeman, 1984). Nowadays companies need to operate cooperatively with several parties along the value-chain in order to mitigate competition. The stakeholder theory is an approach that not only facilitates these kind of operations but ensures value maximization is assessed from an existential perspective, instead of a purely economic one.

According to Donaldson (1995) a company should be a cluster of united and competitive interests with intrinsic value, meaning that each agent is valued by its own merit and not its possible contributions or advantages he may bring. These agents can be employees, customers, suppliers, creditors, communities, the government, or unions.

Freeman (2004) argues that values are necessary component of business, arguing that the stakeholder theory pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose. One particular notion of this theory is that it rejects the separation thesis, that argues ethics and economics can be clearly separated (Freeman, 1994, apud Freeman, 2004).

There is a libertarian argument to be considered regarding the stakeholder theory. Freeman (2002) states that in order for the stakeholder theory to work in the real world it must be based on voluntarism and not on forced control provided by external entities such as the state or agencies. He argues:

“Not only is voluntarism the only philosophy which is consistent with our social fabric, but the costs of other approaches are simply too high. Voluntarism means that an organization must on its own will undertake to satisfy its key stakeholders. A situation where a solution to a stakeholder problem is imposed by a government company or the courts must be seen as a managerial failure.”

This argument can be linked to the Responsibility Thesis in libertarian literature Freeman (2002) argues that the foundation for ethics or the moral point of view is that most people, most of the time, take or want to take responsibility for the effects of their actions on others. And if the latter was not true, it would mean that concepts like ethics or morality would be meaningless. From linking the stakeholder theory's voluntarism argument with the Responsibility Thesis draws the conclusion that the stakeholder theory is a frail endeavor. The latter can easily follow the footsteps of libertarianism in today's world and fold like a house of cards. There is criticism regarding this theory, the main point being the daunting depletion of resources that a company must subject itself in order to satisfy every single interest of all its stakeholders. Jensen (2002) criticizes Freeman (1984) for not offering a specific way of making trade-offs between these conflicting interests. Jensen does this by exemplifying that customers want low prices, employees want high wages and good working conditions, suppliers want low risk and high returns and communities want high charitable contributions.

### **2.3 Hybrid Organizations**

Hybrid organizations or social enterprises can be thought of as the pinnacle of what corporate social responsibility is about. The term “Social Enterprise” first appeared in Europe in 1990, and 1996 in the USA. It was coined by the Italian journal *Impresa Sociale*, that began covering new entrepreneurial actions aimed at tackling social needs

that had not been properly addressed by the public sector (Borzaga and Santuari, 2001 apud Defourny, 2014).

Following Brewster (2009), “A hybrid organization is defined as a market oriented, common-good mission-centered organization which operates in the blurred space between traditional for-profit and non-profit enterprises.” He added that this type of organization must have a non-financial performance valuation and privately held by a connected set of shareholders, all with a common interest. The organization should also have sub-market rates of return and an alternative capitalization (below market financing mechanisms). According to Grassl (2012) social enterprises have business models that include public-private alliances and outsourcing of government functions (Préfontaine 2008; Bollecker and Nobre 2010 apud Grassl, 2012) or cross-sector partnerships (Dahan et al. 2010, Grassl, 2012). These business models often show solid, integrated networks of contacts that rely heavily on cooperation to maximize value.

According to Brewster (2009), funding will no longer be adequate to address current problems like poverty, income and gender inequality, disease and environmental degradation. In response to the decline of efficiency in traditional funding systems like donor funding, a new emphasis is being drawn on social enterprise models that fix this funding problem through earned income creation. The models are referred to as Fourth Sector, Blended Value, For-Benefit or B-corporations.

The main issue with these type of organizations is that hybridity is very hard to achieve. Hybrid firms have to stay profitable while balancing their development activities (like poverty relief) with fiduciary obligations. According to Battilana (2010), the main problem in hybrid organizations is antagonistic cultures in their working environments. If these companies cannot achieve a shared identity among members, factions will develop between the more social, development oriented people and the more business, financial oriented ones. Battilana (2010) points the hiring process as the ultimate fix for these kind of situations. She proposes that hybrid companies should adopt two type of approaches in their hiring process. The first one is called Apprenticeship, it consists on opting for a clean slate philosophy and only hire inexperienced personnel and gradually coach them. The second approach is Integration, it's about selecting elements from different backgrounds (non-profit, business) and integrate them with the common, hybrid goal of the organization. There is however empirical evidence supporting the fact that

the integration approach is more prone to failure. In 1996 the company Banco Solidario, a Bolivian commercial microfinance organization, grinded to a halt due to not being able to solve the tensions between the development and banking factions (Battilana, 2010).

## **2.4 Cross-Sector Partnerships**

Banco Solidario is one of several cross-sector partnerships aimed at resolving environmental or social issues. These type of alliances revolve around three areas: business-nonprofit, business-government, government-nonprofit, and tri-sector (Selsky; 2005).

Wymer and Samu (2003) list several types of these partnerships: corporate foundations, non-profit entities created by a company to manage its charity initiatives. Business-nonprofit relationships where NGOs allow businesses to use their names and logos in return for a flat fee. Sponsorships where the company pays the nonprofit a sponsorship commission to use its brand in the non-profit's marketing efforts. And finally joint issue promotions, where the two entities work together to support a cause, in this scenario the company participates in the non-profit's operations, also referred to as cause-related marketing.

Cause-related marketing (CRM) is one of the main types of cross-sector partnerships. It is a type of marketing where non-profit organizations partner with regular for-profit companies for mutual benefit. The non-profit organization benefits from additional funding, while the for-profit company gets increased exposure and reputation. The concept was first introduced by the company American Express in 1983 in a campaign aimed at donating funds to restore the statue of liberty. The company donated funds each time a person used their AE credit card.

The expenditure on CRM is expected to reach \$1.78 billion in 2013, a projected increase of 4.8% over 2012, 79% of Americans say they would be likely to switch from one brand to another, when price and qualities are about equal or if the other brand is associated with a good cause (Chaudhary et al, 2014).

CRM can be divided into 6 categories (Waters and Macdonald, 2011). Point-Of-Sale programs, when a consumer is solicited at the register for a donation either by a cashier (called active cause marketing) or by signage that is prominently displayed to encourage the shopper to make a gift (passive cause marketing). Purchase or Action-Triggered Donation Programs, when a consumer buys a product or service and a donation is made to a cause. In a Licensing Programs, a company pays a fee to use a non-profit's brand on its product. Message Promotion Programs, where a business puts its resources to work to promote a cause-focused message. Employee Engagement Programs, in this program, a company leverages its workforce for social good. And finally Digital Programs like the web or social media.

However, there is a body of evidence that suggests skepticism is rising towards cause-related marketing due to its overuse (O'Sullivan, 1997; Rogers 1998 apud Bronn, 2000). This can lead people to renounce cause-related marketing campaigns; as well as escalating to further actions (Rogers, 1998 apud Bronn, 2000). The most frequent reasons that hearten skepticism are questionable honesty and fairness of promotion, when a cause is just a smokescreen for profit maximization and its promotion is mischievous (Webb, 1998 apud Bronn 2000). Peggy Bronn (2000, p. 12), referring to clients, concluded that "46.3% would choose brands that stand for a cause and 35.5% would be more likely to switch to another brand if they knew the brand supported a non-profit organization". However, as the author continues, "they are less likely to pay a premium price for a brand that they know supports a non-profit organization".

Partnerships of this kind have increased dramatically in the past 25 years with profound changes in institutional forms of governance, with common goals such as economic development, education, health care, poverty alleviation, community capacity building, and environmental sustainability (Selsky, 2005). The current exponential development of availability of information has increased the awareness of social problems. This is causing the public to be more demanding towards social responsibilities of the business sector. This is leading to an increased gap between corporate social interventions and public expectations, causing more social problems to arise unattended (Post, Lawrence, and Weber, 2002).

Cross-sector partnerships, despite proving to be an increasing essential tactic to tackle social and environmental issues, are delicate endeavors to launch and maintain. The

business sector is proven to be more liable to pursue self-interests (Iyer, 2003 apud Selsky, 2005) like greenwashing<sup>1</sup>, gaining social capital or tapping into networks (Millar, 2004). The motives can also be selling products and retaining desirable employees (Lewin and Sabater, 1996 apud Selsky, 2005). This generates a gaping hole between the commonality of goals and values between the two parties. Non-profits fear reputational damage and are cautious in engaging in this type of operations (Brown, 1991 apud Selsky, 2005). Other issues that can arise is resentment of a company's charity actions by its employees, due to declining valuation in stock or declining business cycles which result in freezes or layoffs (Himmelstein 1997 apud Wymer and Samu, 2003).

Another important aspect that impedes cross-sector partnerships is a gap in institutionalization needs. Siebel and Anheier (1990 apud Selsky, 2005) argued that non-profits prefer to use less formal methods and controls than for-profit companies. Power imbalances are also a factor, loss of control in decision making processes are a main concern to non-profits in cross-sector partnerships (apud Selsky, 2005). Large power imbalances are considered problematic due to leading parties into opportunistic and self-serving behaviors at the expense of the partnership's holistic goal (Doh and Teegen, 2002; Parker and Selsky, 2004 apud Selsky, 2005). Despite these factors cross-sector partnerships are becoming an ever more important factor in corporate policies (e.g., Dahan et al., 2010; Hansen and Spitzeck, 2010).

A cross-sector partnership is divided mainly in two parts (GEMI, 2008). The first part involves structuring and design, this phase allows partners to build trust and evaluate potential benefits and what type of resources are needed. This phase ends with the signing of some sort of agreement or contract that ties both partners. Phase two is the execution, where a cross-functional team is assessed and assembled. The team should encompass organizational structures such as: operations, marketing, engineering, purchasing, legal, public relations and government relations. Involvement of senior management is also very beneficial due to the increase of executive capabilities. According to Hansen et al (2010) Corporate Community Involvements (CCIs) are evaluated with two distinct dimensions: The first is to prove that there is in fact a substantial community benefits that arise from said partnership. The second dimension is to prove strategic relevance for the company

<sup>1</sup> Form of spin in which green public relations or green marketing is deceptively used to promote the perception that an organization's products, aims or policies are environmentally friendly.

involved, such as business effects on employees and customers or impacts on the company's financial indicators (Weber, 2008).

These indicators can be measured internally via employee surveys or externally with social screening services, benchmarking or NGO assessments (Epstein, 2008; Luo and Bhattacharya, 2006 apud Spitzeck and Hansen, 2010). Cross-sector partnerships prove most valuable when a Multi-National Enterprise (MNE) tries to enter a developing country's market. The MNE faces difficult roadblocks because it is out of touch with the local context (Dahan et al, 2010). In order for a MNE to be successful in this type of market it needs some type of liaison company than provides valuable data regarding local cultural, economic, institutional and geographic features (Dahan et al, 2010). This role is perfectly suited for a local NGO, it can provide competences like market expertise, legitimacy with customers, civil society players and governments (Dahan et al, 2010). Rondinelli and London stated that. "Alliance[s], in fact, may be the only option for companies interested in accessing the knowledge held by (NGOs), since internal development of such expertise may be too costly, inefficient and time-consuming for most companies and merger with or acquisition of an (NGO) is highly unlikely," while Kramer and Kania support a similar view: "Nonprofits often have a deeper understanding of the social problem, which enables them to help companies devise more comprehensive strategies and set more ambitious and attainable goals" (Rondinelli, London, 2003).

In sum, a good cross-sector partnership balances itself effectively. The for-profit firm provides large scale production capabilities and capital that can be especially useful in R&D and manufacturing as well as brand value. While the non-profit gives information about local needs and legitimacy that can be most valuable in securing sound marketing strategies or product developments (Hart, 2002). One way of evaluating the effectiveness of these partnerships is by using specific metrics. One of the most important key performance indicators to measure in partnerships of this nature is the social value they accrue. Outcomes of cross-sector partnerships can be measured in three distinct ways: direct impact on the issue and its stakeholders; impact on building capacity, knowledge, or reputational capital that can attract new resources; and influence on social policy or system change. Direct impacts are most frequently used method (Selsky, 2005).

Social value refers to non-financial impacts, made by organizations that go beyond the bottom line. These impacts can range from the wellbeing of individuals to communities or the environment (Wood et al, 2010). It can be measured using three main methods (Mulgan, 2010). The first one being the cost benefit analysis (CBA) that puts a monetary value on benefits expected from a given project and compares them with expected costs. The second method is social accounting that refers to the whole organization instead of one specific project. It collects quantitative and qualitative data and gathers it into a social report at the end of the financial year. The final method is Social Return of Investment (SROI), the most sophisticated method adopted from both CBA and social accounting. It can be conducted before using forecasts, or after a project with actual data. In sum, these type of metrics can be a powerful tool in assessing if a cross-sector partnership is viable.

#### **2.4.1 Cross-sector partnerships and the effects of product design and brand equity**

The properties of product design and brand equity play a paramount role in choosing the right company or product for a cross-sector partnership. Product design rests mainly on utilitarian value and aesthetic appeal (Boztepe, 2007 apud Bloch 2011). A product with good design is one that manages to have actual usefulness as well as the aesthetic ability to please one or more of our senses (Desmet, 2007 apud Bloch, 2011).

Product aesthetics work in tandem with utilitarian traits in order to create powerful first impressions and long-term satisfaction among consumers. Aesthetics tend to elicit different responses among individual customers. As a result, companies can also use product aesthetics as effective segmentation and targeting platforms.

Brand equity can be divided into three categories (Lee, 2011). The first one “Brand Awareness” is acknowledged as the individual’s ability to recall and recognize a brand. The second category “Brand Associations” embodies the meaning of the brand for customers (Keller, 1993), it is every concept linked in memory related to a brand (Aaker, 1991). The latter category also encompasses other sub categories such as brand performance and personalities. “Brand Personalities” are an especially important concept because that they are linked to intangible features that meet consumers’ needs for social approval, expression and self-esteem (Pitta and Katsanis, 1995 apud Keller, 1993). The



intangible features could include Social image, the attributions a consumer thinks others make about a particular brand (Lassar et al, 1995); Perceived value, the balance between price and utilitarian value (Lassar et al., 1995); Trustworthiness, the confidence a consumer places on a particular company (Lassar et al., 1995); and Country-of-origin (COO), the associations made by consumers can be heavily influenced by COO effects, particularly perceived quality and loyalty (Pappu et al, 2007).

Keller (1993) defined two categories of loyalty. The first one is behavioral loyalty, indicated by the number of repeat purchases or will to re-buy the brand as a main choice. And cognitive loyalty that is related with the intention of buying a brand as a first choice. Keller (1993, p.1) appointed customer based brand equity as the “differential effect of brand knowledge on consumer response to the marketing of the brand”. He concluded that an effective measurement for customer based brand equity was by comparing consumer responses to the marketing of a given brand, to the same marketing of a dummy or unnamed version of the same product or service.

#### **2.4.2 Cross-sector partnerships and the congruity concept**

The following literature aims to provide supporting evidence regarding the problems that can arise when partnerships fail to achieve congruity or in the eyes of the consumer. Oppewall and Ringer (2005) conducted research that introduced the notion of congruity to cause-related marketing. They determined that differences in congruity can affect product and brand alliances. When the congruity is perceived to be weak, the alliance is likely to be perceived as inconsistent and perhaps opportunistic (d'Astous and Landreville 2003). Oppewall and Ringer (2005) also determined the different levels of congruity. The first level, “Cognitive Congruity”, related to how customers tend to relate their individual experience and personal identity at a deeper level with the cause, unconsciously adding attributes of their own in the process. The second level, “Emotional Congruity”, explains that a boost in empathy towards the cause can produce egoistic behaviors that reduces one’s feelings of guilt or creates an altruistic desire to genuinely help others. The third level, “Behavioral Congruity”, is determined through the lenses of the Attribution Theory, it claims that people make causal inputs about the behavior of others, skewed by their own personalities (Davis, 1994 apud Ringer, 2005).

Consumers consistently evaluate an alliance's motives to determine if the cause is extrinsically or intrinsically motivated. It is plausible to conclude that the consumer's idea of partnership's congruity is expected to be a crucial factor when measuring a given consumer's response to a brand alliance or NGO partnership.

Another important factor to consider when evaluating the effectiveness of cross-sector partnerships is consumer participation. When a given cause demands higher than expected participation from consumers, it can lead to persuasion knowledge (Friedstad and Wright 1994), meaning that consumers notice when they are being overly persuaded. This can lead to detrimental effects as consumers question the company's motives (Campbell, 1995).

## **2.5 Gamification**

According to Deterding (2011), Gamification refers to a concept of using video game elements in non-gaming contexts, to improve user experience or engagement. This system has been proven to form positive patterns like the increase in user activity, social interaction. As well as providing intrinsically motivating and "gameful" experiences (Hamari, Koivisto and Sarsa, 2014), triggering the same psychological sensations as conventional videogames (Huotari and Hamari apud Hamari, Koivisto and Sarsa, 2014). An example of a successful implementation of Gamification can be Codecademy, an online service that grants points and trophies if a person completes coding classes or courses.

The small intricacies in Gamification can be explained through JB Fogg (2002 apud Muntean, 2011) and his research on persuasive technology, a field that studies technical ways to impact the user on an affective level. According to Fogg people naturally respond to social presences with social feelings like empathy or anger. Fogg states that the motivation for social reactions depend largely on triggers with couples of opposites like pleasure/pain, hope/fear and acceptance/rejection.

According to Muntean (2011), any application, task or process can be gamified, albeit a strong argument, it is not necessarily incorrect. The fields with successfully implemented Gamification systems range from education, health and intra-organizational systems, to work innovation, commerce and data gathering (Hamari, Koivisto and Sarsa, 2014).

An important theoretical foundation about Gamification is the study of its main driver: intrinsic motivation. Groh (2012) argues that intrinsic motivation is based on three fundamental needs, derived from Deci and Ryan's "self-determination theory" (1985 apud Groh, 2012): 1) the need for relatedness, to interact and relate to others, to achieve personal goals and find a community of similar interests; 2) The need for competence, to be effective and solve problems; and 3) the need for autonomy, to be in control of one's life.

A good take on the future of gamification can be found on the last section of Groh (2012)'s article "Gamification: State of the Art Definition and Utilization", where the author writes about the game designer Jane McGonigal's theory. According to McGonigal, the future of gamification is simulations aimed at solving complex real world problems, like the game "World Without Oil" where gamers try to survive on a futuristic scenario where oil has been depleted. Another possible future for gamification is also included in Groh's article, it is the grim scenario where you play a game in every moment of your life: you wash your car, you get 10 points, if you are late, minus 20 points. (Groh, 2012).

## **2.6 Online Education**

Online courses can be classified as such when 80 percent of the course's content is delivered online (Allen and Seaman, 2013). Nowadays online education uses a wide range of methods and technologies such as eBooks, simulations, text messaging, podcasting, wikis and blogs (Kim and Curtis, 2006). Advances in internet technology are likely to increase the use of multimedia, interactive simulations and games in online learning (Kim and Curtis, 2006). The most famous type of online courses nowadays are massive open online courses, where content is delivered entirely through the web.

Massive Open Online Courses (MOOCS) are a type of online course that has no participation limits and is accessed via the web. Students are provided with filmed lectures, problem sets, readings and interactive user forums. They were first introduced in 2008 and are an emerging education method (Pappano, 2014; Tamar, 2013). The main platforms that offer this type of online courses are Edx, with 94 courses from 29 institutions around the world (as of 2013). Coursera with 325 courses and Udacity with

only 26 courses but 300 000 students While MOOCs are gaining positive opinions from academic circles, there remains a sizable minority that continue to see online as inferior (Allen and Seaman, 2013). Allen and Seaman (2013) concluded in their study that “Almost one-quarter of all academic leaders polled continue to believe the learning outcomes for online courses are inferior to those for face-to-face instruction”.

Alternative to MOOCs nowadays range from Self-Paced Online Courses, where students learn at their pace and choose where to start from. Or commercial courses where people pay a small fee for short tutorial like courses (like in Udemy). There are several emerging technologies specializing in online education that are predicted to evolve substantially in the next few years like course management systems, asynchronous discussion tools, video conferencing and synchronous presentation tools (Kim and Curtis, 2006).

### **3. External Analysis**

#### **3.1 PEST Analysis**

The PEST analysis is an effective tool to analyze the external and inevitable factors that can influence Full Circle. This analysis will assess the political situation of the country and how it can affect the industry and the prevalent economic factors. It will also evaluate the role culture plays in the market and technological developments.

##### **3.1.1 Political/Legal**

The main political factors that can affect this particular business environment could range from political instabilities that indirectly affect the industry, trade restrictions on imports from China or effective environmental or social regulations that render Full Circle’s efforts trivial. As well as relevant legal aspects that are directly or indirectly linked to Full Circle’s business environment. The first political aspect to take into account is that the current Portuguese government aims to increase the minimum wage to 600€ by 2019, raising it to 557 € in 2016, 557€ in 2017 and 580€ in 2018.

According to a report (GAN, 2015) the Portuguese government has a high level of corruption and abuse of power at the municipal level, in the areas of urban planning and public procurement. Also according to the report, there is no evidence of corruption in the Portuguese judicial system, and was classified as mainly independent but slow and inefficient.

One relevant law is the Portuguese consumer defense law n°24/96 31 of July<sup>2</sup>. According to it, the State is responsible for protecting the consumer and provide support to every consumer defense association, the largest one being *Associação Portuguesa para a Defesa do Consumidor* (DECO). The law mainly states that the consumer has the right to quality goods and services, health and economic protection and access to truthful information prior to consumption.

In terms of tax laws, according to the Portuguese tax system (Portal das Finanças, 2016) the entities subject to Corporate Income tax are trading and civil companies under commercial form, co-operative companies, public enterprises, having their management in the Portuguese territory. Exempt from IRC are the State, autonomous regions, local authorities, public institutes that do not exercise a commercial, industrial or agricultural activity, social security and welfare institutions. Also according to the law, capitalization funds and income from capital shall benefit from a full exemption from IRC if under the management of social security institutions.

### **3.1.2 Economic**

The macro-economic elements are embargoes, interest rates, economic growth or recession. The Portuguese economy is on the upcycle, with GDP rising from 1.3 to 1.8 between 2016 and 2018 (Banco de Portugal, 2016). According to Numbeo (2016) the cost of living in Portugal is 32.63% lower than in the United States.

Regarding finance and credit, The Standard & Poor's credit rating for Portugal is at BB+ with a stable outlook. Moody's credit rating is at Ba1, Fitch's credit rating is at BB+. This translates to the Country being able to meet financial commitments but somewhat prone to

<sup>2</sup> [http://www.pgdlisboa.pt/leis/lei\\_mostra\\_articulado.php?nid=726&tabela=leis](http://www.pgdlisboa.pt/leis/lei_mostra_articulado.php?nid=726&tabela=leis), accessed [October 27 2016].

adverse effects of changes in economic conditions. Portugal's inflation rate is at 0.6 % and the interest rate is at 0%, with the highest recorded value of 4.75% between 1986 and 2016<sup>3</sup>.

Portuguese labor costs averaged 89.20 index points from 1995 to 2016 reaching the highest value of 112.40 index points in the fourth quarter of 2009 and a record low of 63.20 index points in the first quarter of 1995.

### 3.1.3 Social

Events that affect the market and community socially like shifts in public opinion, norms or cultural expectations towards environmental or social responsibilities. Public awareness regarding sustainable and ecological concepts is evolving.

The Portuguese age distribution is given by Figure 1.

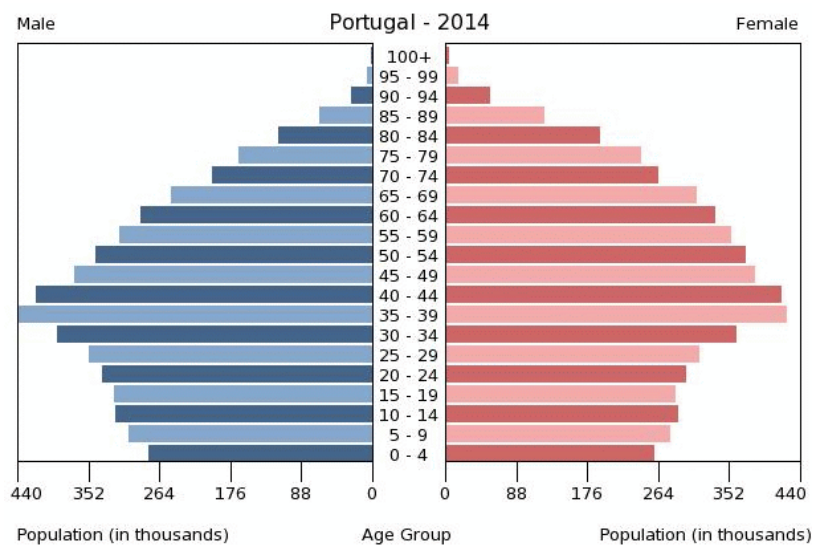


Figure 1: Portuguese age distribution (Source: indexmundi.com, 2016)

<sup>3</sup> <http://www.tradingeconomics.com/portugal/interest-rate>, accessed [October 27 2016].

According to UNESCO<sup>4</sup>, the basic literacy rate of the Portuguese population is 95.7% (97.1% male, 94.4% female). According to INE (Portuguese Institute for National Statistics), only 3.7 million Portuguese workers (67% of the working active population) completed basic education (81% of the working population attained the lower basic level of education and 12% attained the intermediate level of education).

According to the OECD's Programme for International Student Assessment (PISA) 2009, the average Portuguese 15-years old student, when rated in terms of reading literacy, mathematics and science knowledge, is placed at the same level as those students from the United States, Sweden, Germany, Ireland, France, Denmark, United Kingdom, Hungary and Taipei, with 489 points.

Finally, according to Franco (et al, 2005) the third sector is highly present in Portugal due to the Country being highly influenced by the Catholic Church. This influence brought about a high degree of mutual help in Portuguese society. According to The Guardian (2016) only 15% of Portugal's population contribute to charity, and has a world giving index of 20%, Australia being the highest with 57%.

#### **3.1.4 Technological**

Situations like technological obsolescence close to launch date, due to better designed systems intended specifically to ease the brokering of cross-sector partnerships. According to the Marktest Group, over 5 million people use smartphones in Portugal, around 60% of the population. The penetration rate of these devices has reached 89% between 2013 and 2016. The highest penetration rate was found in higher social classes, reaching as high as 90%.<sup>5</sup>

Recent intellectual property developments in Portugal concern provisional patent applications (Intellectual Property Review, 2012) which enables the postponement of the submission of all the formal elements of a normal patent application for a period of up to

<sup>4</sup> <http://www.uis.unesco.org/DataCentre/Pages/country-profile.aspx?code=6200&regioncode=40500&SPSLanguage=EN>, accessed October 27

<sup>5</sup> marktest.com. 2016. Smartphone continua a crescer em Portugal. [ONLINE] Available at: <http://www.marktest.com/wap/a/n/id~2046.aspx>. [Accessed 29 October 2016].

12 months. On December 2011, the Law No. 62/2011 established a legal system for the settlement of disputes arising from industrial property rights whenever reference medicinal products and generic drugs are involved.

Another relevant recent development is the creation of a Court of Intellectual Property on March 30, 2012. The new court has jurisdiction to rule upon actions on copyright, industrial property rights and unfair competition, appeals against decisions of the Portuguese Patent and Trademark Office ('INPI'). It also encompasses actions on internet domain names corporate names, appeals against decisions of the Portuguese authority responsible for domain names ('FCCN').

### **3.2 Industry Analysis**

The industry relevant to Full Circle is the gray area that encompasses the third sector (non-profits) and the corporate sector (for-profit companies). In order to analyze the industry, it is required to list all the entities that may affect or be affected by an action in both sectors, corporate and non-profit. We can identify different types of industry stakeholders, which are as follows:

#### **3.2.1 Competitors**

To our best knowledge, there are not any direct competitors at the moment at the national level. The most dangerous kind of competition are potential in-house startups formed by well-established titan corporations. Since it is based on an innovative idea, Full Circle has a competitive advantage and keeps it out of a perfect competition scenario. Advertising expenses will be low and largely done online or by word of mouth.

Some examples of international congeners include the Beadrelief and Doublethedonation. The former, Beadrelief, is a social enterprise that sells bracelets with the aim of funding non-profits. With 25% of each sale donated to charity. The latter, Doublethedonation, is an online platform for non-profits and donors that seeks to streamline gift matching. It does this by matching employers with donors and by giving targeted information to both parties, thus facilitating the gifting process.



From a business standpoint Beadrelief does not add significant value, it is just charity disguised as a product. They achieved the remarkable feat of creating a charity system that goes beyond asking for money. However in terms of sustainability, they are still reliant on the goodwill of others (which is naturally volatile). The same argument applies to Doublethedonation, their main business model depends entirely on kindness.

### **3.2.2 Clients**

Clients will be general consumers. Since this business is highly dependent on the extra sum buyers are willing to pay to use the Full Circle platform, clients can force down prices. If prices can be easily forced down, price sensitivity is high.

### **3.2.3 Regulators**

The main Institution that creates regulation and control measures in this industry is the government, it regulates cross-sector partnerships between profit and non-profit sectors through corporate legislation, and is the entity that approves any law related with the environment or social aspects.

In terms of legislation it is important to also link the three pillars involved: environmental, economic and social, with their respective advocate agencies. These legislation advocates are the agencies that propose laws to the government, like environmental or social non-profit organizations. On the environmental and social sides there's agencies like the Portuguese Environmental Agency APA or the Portuguese Nature League (LPN), and non-governmental human rights associations like the Portuguese human rights association (ADDHU) that continuously promote social legislation. One part of Full Circle's business will involve online purchases, so it is also important to consider ANACOM, the Portuguese entity that regulates online commerce.

## **4. Internal Analysis**

### **4.1 The Foundation**

In an increasing globalized world, there is the possibility of creating a system that links individuals directly to humanitarian causes. Due to globalization things are becoming both distant and close at the same time. Increased visibility has proven to be an upside as well as an Achilles heel for humanitarian causes. People have access to a lot more, but have become increasingly numb by the sheer number of possibilities available to them. There are a lot of individuals out there that want to fight this tendency of numbness. They want to make a dent in the world but don't have the time or money to do it. Full Circle harvests this opportunity by using the upside of the consumer culture: people buy and will always buy stuff. There are a lot of purchases out there that could have been beneficial for someone other than the buyer (i.e. NGOs).

In 2010 there was an article posted about a marketing professor called Ty Henderson and his Council Faculty Research Presentation titled “Marketing a Brand with a Social Cause”. Henderson’s work looks into how brands can team up with a social cause or donate a percentage of profits to a charity in order to increase their own profits. One experiment Henderson detailed for the group involved three bottled water brands. Two of the brands were popular and well known, and one he invented. The three brands were described to experiment participants using similar language, but participants would choose the well-known water 95 percent of the time. When a sentence was added saying the made-up brand donates a percentage of profits to The Red Cross, the experimental sales increased dramatically” (Henderson, 2010).

### **4.2 Business Model**

It is documented that the stakeholder approach (using notions of the stakeholder theory) facilitates the cooperation of several parties along the value chain of a given company (Freeman, 1984). Freeman (2002) also points out that the stakeholder theory must be based on voluntarism and not forced control by external agencies. Full Circle offers a business model that links customers, non-profits and business in a way that is not forced, but based on mutual interest. Figure 2 explains Full Circle’s business model:

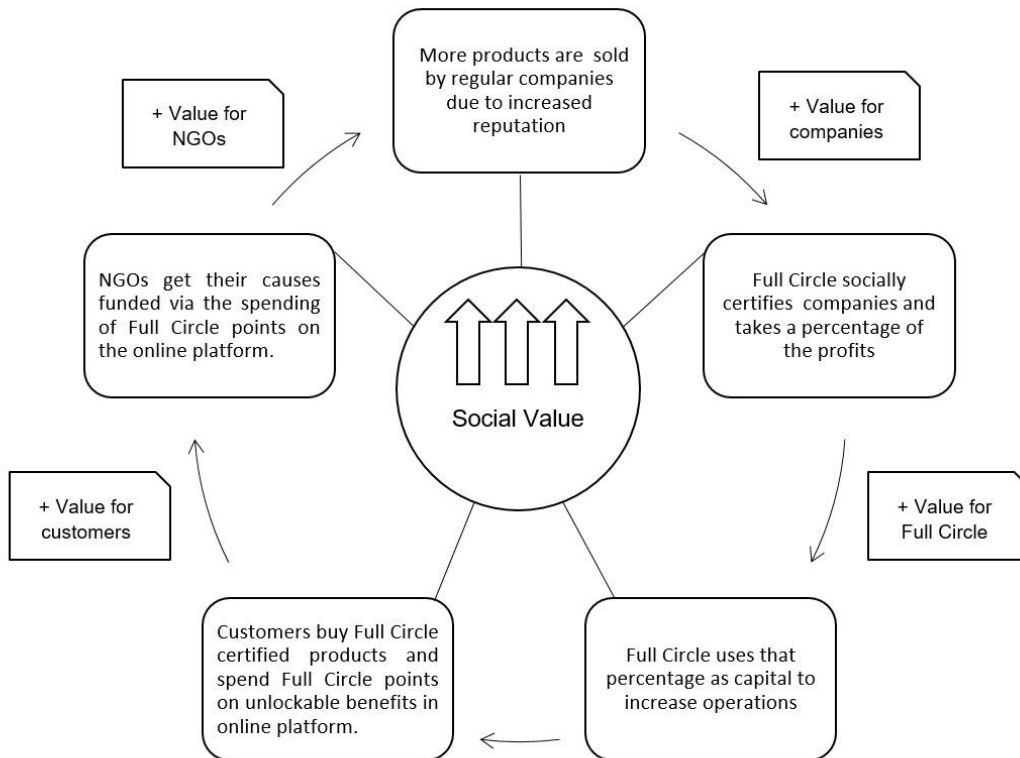


Figure 2: Business model

### 4.3 The Infrastructure

Full Circle will be Limited Liability Company (LLC) based in Delaware, because of the low start-up costs and affordable franchise taxes. It will have a process oriented structure divided by three main departments: IT, Marketing and Sales, and Finance.

The hiring philosophy will be clean slate/apprenticeship. Full Circle will look for inexperienced personnel and coach them. However it will be beneficial to collaborate with at least one experienced consultant.

The business would have no physical infrastructure. Meetings would be done by skype or physically. Full Circle's core base of operations would be an online platform. Through the platform you would have access to the android application, YouTube channel, social media and ecommerce.

#### 4.4 Analysis of Core Competences

The measurement of Full Circle’s core competences will be through a hypothetical “trial by fire”. The company will be put up against a hypothetical competitor called Nemesis, which will determine the core competences Full Circle must rely on when faced with fierce competition (Table 1).

Nemesis will be an in-house startup created by a large corporation that launches a major corporate social responsibility initiative. The startup would be especially designed to find NGOs and fund their causes in order to increase the corporation’s public image and green footprint. It would have state of the art technology, high budget and a team of seasoned sales representatives seeking partnerships with NGOs.

Competences	Full Circle	Nemesis
Price	3	5
Quality	3	4
Customization	2	4
Services	3	3
Reliability	3	5
Stability	2	5
Expertise	5	3
Reputation	5	2
Image	3	3
Sales Method	5	3
Advertising	2	5

*Table 1: Analysis of competences*

From the analysis it can be concluded that a company like Nemesis, with its high budget and economies of scale, would have a clear advantage in price, reliability, customization, stability and advertising. Being spawned from a large corporation, Nemesis would not face financial stability problems and could compromise its profitability in order to beat Full Circle in a price wars. It would be capable of offering more variety in customizations

and would likely have a carte blanche regarding advertising expenses that Full Circle simply could not match.

There are however a few caveats that need to be considered. Due to the fact Nemesis would be an in-house startup created by a large corporation, its reputation would be a sensitive soft spot that could be tackled. Full Circle could do this by launching marketing campaigns aiming to smear Nemesis as a green-washing initiative.

Full Circle could also have an advantage in the sales method because it is not a field entirely dependent on financial means. The proper course of action in obtaining a sound sales method is by hiring the right people, and Full Circle would have a chance of doing this better than the competition.

The field of expertise follows the same logic, Full Circle could gain an edge on Nemesis by hiring expert, passionate people that do not just follow the money.

Figure 3 graphically shows the comparison between the two companies in terms of the analysis of competences.

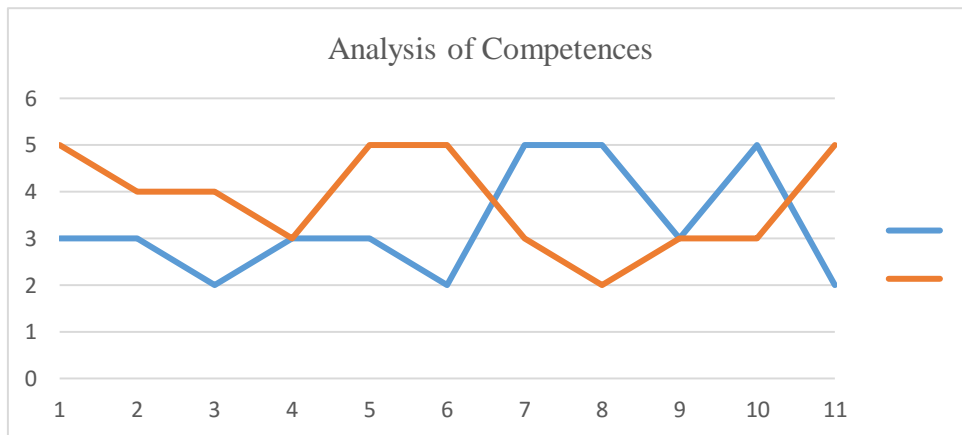


Figure 3: Analysis of Competences

## **4.5 Founders**

### **4.5.1 CEO**

In charge of executive tasks and handling companies and NGOs in order to secure deals. This person will have a holistic view of the firm and act as a bridge between the departments. He will be responsible for determining and directing Full Circle's strategy, brand alignment, resource allocation. Another important task assigned to the CEO will be the implementation of a healthy environment, the company must have a culture where sound attitudes, goals and behaviors prevail. Among the several cross-sector partnerships Full Circle is planning to secure, there will be severe cultural disparities between for-profit businesses, NGOs and Full Circle. The CEO will also be in charge of smoothing these disparities. The definitive task however will be ensuring the Full Circle's continuous performance. He will accomplish this by overseeing day-to-day operations, securing new partnerships and innovations.

### **4.5.2 Vice President of sales**

This person will be in charge of creating a viable sales strategy, hiring competent sales representatives to carry it out, creating and selling deals as well as handling the firm's marketing operations. The Vice President (VP) of Sales will decide which markets Full Circle should expand to, which companies are more viable for cross-sector partnerships, provide accurate sales forecasting and establish a marketing plan to successfully implement support, channel and partner programs.

### **4.5.3 Chief Financial Officer**

This person would be in charge of handling legal, financial and operational tasks. Tasks will range from creating financial and tax strategies, to balancing short-term concerns such as managing cash, liquidity, and profitability. As well as ensuring the fulfillment of stewardship responsibilities like effective compliance and control of regulatory developments, including financial reporting and capital requirements.

Due to the fact that Full Circle is in part a social enterprise with humanitarian and environmental objectives, fundraising is a feasible form of financing. This means the CFO will also manage fundraising activities like corporate giving, high net-worth individuals, special events and government funding.

#### 4.5.4 Chief Information Officer

This person would be in charge of the online platform. As well as IT tasks like server and database maintenance. The scope of the CIO’s responsibilities also include purchasing of IT equipment from suppliers or the creation of new systems.

### 5. SWOT Analysis

The SWOT analysis resulting from the external and internal analysis is presented on Table 2 and explained below.

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Innovative idea</li> <li>- Low infrastructure requirements</li> <li>- Low IT operational risk</li> <li>Large potential market</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Many moving parts</li> <li>- Weak structure</li> <li>- High operational risk in marketing and finance</li> <li>- Low expertise of founders</li> <li>- Hybridity makes positioning difficult</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Portuguese economy on the upcycle</li> <li>- Public awareness towards social and environmental causes is increasing</li> <li>- Absense of direct competition</li> <li>Government can be an ally</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Buyers' propensity to switch is high</li> <li>- Public consumption is decreasing</li> </ul>

Table 2: SWOT Analysis

## **5.1 Strengths**

The value creation system that this company is trying to implement is a vision based on sound ideals and aims to offer non-profits a way to get out of begging. Full Circle's most significant strongpoint will be its innovative idea and vision, the idea of using gamification and businesses to fund non-profits is a novel one and will prove to be the company's ultimate strength. Another strength is low infrastructure and capital requirements. Full Circle will have no physical infrastructure and a capital requirement of just 15150 €. The company will be made of just three departments with a well-balanced distribution of powers. This could mean lower managerial inertias and bureaucracies when implementing new strategies.

Full Circle has low operational risk in terms of IT due to the lack of direct competition or similar online platforms. As well as a large potential market of 2 million customers comprising the three targeted segments of college students, corporate workers and artists (see market segmentation).

## **5.2 Weaknesses**

Full Circle's business model involves several moving parts, the company's core operations depend highly on a steady stream of partnerships being brokered between very different parties, between groups that want money and others that need it. This puts Full Circle in a sensitive position that can be easily compromised.

The company's simple infrastructure can also mean a lack of stability and thus a weakness, lighter buildings are easier to demolish. There is a high operational risk in the department of Finance. Due to having few employees, human errors in cost of budget estimations are more probable, which can make the company grind to a halt. The last weakness is the hybridity or "greyness" of the company. Not having a well-defined industry or business model can hurt its positioning and public appeal.



### **5.3 Opportunities**

The Portuguese economy is on the upcycle, with the GDP rising from 1.3 to 1.8 between 2016 and 2018. Public awareness towards environmental and social causes is on the rise. The absence of direct competition can be viewed as an opportunity. Governmental regulation is an ally. The various agencies that advocate environmental and social legislation can be powerful allies. Another opportunity to consider is that Smartphone penetration rate is at 89% in Portugal, reaching more than 60% of the population.

### **5.4 Threats**

If a competitor appears, buyers' propensity to switch is high due to low switching costs. While the GDP is rising, public and private consumption in Portugal will drop in the next 2 years, from 1.1 to 0.6 and 2.1 to 1.3 respectively (Banco de Portugal, 2016).

## **6. Business Strategy**

### **6.1 Value Proposition**

Full Circle's value proposition for customers is offering people an opportunity to fund non-profits by unlocking education for themselves. The value proposition for businesses is to incorporate them with CSR 2.0. By joining Full Circle, a company has the opportunity of creating effective corporate social responsibility campaigns with measurable results (that they can advertise later), through an effortless process. The big idea for businesses is that Full Circle offers an innovative way to synergize purchases with social developments. As for the non-profit side, the value proposition is the offer of an unconventional and easy funding method that relieves non-profit organizations of long wars of attrition for funding.

### **6.2 Differentiation**

The type of differentiation will be Focused Differentiation, aimed to create very loyal and specific customer segments in order to differentiate itself from the competition. The

main intangible assets Full Circle will use for its differentiation is its sales method, focused on establishing close and frequent relationships and incorporating SPIN<sup>6</sup> selling techniques. Other intangible assets will be expertise, deep understanding of consumers and user experience. People who buy products with Full Circle will not spend points on causes without seeing the effect of their contributions. The company aims to deliver to its customers' live updates in the online platform, featuring the effects that their contributions make. This will be the key factor to create consumer loyalty and a brand. For the more devote customers, Full Circle will offer them opportunities of teaming up with non-profits individually, through small internships proposed by client nonprofits.

Full Circle will take advantage of its head start and of being the innovation leader, to develop a solid expertise and relationships with its stakeholders. Full Circle will, in essence, create its market, so it is only wise to try and make it as "airtight" as it can. In sum, a customer will choose to buy products with the Full Circle badge and not others because it will have access to the best user experience and expertise.

### **6.3 Entry Strategy**

Full Circle initially will have no full patent on its business model because of its high cost (10 000 € to 15 000 €). Full Circle will have a one-year provisional patent agreement and the biggest defense against competition will be the speed to market. In addition to that, contracts made with non-profits and companies will be exclusive.

Full Circle's development will be divided into two main phases: The first one will be virtual and second physical. In the first phase, development will be solely focused on creating the website and the android application. The development will be supervised by a game designer from a Portuguese video game studio, to ensure the website is gamified correctly. This section covers the necessary requirements for a successful execution of phase two and a six-month test run of Full Circle.

<sup>6</sup> SPIN (Situation, Problem, Implication, and Need-Pay-off ) selling is a sales method introduced by Neil Rackam in 1989, it trains reps to develop a question based, customer-centric approach that uncovers needs, establishes trust, and enables the customer to arrive at a solution that's aligned with your offering

### **6.3.1 Partnerships**

It is paramount to secure a partnership with a non-profit that can provide assistance, contacts and manpower in the early stages. The added credibility could also help Full Circle in gaining investors.

The first options are Susana Damasceno from AIDGLOBAL, an organization focused on facilitating access to education in third world countries, and Gonçalo Carvalho from SCIAENA, an environmental NGO centered on the preservation of marine ecosystems. This first contact will have the main objective of evaluating the projects these organizations have and the possibility of entering Full Circle's funding system. If a project is selected, a page will be created in Full Circle's online platform, representing the non-profit. Before operating at a national level, it is wise to test the business model in a small controlled environment like a distribution company. The first contacts will be made with Jerónimo Martins, Sonae Distribuição and Intermarché.

After securing a partnership with an NGO and a distributor, the other fundamental component is associating Full Circle with a regular company that sells goods through that distributor. The company would agree to have its products certified by Full Circle for a limited time period and provide sales data in the end.

This phase will involve contacting several online education companies to discuss affiliation with Full Circle. The Company will have partnerships with instructors that publish courses on Coursera, Udemy and Edx. Upon agreeing to partner with Full Circle, instructors will then provide affiliate links that will be put in Full Circle's online platform. The learning areas will be Business, IT, Languages and Life Coaching.

The courses will have on average 30 lectures and 5 hours of video, available initially in the online platform and android devices. They will be taught in English with closed captions and in Portuguese. When a customer unlocks an online course, it will be granted a lifetime access and given a certificate upon completion. The courses will have beginner, medium and advanced skill levels.

### **6.3.2 Launch of marketing efforts**

The final step in the entry strategy is the launch of the marketing program. First social media operations like targeted content and Facebook ads. Then offline methods like cold calling to blogs, non-profits and for-profits, as well as brochure and flyer distribution in universities and in corporate locations. A YouTube channel will also be launched simultaneously with an intro video of Full Circle.

### **6.4 Operations**

Full Circle's main day-to-day operations will be finding and securing partnerships with for-profit companies in order to implement the Full Circle system with their products. Common operations will also include attaining partnerships with non-profits in order to have new causes or projects that need funding through the Full Circle system, and online education companies in order to have new courses on the online platform. Other operations will be in the marketing realm, ranging from social media promotion, flyer distribution, cold calling and targeted content distribution. The latter tasks will be carried out by the marketing and sales department.

In day-to-day operations, the IT department will act as support, innovation and maintenance for the online platform, the Finance department will handle the books, financing, logging of daily transactions and will fill the leadership role of continuously aligning the entire operation with the company's strategic plan.

### **6.5 The Selection Process**

The most important factor in seeking partnerships with businesses is assessing them in terms of their sustainability and green footprint. Full Circle cannot afford to partner with companies that have social or environmentally destructive processes. This would raise questions regarding the hypocrisy of partnering with these type of businesses in order to fund humanitarian or ecological causes. Full Circle needs companies that can provide highly congruent partnerships.

Another factors to analyze in companies in the selection process is their power structure, assessing if it is centralized or decentralized. Their need for institutionalization (formality).

An effective way of evaluating potential partners is checking indicators that reflect the company's energy consumption, waste pollution and employee culture. These indicators are displayed in Table 3, based on Bae and Smardon's assessment of sustainable business practices (2011).

After assessing all the following factors, Full Circle will use methods like the Cost Benefit Analysis and Social Accounting, linking a monetary value to each parameter.

<b>Environmental Indicators</b>	<b>Relevance</b> A (Very High) to D (Very Low)
Total amount of waste reduction (recycling or purchasing of recycled materials)	B
Total amount of non-renewable resources used	B
Total amount of renewable resources used	B
Total amount of renewable energy used	B
Total amount of non-renewable energy used	B
Habitats protected or restored	A
Current actions and future plans for managing impacts on biodiversity	A
Total amount of wastewater	D
Significant spills or environmental accidents	A
Purchasing of environmentally friendly goods	C
Number of contribution activities	B
Number of CSR monitoring (Self Checks)	D
EMC: Environmentally Weighted Material Consumption	C
Production-based CO2 productivity	C
TMC: Total Material Consumption	C
Voluntary communication to the public	C
Number of voluntary environmental management systems (ISO 14001, LCA)	A

Amount of environmental accounting	D
<b>Social Indicators</b>	
Recruitment of people from ethnic minorities	B
Empowerment of employees	C
Average hours of training per employee	B
Recordable Illness rate (RIR)	B
Lost time rate (LTR)	B
Total number of work related fatalities	A
Analysis of employees in terms of gender, age and minority group	A
Ratio of salary of men to women	C

*Table 3: Selection process*

This phase is ended with the signing of contract that ties both entities. After this selection process is carried out, a cross functional team comprised of elements of the two organizations will be assembled and the partnership will be in effect.

The selection of non-profit organizations will be done through cost benefit analysis and measurement of the potential social return of investment that their causes possess. The history of the non-profit will also be taken into account, the key factor will be the organization's success rate in fully implementing humanitarian causes, as well as past partnerships and culture.

## **6.6 Operational Risk**

According to the European Union solvency II directive, operational risk is: “the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes or people, or from external events (including legal risk), differ from the expected losses”. It is also not inherent to systematic or market-wide risk.

In this type of project is logical to measure operational risk through departments and their day-to-day activities, and the risk of their losses differing from the expected. Table 4 presents the analysis of operational risk for Full Circle.

Department	Processes	Time	Budget	KPI	Overall	Reason Why
Finance	Financing Accounting Strategic planning	HR	LR	HR	HR	Budget or financing problems derail the company
Marketing and Sales	Securing deals Social media Flyer distribution Cold calling Targeted content	MR	HR	HR	HR	If the core activities fail, everything fails
IT	Maintenance Support Innovation	HR	MR	MR	MR	There's no direct competition, so the online component can suffer a few missteps initially

Table 4: Operational Risk

Legend: HR – High Risk; MR – Medium Risk; LR – Low Risk;

Finance has a high operational risk for the following reasons: it is a department that has low risk in the budget section as a result of Full Circle not having high startup costs, however human error can still occur in budget estimations. It has a high operational risk in terms of time, if employees are not competent enough to maintain cash cycles or funding at the adequate speed, everything grinds to a halt. Finance is the “backbone” department of the company which makes it a high risk key performance indicator.

Marketing and Sales has also a high operational risk. There are not going to be urgent time restrictions when it comes to acquiring new partnerships due to fact that Full Circle has a considerably long runway<sup>7</sup> due to low capital requirements. Every activity Marketing and Sales does is dependent on budgets, so it has high risk. It is the department where the company's core activities take place, so it has a high operational risk. IT is responsible for the online platform and technological innovations, the highest operational risk of this department is in terms of time, if the online platform does not launch on time

<sup>7</sup> The amount of time until your startup goes out of business, assuming your current income and expenses stay constant. Typically calculated by dividing the current cash position by the current monthly burn rate. - See more at: <http://www.startupdefinition.com/runway#sthash.PDCq6vxc.dpuf>

due to human errors like programming bugs, it can severely affect the company. Its support activities do not offer much operational risk in terms of budget since those activities are going to be carried out by a single person. The department does not have a high risk as a key performance indicator as a result of not existing any similar online platform or direct competition at the moment.

## **6.7 The Agility Component**

To conclude this section, it is important to consider Henry Mintzberg's take on Strategy. According to Mintzberg (1978), there are differences between an intended strategy, an emergence strategy and a realized strategy. Sometimes, Strategy is more about what a company actually does, rather than what it intends to do. The gist is, the real strategy emerges as it is done, and may not line up with pre-established plans. Although Full Circle has a Strategy, it will be part of the Company's philosophy to not rely heavily on rigid plans, and bend to unforeseeable forces.

To stay agile in the long run, Full Circle will have a diverse leadership team called the core at the top, able to bring a variety of experience and skills, especially cross-cultural skills if Full Circle goes global. The entire organization will be structured in a way that executive decisions are made fast and not blocked by bureaucracy. When Full Circle reaches a large enough scale, the activities regarding businesses, non-profits and online education will be separated into interconnected business units. Each with only one manager that communicates directly to the leadership core. In sum, any strategic decision made at the core will have only one hurdle to cross before it is implemented at the ground level.



## **7. Marketing Plan**

### **7.1 Market Segmentation**

#### **7.1.1 Social Class/ Income**

A person's income level is a major influence on purchasing habits. Individuals that are more likely to pay two to five percent more for a product to help causes are often thought to be the ones with more disposable income, this is a caveat according to research. According to Dacher Keltner (2010), studies showed that lower class individuals proved to be more generous, charitable, trusting and helpful compared with their upper class counterparts. Hence the classes that are in Full Circle's customer segmentation scope are low-middle and middle classes.

#### **7.1.2 Demographics**

The common denominator between the different customer segments Full Circle intends to target is environmental awareness. The purpose of this segment is to identify the valid demographic variables concerning the green consumer, and select the indicators that are compatible with Full Circle's targeting.

According to Diamantopoulos (2003), five valid measures can be established in environmental consciousness, while variables like marital status have been empirically disqualified. Gender has proven a valid measure, the bulk of the authors agree that males have a better understanding about green issues than females (Davidson and Freudenburg, 1996 apud Diamantopoulos, 2003) while the latter tend to be more active in green behaviors like energy conservation, recycling and political action. Families with more children have more eco-awareness due to the inevitable schooling parents get from their children (Brooker, 1976 apud Diamantopoulos, 2003). Age has not been unequivocally proven as a key demographic in green consumers. Of thirty three studies only two reported significant relationships, concluding that the younger are more knowledgeable regarding the environment.

Van Liere and Dunlap, (1980, p. 183 apud Diamantopoulos, 2003) argue that: "since solutions to environmental problems often are viewed as threatening the existing social order, possibly requiring substantial changes in traditional values, habitual behaviors,

and existing institutions. It is logical to expect youth to support environmental reform and accept pro-environmental ideologies more readily than their elders’.

It can be concluded based on this research that the optimal customer demographics for Full Circle will be females aging from 18-28 preferably inserted in middle class families with 3 or more children. Taking into account the previous data on social income and demographics, as well as Full Circle’s target appeal, three potential segments can be determined: College students, corporate workers and artists (Table 5):

<b>Profile traits</b>	<b>Potential segments/ Match</b>	<b>Size<sup>8</sup></b>
<ul style="list-style-type: none"> <li>• 20 to 40 years old;</li> <li>• Social and politically active;</li> <li>• Wants to make a dent in the world;</li> <li>• Volunteers regularly;</li> <li>• Ambitious;</li> </ul>	College students	349.658 <sup>9</sup>
<ul style="list-style-type: none"> <li>• 40 to 60 years old;</li> <li>• Had a regular life, too regular;</li> <li>• Well educated;</li> <li>• Family</li> </ul>	Corporate workers	113.300 <sup>10</sup>
<ul style="list-style-type: none"> <li>• 20 to 50 years old;</li> <li>• Nature enthusiast;</li> <li>• Activist;</li> <li>• Vegetarian;</li> </ul>	Artists	200.000

*Table 5: Profile of potential segments*

### 7.1.3 Market Estimation

Table 6 presents the market estimation of the three targeted segments presented above. The segment of college students is expected to grow at a rate of 5%, the corporate workers segment at 3% and artists at 2%.

8 Data provided by PORDATA

9 PORDATA. 2015. Alunos matriculados no ensino superior: total e por sexo. [ONLINE] Available at: <http://www.pordata.pt/Portugal/Alunos+matriculados+no+ensino+superior+total+e+por+sexo-1048>. [Accessed 05 April 16].

10 PORDATA. 2015. População empregada: total e por nível de escolaridade completo. [ONLINE] Available at: <http://www.pordata.pt/Portugal/Popula%C3%A7%C3%A3o+empregada+total+e+por+n%C3%ADvel+de+escolaridade+completo-1388>. [Accessed 05 April 16].

<b>Market Estimation</b>							
		2017	2018	2019	2020	2021	
Potential Customers	Expected Growth						CAGR <sup>11</sup>
College Students	5%	349 658	367 141	385 498	404 773	425 012	5,00%
Corporate Workers	3%	113 300	116 699	120 200	123 806	127 520	3,00%
Artists	2%	200 000	204 000	208 080	212 242	216 487	2,00%
Total	3,78%	662 958	687 840	713 778	740 821	769 019	3,78%

*Table 6: Market Estimation*

## **7.2 Pricing and Positioning Strategy**

Full Circle is going to be largely a B2B business, so its positioning strategy will be mainly B2B based. The main concept that Full Circle will want to transmit to clients is an innovative company that can boost their margins by increasing the social value of their products.

The B2C aspect of Full Circle's positioning will be a brand new, effortless way of contributing to the greater good using gamification. The pricing is going to be small percentage of a client company's additional profits. If for example a company's profits rise 10% in a given period, Full Circle's cut will be 2% of that 10% and will be measured every trimester by a team of outsourced analysts.

## **7.3 Marketing Materials and Promotion**

Full Circle will spend most of its marketing budget on online resources like landing pages, google adwords, facebook ads and blogs. The physical materials will be business cards, brochures and catalogs. Full Circle's promotion strategy will be centered on event marketing, cold calling, referrals plus the online component.

<sup>11</sup> Compound Annual Growth Rate

#### **7.4 Online Marketing Strategy**

The main objectives of this strategy will be to increase visibility and traffic and to generate qualified leads and customers. The strategy will be about creating a funnel of reaching clients, create engagement and finally converting them. The reach component will contain tactics like SEO, pay per click, social media, offline, and paid advertising. The engagement part will focus on creating client-focused content like blogs, web copies, audio and video. The conversion segment of the funnel will try to generate social proof and legitimacy with web forms where clients can opt in, e-books and online chat.

#### **7.5 Joint Ventures and Partnerships**

Initially Full Circle will try to secure a partnership with a non-profit and a for-profit organization. This dual partnership will serve as a test hub for the business model's soundness and data gathering. The non-profit will supply vital contacts and a cause. The partnership with the for-profit company will be about a 6 month trial period where the company will incorporate its products with Full Circle's social certification processes.

#### **7.6 Referral and Retention Strategy**

Full Circle's referral strategy will be centered on creating valuable and engaged customer advocates. These will be an elite group of customers, for-profits or non-profits, which will receive special benefits in exchange for referrals. Full Circle will have customer loyalty program structured like a tier system to reward initial loyalty and encourage more purchases.

### **8. Financial Plan**

This is an arbitrary conservative estimation. In the first 6 months no deals are going to be closed. In the second semester 1000 calls are going to be made to companies. Of those 1000 calls 100 will answer, 10 are going to be interested. 3 deals will be closed. The model estimates that only 5% of the company's clients will buy their products with Full Circle certificates.

If the companies sell for example 1 million fruit juices per year at 1,5€ per unit. That's equal to a revenue of 1 500 000 €. If we add 1% of additional revenue to those companies and take 20% of that 1% (Full Circle's share). That would mean revenue of 15 150€ from that fruit company for Full Circle. Thus the formula is:

$$X = 0,05 * ((1\ 500\ 000 + 1\ 500\ 000 \times 0,01) * 0,2) = 15150\ €$$

The pricing is then 0,01% of a client company's revenue. We simulate that in the first year Full Circle will close a deal with three companies, which gives a first year revenue of roughly 50 000€. It is crucial for a hybrid organization to secure alternative capitalization (Brewster, 2009). So In the third year due to the company's increasing visibility, online revenue streams like Google AdSense will start to kick in. Contributing 10 000 € annually and increasing 20% per year.

The annual revenue increase of 40% is made on the assumption that each year Full Circle is able to secure an additional deal with two companies that provide at least 10 000 € per year. On the second year free cash flow takes a toll because the company starts to retain more earnings and pays out 35 000€ to employees.

The following graph displays the financial highlights over a three year period:

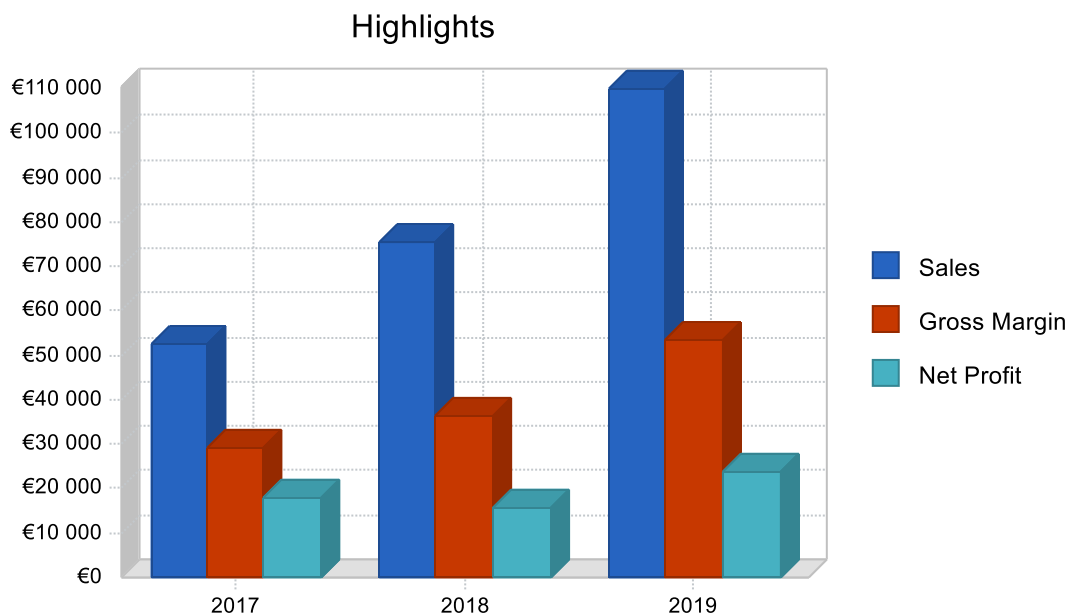


Figure 4: Highlights

The following table displays the start-up costs needed to get Full Circle off the ground:

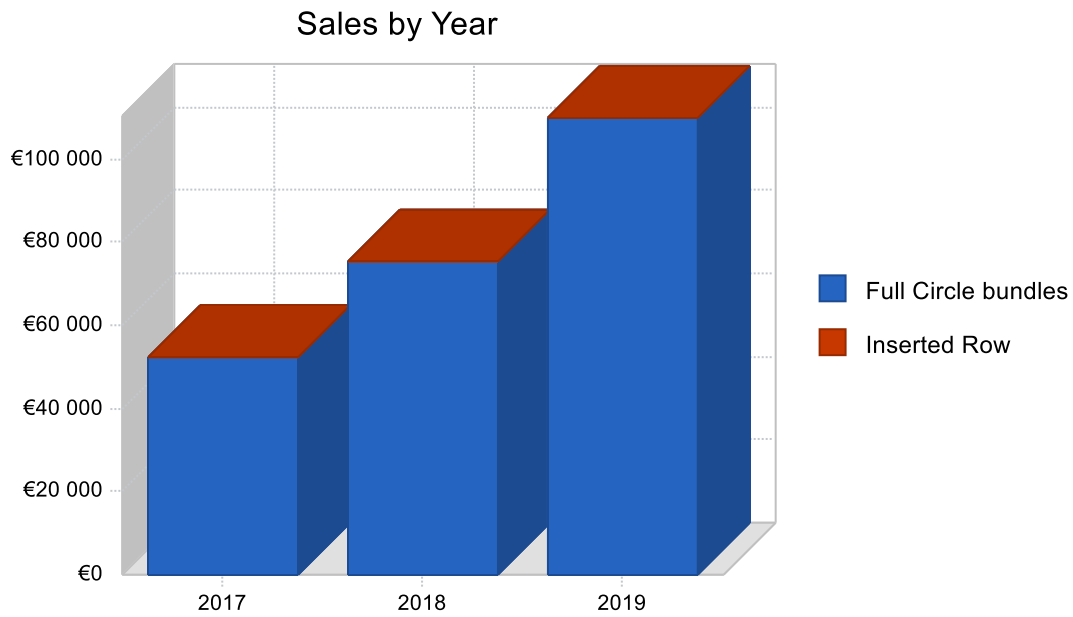
<b>Start-up Requirements</b>	
Web hosting	€30
Phones	€300
Sticker design and packaging	€500
Provisional patent agreement	€60
App design	€1 000
Website domain	€10
Sell sheets	€100
Marketing (10% of annual revenue)	€1 515
Fuel	€3 000
Branding and design	€2500
Payroll Expenses	€11 000
Internet	€360
<b>Total Requirements</b>	<b>€20 375</b>

*Table 7: Start-up Requirements*

Sales will increase 40% annually, with a cost of sales of roughly 20%. The direct cost of sales in the first year is considered to be the initial startup requirement of 20 375€.

<i>Sales Forecast</i>			
	2017	2018	2019
Sales			
Full Circle bundles	€52 551	€75 210	€110 000
Direct Cost of Sales			
Full Circle bundle	€11 374	€13 650	€16 380
<b>Subtotal Direct Cost of Sales</b>	<b>€11 374</b>	<b>€13 650</b>	<b>€16 380</b>

*Table 8: Sales Forecast*



*Figure 5: Sales by Year*

Payroll expenses (Table 9) in the first year will be limited to cover basic expenses such as fuel and food.

<i>Personnel Plan</i>			
	2017	2018	2019
<b>Production Personnel</b>			
CEO	€1 573	€5 000	€10 000
CFO	€5 092	€10 000	€15 000
VP of Sales	€5 240	€10 000	€15 000
Subtotal	€11 905	€25 000	€40 000
<b>Sales and Marketing Personnel</b>			
Marketing Director	€0	€10 000	€15 000
Subtotal	€0	€10 000	€15 000
<b>Total Payroll</b>	<b>€11 905</b>	<b>€35 000</b>	<b>€55 000</b>

*Table 9: Personnel Plan*

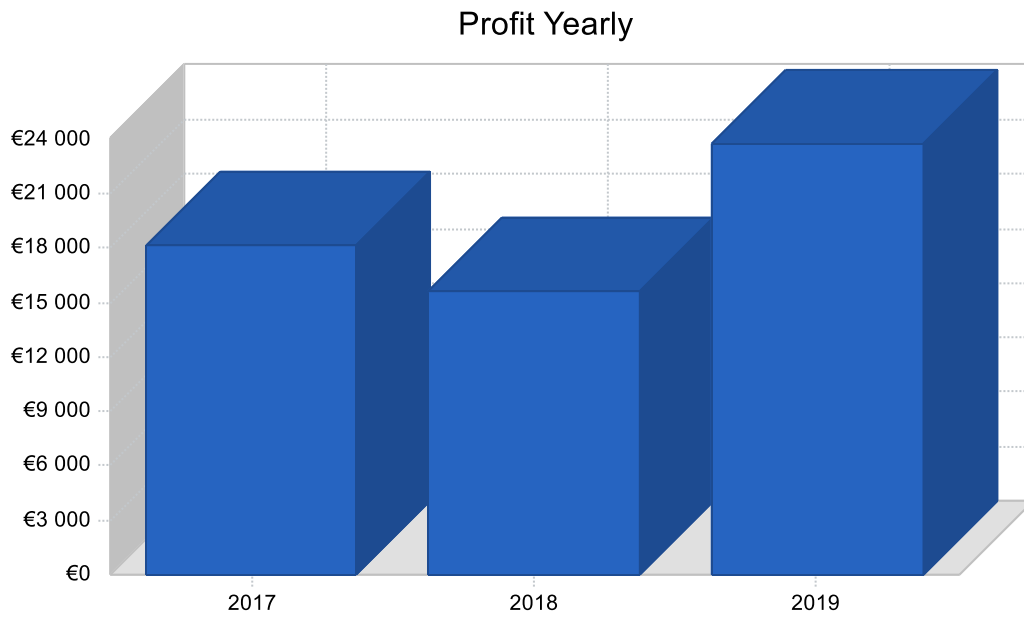
In this simulation, the profit and loss statement points out that direct cost of sales and production payroll will be the largest hit on profits. However, production payroll shows itself to be the most important factor in terms of affecting profitability, because it can be internally controlled (founder can choose to be paid less). Full Circle will only hire a marketing professional in the second year.

<i>Pro Forma Profit and Loss</i>			
	2017	2018	2019
Sales	€52 551	€75 210	€110 000
Direct Cost of Sales	€11 374	€13 650	€16 380
Production Payroll	€11 905	€25 000	€40 000
Total Cost of Sales	€23 279	€38 650	€56 380
Gross Margin	€29 272	€36 560	€53 620
Gross Margin %	55,70%	48,61%	48,75%
Operating Expenses			
Sales and Marketing Expenses			
Sales and Marketing Payroll	€0	€10 000	€15 000
Total Sales and Marketing Expenses	€0	€10 000	€15 000
Sales and Marketing %	0,00%	13,30%	13,64%
Other Expenses:			
Consultants	€2 022	€2 000	€2 000
Other Expenses	€896	€1 000	€1 200
Total Other Expenses	€2 918	€3 000	€3 200
Other %	5,55%	3,99%	2,91%
Total Operating Expenses	€2 918	€13 000	€18 200
Profit Before Interest and Taxes	€26 354	€23 560	€35 420
EBITDA	€26 354	€23 560	€35 420
Interest Expense	€443	€1 287	€1 387
Taxes Incurred	€7 773	€6 682	€10 210
Net Profit	€18 137	€15 591	€23 823
<b>Net Profit/Sales</b>	<b>34,51%</b>	<b>20,73%</b>	<b>21,66%</b>

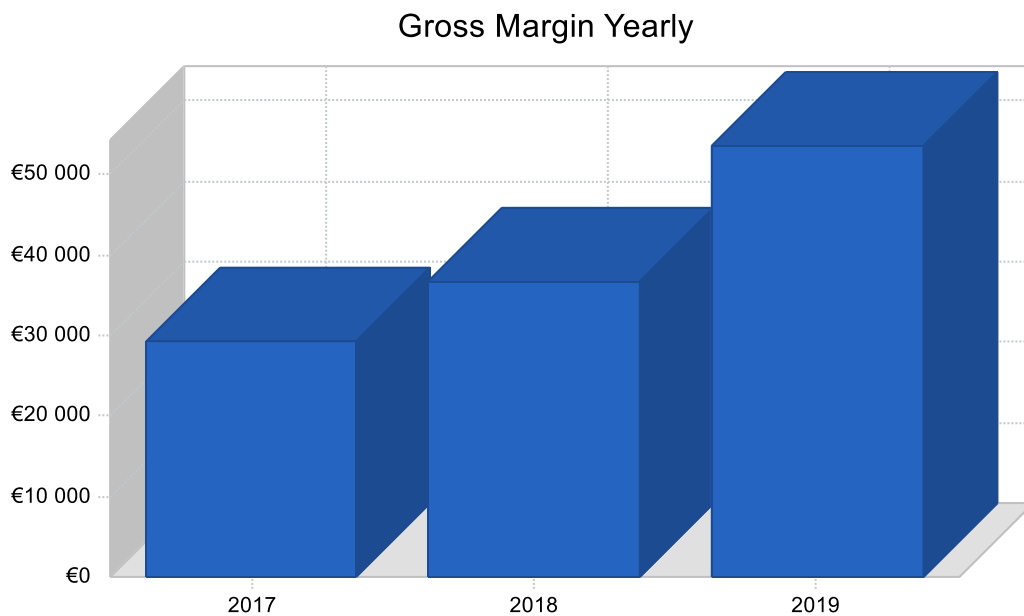
*Table 10: Pro Forma Profit and Loss*

The following figures display the annual profits and gross margins:





*Figure 6: Profit Yearly*



*Figure 7: Gross Margin Yearly*

Sales tax is set at 20%, new investments received simulate additional funds coming from alternative sources of capitalization, for example, Google AdSense. Bill payments simulate annual overhead and loan costs. The company, as stated in the Pro Forma Cash Flow, will not give out dividends in the first three years nor purchase long-term assets.

<i>Pro Forma Cash Flow</i>			
	2017	2018	2019
Cash from Operations			
Cash Sales	€52 551	€75 210	€110 000
Subtotal Cash from Operations	€52 551	€75 210	€110 000
Sales Tax, VAT, HST/GST Received	€10 510	€15 042	€22 000
New Current Borrowing	€11 866	€2 000	€0
Sales of Other Current Assets	€10 012	€10 000	€10 000
Sales of Long-term Assets	€0	€0	€10 000
New Investment Received	€10 039	€15 000	€20 000
Subtotal Cash Received	€94 978	€117 252	€172 000
Expenditures	2017	2018	2019
Expenditures from Operations			
Cash Spending	€11 905	€35 000	€55 000
Bill Payments	€17 896	€27 208	€30 638
Subtotal Spent on Operations	€29 801	€62 208	€85 638
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	€0	€1 500	€2 000
Purchase Other Current Assets	€1 266	€3 000	€4 000
Purchase Long-term Assets	€0	€0	€0
Dividends	€0	€0	€0
Subtotal Cash Spent	€31 067	€66 708	€91 638
Net Cash Flow	€63 911	€50 544	€80 362
<b>Cash Balance</b>	<b>€63 911</b>	<b>€114 455</b>	<b>€194 818</b>

Table 11: Pro Forma Cash Flow

In the Balance sheet, the dip in net worth is caused by payroll expenses and loans. Current assets are intangible and simulated to include trademarks, Internet domains, non-competition agreements, customer lists, licensing agreements and patented software. Other current assets are set as the Company's assets that do not include cash, securities, receivables, inventory and prepaid assets.

<i>Pro Forma Balance Sheet</i>				
	2017	2018	2019	
<b>Assets</b>				
Current Assets				
Cash	€63 911	€114 455	€194 818	
Other Current Assets	(€8 746)	(€15 746)	(€21 746)	
Total Current Assets	€55 165	€98 709	€173 072	
Long-term Assets				
Long-term Assets	€0	€0	(€10 000)	
Total Assets	€55 165	€98 709	€163 072	
<b>Liabilities and Capital</b>	2017	2018	2019	
Current Liabilities				
Accounts Payable	€4 613	€2 023	€2 562	
Current Borrowing	€11 866	€13 866	€13 866	
Other Current Liabilities	€10 510	€24 052	€44 052	
Subtotal Current Liabilities	€26 989	€39 942	€60 481	
Total Liabilities	€26 989	€39 942	€60 481	
Paid-in Capital	€21 414	€36 414	€56 414	
Retained Earnings	(€11 375)	€6 762	€22 354	
Earnings	€18 137	€15 591	€23 823	
Total Capital	€28 176	€58 768	€102 591	
Total Liabilities and Capital	€55 165	€98 709	€163 072	
<b>Net Worth</b>	€28 176	€58 768	€102 591	

Table 12: Balance Sheet

The following graphs simulate a 5 year free cash flow forecast. Using Professor Damodaran's method of valuation<sup>12</sup>.

<b>Investment Assumptions</b>		Y0
	Initial Investment	20375
	Salvage Value of Capital	
<b>P&amp;L Assumptions</b>		
	Starting Revenue	52551
	Growth in Revenues Per Year	40%
	Variable Expenses/ Revenue	39%

<sup>12</sup> <http://people.stern.nyu.edu/adamodar/pdfiles/cfovhd/val.pdf> [Accessed 6 of November]

	Growth in Fixed Expenses	25%
	Tax Rate	20%
<b>Working Capital Assumptions</b>		
	Starting working capital	0
	Working Capital as % of Revenue	5%
<b>Valuation Assumptions</b>		
	Discount rate type	Direct
	Cost of capital	10.00%

Table 13: Investment Assumptions

<b>Revenue Projections:</b>	1	2	3	4	5
Gross Profit	52551	73571	93286	130771	182003
Expenses	20375	59450	71340	85608	102730
EBIT	32176	14121	21946	45163	79273
EBIT(1-T)	38611	16946	26335	54196	95128

Table 14: Revenue Projections

### 8.1 Cash-flows 5 year forecast

The free cash flow is equal to the after-tax EBIT - capex - working capital. To calculate the present value of the cash flows, a discount rate of 10% was used that is also the cost of capital (Table 15).

<b>Free Cash Flow Forecast</b>	0	1	2	3	4	5
EBIT(1-T)	-	38611	16946	26335	54196	95128
Capital Expenditure	20375					
working capital	-	1931	847	1317	2710	4756
<b>Free Cash Flow</b>	-20375	40542	17793	27652	51486	90371
<b>Cumulative FCF</b>	-	20167	58335	45445	79138	141858
<b>Present Value FCF</b>	20,375.0	36,856.1	14,704.9	20,775.0	35,165.8	56,113.6

Table 15: Free Cash Flow Forecast

Indicators:

Net Present Value	163 615.5
Internal Rate of Return	349%
Payback	1 Year

*Table 16: Financial Indicators*

The NPV is 163 615.5€ and the IRR is 349% (Table 16), above the cost of capital of 10%, making the project financially viable under these assumptions.

## **9. Conclusion**

The business plan analysis supports the hypothesis of Full Circle having a viable business model with a net present value of 163 615.5€. With well-defined market segments a low capital requirement of 20375€, it has a chance of discovering a brand-new system for funding the third sector. The project's success will depend largely on the ability of securing the right partnerships in the right time, while maintaining a P&L that does not deviate much from 25 000€ to 30 000€ of total expenses in the first year.

Full Circle bases itself on the notion that corporate social responsibility does not have to be a peripheral component of an organization. According to Visser (2008) corporate social responsibility efforts are weak when not part of the core business. Full Circle's model will likely succeed because it incorporates traits of CSR 2.0 like innovative partnerships, social entrepreneurship and focus on measurable results rather than marginal green-washed improvements. And delivers this packaged in innovative way through gamified processes. Gamification will be a vital factor in Full Circle's success if the online platform does not engage the user or communicate effectively what Full Circle is about, it can compromise the business.

That said, Full Circle is exploring a new frontier with a sound idea, filled with risks but with high returns, both in humanitarian and financial value.

## 10. Bibliography

Aaker, D.A. 1996. Measuring Brand Equity Across Products and Markets. *California Management Review*, 38 (3). 102-120.

Alcheva, V, Cai, Y. & Zhao, L. 2009. Cause Related Marketing: How Does A Cause-related Marketing Strategy Shape Consumer Perception, Attitude And Behaviour?. MSc. Sweden: Kristianstad University.

Bae, H. & Smardon, R.S. 2011. *Indicators of Sustainable Business Practices*. 1st ed. South Africa: INTECH Open Access Publisher.

Banco de Portugal. 2016. Projections for the Portuguese economy: 2016-2018. [ONLINE] Available at: [https://www.bportugal.pt/en-US/EstudosEconomicos/Projecoeseconomicas/Publications/projecoes\\_e.pdf](https://www.bportugal.pt/en-US/EstudosEconomicos/Projecoeseconomicas/Publications/projecoes_e.pdf). [Accessed 16 September 2016].

Battilana, J. 2010. Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, [Online]. Vol.53, No.6, 1419-1440. Available at: [https://www.researchgate.net/profile/Silvia\\_Dorado/publication/259285229\\_Building\\_Sustainable\\_Hybrid\\_Organizations\\_The\\_Case\\_of\\_Commercial\\_Finance\\_Organizations/links/0c96052ab3f685442d000000.pdf](https://www.researchgate.net/profile/Silvia_Dorado/publication/259285229_Building_Sustainable_Hybrid_Organizations_The_Case_of_Commercial_Finance_Organizations/links/0c96052ab3f685442d000000.pdf) [Accessed 29 October 2016].

Bloch, P. 2011. Product Design and Marketing: Reflections After Fifteen Years. *Journal of Product Innovation Management*, [Online]. Volume 28, Issue 3, 378–380. Available at: [Accessed 18 November 2015].

Bozkurt, A. Akgun-Ozbek, E., Onrat-Yilmazer, S., Erdogdu, E., Ucar, H., Guler, E., Sezgin, S., Karadeniz, A., Sen, N., Goksel-Canbek, N., Dincer, G. D., Ari, S. & Aydin, C.H. 2015. Trends in Distance Education Research: A Content Analysis of Journals 2009-2013. *International Review of Research in Open and Distributed Learning*, 16(1),330-363

Business Anti Corruption. 2015. Portugal Corruption Report. [ONLINE] Available at: <http://www.business-anti-corruption.com/country-profiles/portugal>. [Accessed 16 October 2016].

Boyd, B. 2009. *Hybrid Organizations: New Business Models for Environmental Leadership*. Edition. Greenleaf.

Bronn, P. 2000. Measuring Skepticism to Cause Related Marketing: Preliminary Norwegian Results. Norwegian School of Management BI, [Online]. 0807-3406, 1-12. Available at: [Accessed 18 November 2015].

Campbell, M.C. 1999), “When Attention-Getting Advertising Tactics Elicit Consumer Inferences of Manipulative Intent: The Importance of Balancing Benefits and Investments,” *Journal of Consumer Psychology*, 4 (3), 225–54.

Carroll, A.B., 1991. The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, July-August.

Chaudhary, M. & Ghai, S. 2014. Perception Of Young Consumers Towards Cause Marketing Of Fmcg Brands. *International Journal of Sales & Marketing*, [Online]. Vol. 4, Issue 2, 22-26. Available at: [Accessed 18 November 2015].

Rondinelli, D. & London, T. 2003. How corporations and environmental groups cooperate: assessing cross-sector alliances and collaborations, *Academy of Management Executive* 17(1)

d'Astous, A. and Landreville V., 2003, "An Experimental Investigation Of Factors Affecting Consumers' Perception Of Sales Promotion", *European Journal of Marketing*. Volume 37

Defourny, J. 2014. From Third Sector to Social Enterprise: a European Research Trajectory. *Centre d'Économie Sociale*, [Online]. 1, 17-41. Available at: <http://orbi.ulg.ac.be/bitstream/2268/180668/1/Chap.%201%20Defourny%202014.pdf> [Accessed 7 September 2016].

Vrontis, D., Pappasolomou, I. & Demetriou, M. 2009. Cause-related marketing: Building the corporate image while supporting worthwhile causes. *Journal of Brand Management* advance online publication, [Online]. 10.1057, 1-11. Available at: [Accessed 18 November 2015].

Diamantopoulos, A. 2003. Can socio-demographics still play a role in profiling green consumers? A review of the evidence and an empirical investigation. *Journal of Business Research*, [Online]. vol.56, pp. 465-480. Available at: [https://www.sfu.ca/cmns/courses/2012/801/1-Readings/Diamantopoulos\\_sociodemographicsprofilinggreenconsumers.pdf](https://www.sfu.ca/cmns/courses/2012/801/1-Readings/Diamantopoulos_sociodemographicsprofilinggreenconsumers.pdf) [Accessed 5 September 2016].

Dimitriu, R., Luk, W. & Bendik, S. 2010. The Dark Side of Brand Extension Similarity”, Presented at the European Marketing Association Conference (EMAC), Copenhagen, Denmark, 1-4 June 2010.

Donaldson, T. 1995. The Stakeholder Theory Of The Corporation: Concepts, Evidence And Implications. *Academy of Management Review*, [Online]. Vol.20, No. 1, pp. 65-91. Available at: <http://faculty.wvu.edu/dunnc3/rprnts.stakeholdertheoryofcorporation.pdf> [Accessed 3 September 2016].

Ellison, G. 2005. A Model of Add-On Pricing. *Quarterly Journal of Economics*, 120 (2), 585–637.

Endacott, R,W,J. 2004. Consumers and CRM: a national and global perspective, *Journal of Consumer Marketing*, 21(3), pp. 183-189.

epa.gov. 2015. EPA's Budget and Spending. [ONLINE] Available at: <https://www.epa.gov/planandbudget/budget>. [Accessed 18 June 2016].

Franco, R. 2005. Defining The Nonprofit Sector: Portugal. Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, N° 43, Setembro, Universidade Católica, Porto, pp 9-44

Freeman, E. 2004. Stakeholder Theory and The Corporate Objective Revisited. *Organization Science*, [Online]. Vol.15, No. 3, pp. 364-369. Available at: <http://www.thunderbird.edu/wwwfiles/publications/magazine/fall2004/faculty-papers/3ReplytoFreeman-Org-Science.pdf> [Accessed 3 September 2016].

Friedstad, M. & Wright, P.1994. The Persuasion Knowledge Model: How People Cope with Persuasion Attempts. *Journal of Consumer Research*, 21(June), 1–31.

Gabaix, X. & Laibson D. 2006. Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets. *Quarterly Journal of Economics*, 121 (2), 505–40.

Mulgan, G. 2010. Measuring Social Value. [ONLINE] Available at: . [Accessed 18 January 16].

Geary, D. Environmental Movement. *Dictionary of American History*. 2003. Encyclopedia.com. 29 Sep. 2016 <http://www.encyclopedia.com>.

Grassl, W. 2012. Business Models of Social Enterprise: A Design Approach to Hybridity. *ACRN Journal of Entrepreneurship Perspectives*, [Online]. 1, 37-60. Available at: [http://www.acrn.eu/resources/Journals/JoE012012/Grassl\\_SE-Hybridity.pdf](http://www.acrn.eu/resources/Journals/JoE012012/Grassl_SE-Hybridity.pdf) [Accessed 6 September 2016].

Hansen, E. 2011. Measuring the Impacts of NGO partnerships: The Corporate and Societal Benefits of Community Involvement. *International Journal of Business in Society*, 1, 1-5.

Hart, S. & Prahalad, C.K. 2002. The Fortune At The Bottom Of The Pyramid. *Strategy+Business*, [Online]. vol.26, 1-16. Available at: <https://people.eecs.berkeley.edu/~brewer/ict4b/Fortune-BoP.pdf> [Accessed 20 September 2016].

<http://ec.europa.eu/>. 2002. Environmental protection expenditure. [ONLINE] Available at: <http://ec.europa.eu/eurostat/documents/3217494/5632125/KS-CM-02-001-EN.PDF/1278422a-35d1-40a5-8b88-903a2798f8d7?version=1.0>. [Accessed 18 June 2016].

Inspiration Series No. 1. Published online by CSR International.

Iyer, E. 2003. Theory of alliances: Partnership and partner characteristics. *Journal of Nonprofit and Public Sector Marketing*, 11(1): 41-57.

Jensen, M. 2002. Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *Philosophy Documentation Center*, [Online]. Vol.12, No. 2, pp. 235-256. Available at: <http://www.facstaff.bucknell.edu/jcomas/readings/jensen2002.pdf> [Accessed 3 September 2016].

Keller, K. 1993. Conceptualizing, Measuring, and Managing Customer-based Brand Equity. *Journal of Marketing*, 57 (1). 1-22.

Lassar, W., Mittal, B. & Sharma, A. 1995. Measuring Customer-Based Brand Equity. *Journal of Consumer Marketing*, 12 (4). 11-19.



Sabater, L. 1996. Corporate philanthropy and business performance. In D. F. Burlingame & D. R.

McWilliams, S., Abigail, D. 2000. Corporate social responsibility and financial performance: Correlation or misspecification?. *Strategic Management Journal*, [Online]. Vol. 21, No. 5, 603-609. Available at: [https://www.researchgate.net/publication/229641498\\_Corporate\\_social\\_responsibility\\_and\\_financial\\_performance\\_Correlation\\_or\\_misspecification](https://www.researchgate.net/publication/229641498_Corporate_social_responsibility_and_financial_performance_Correlation_or_misspecification) [Accessed 18 August 2016].

McWilliams, S. & Abigail, D. 2001. Corporate Social Responsibility: A Theory Of The Firm Perspective. *Academy of Management Review*, [Online]. vol.26, no.1, 117-127. Available at: <http://hopeknowledge.in/admin/newlabelpdf/CSR-A%20theory%20of%20firm%20perspective.pdf> [Accessed 16 August 2016].

Millar, C. & Chen, S. 2004. Global strategic partnerships between MNEs and NGOs: Drivers of change and ethical issues. *Business and Society Review*, 109(4): 395-414.

Mintzberg, H. 1978. Patterns in Strategy Formation. *Management Science*, [Online]. Vol.24n No.9, 934-948. Available at: [http://s3.amazonaws.com/academia.edu.documents/32219568/Mintzberg\\_1978\\_MS.pdf?AWSAccessKeyId=AKIAJ56TQJRTWSMTNPEA&Expires=1478438035&Signature=BfzjRdDUho292z6Wsz0JMXSi%2B9A%3D&response-content-disposition=inline%3B%20filename%3DPATTERNS\\_IN\\_STRATEGY\\_FORMATION.pdf](http://s3.amazonaws.com/academia.edu.documents/32219568/Mintzberg_1978_MS.pdf?AWSAccessKeyId=AKIAJ56TQJRTWSMTNPEA&Expires=1478438035&Signature=BfzjRdDUho292z6Wsz0JMXSi%2B9A%3D&response-content-disposition=inline%3B%20filename%3DPATTERNS_IN_STRATEGY_FORMATION.pdf) [Accessed 6 November 2016].

nptrust.org. 2015. Charitable Giving Statistics. [ONLINE] Available at: <http://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/> [Accessed 18 June 2016]. Number 11/12, pp. 1746-1761.

Pappano, L. The New York Times. Retrieved 18 April 2014.

Pappu, Q. & Cooksey, R. W. 2005. Consumer-based Brand Equity: Improving the Measurement – Empirical Evidence. *Journal of Product and Brand Management*, 14 (3). 143-154.

PISA. 2009. PISA 2009 Results: Executive Summary. [ONLINE] Available at: <https://www.oecd.org/pisa/pisaproducts/46619703.pdf>. [Accessed 16 October 2016].F

Pitta, K. 1995. Understanding Brand Equity for Successful Brand Extension. *Journal of Consumer Marketing*, 12 (4). 51-64.

Portal das Finanças. 2016. The Portuguese Tax System. [ONLINE] Available at: [http://info.portaldasfinancas.gov.pt/NR/rdonlyres/F2D76036-A62A-4BEF-9AA3-6A7B34F53371/0/Portuguese\\_Tax\\_System\\_CEF.pdf](http://info.portaldasfinancas.gov.pt/NR/rdonlyres/F2D76036-A62A-4BEF-9AA3-6A7B34F53371/0/Portuguese_Tax_System_CEF.pdf). [Accessed 16 October 2016].

Post, J., Lawrence, A. & Weber, J. 2002. *Business and society: Corporate strategy, public policy, ethics*. 10th ed. New York: McGraw-Hill.

Pulizzi, J. 2013 The History of Content Marketing [Infographic] – Corporate Storytelling Is Not New. Content Marketing Institute. Content Marketing Institute, 22 Feb. 2012. Web. 3 Mar. <http://contentmarketinginstitute.com/2012/02/history-content-marketing-infographic/>.

Pulizzi, J. 2012. The Transformation of Content Marketing. *EContent* 35.10: 20-1. ProQuest.

Pulizzi, J. 2012 The Rise of Storytelling as the New Marketing. N.p.: Springer Science+Business Research. Volume 28, Issue 2, pp. 116-123.

Ringer, O., Bednall, A. & Harmen, D. 2005. Cause-Related Marketing: An Extension Of The Congruity Concept. In Anzmac Conference. University of Western Australia, Perth, 2005. Australia: Anzmac. 1-5.

Baechtold, R. 2012. The Intellectual Property Review. *Law Business Research*, [Online]. 1, 1-21. Available at: [http://www.vda.pt/xms/files/Publicacoes/artigo\\_antONIO\\_andrade\\_-\\_chapter\\_Portugal.pdf](http://www.vda.pt/xms/files/Publicacoes/artigo_antONIO_andrade_-_chapter_Portugal.pdf) [Accessed 16 October 2016].

Roger C. 2004. Business/NGO Partnerships -- What's The Payback?. [ONLINE] Available at: [Accessed 07 January 16].

Allen, S. 2013. Changing Course: Ten Years of Tracking Online Education in the United States. Ph.D. United States: Babson Survey Research Group & Quahog Research Group.

Selsky, J.W. 2005. 'Cross-sector partnerships to address social issues: Challenges to theory and practice. *Journal of Management*, 31(6), pp. 849–873. Available at:

Spitzeck, H. & Hansen, E.G. 2010. Stakeholder Governance – How do stakeholders influence corporate decision-making? *Corporate Governance: International Journal of Business in Society*, Vol. 10, No. 4, pp. 378–391.

The attitudes of European citizens towards environment. 2005. ec.europa.eu. [ONLINE] Available at: [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_217\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_217_en.pdf). [Accessed 18 June 2016].

The Guardian. 2011. Charitable giving by country: who is the most generous?. [ONLINE] Available at: <https://www.theguardian.com/news/datablog/2010/sep/08/charitable-giving-country>. [Accessed 16 October 2016].

Trading Economics. 2016. Portugal Labour Costs. [ONLINE] Available at: <http://www.tradingeconomics.com/portugal/labour-costs>. [Accessed 16 October 2016].

Trading Economics. 2016. Portugal Interest Rates. [ONLINE] Available at: <http://www.tradingeconomics.com/portugal/interest-rate>. [Accessed 16 October 2016].

Ty H. & Neeraj A. 2010. Promoting Brands Across Categories with a Social Cause: Implementing Effective Embedded Premium Programs. *Journal of Marketing*: November 2010, Vol. 74, No. 6, pp. 41-60

Visser, W. 2008. CSR 2.0: The New Era of Corporate Sustainability and Responsibility. CSR.

Visser, W. 2012. The Future of CSR: Towards Transformative CSR, or CSR 2.0. *Kaleidoscope Futures Paper Series*, [Online]. No. 1, 1-17. Available at:

[http://www.waynevisser.com/wp-content/uploads/2013/01/paper\\_future\\_csr\\_wvisser.pdf](http://www.waynevisser.com/wp-content/uploads/2013/01/paper_future_csr_wvisser.pdf)  
[Accessed 18 August 2016].

Waldrop, M. 2013. Nature magazine. Scientific American. Retrieved 28 April 2013.

Joe, W. & Joanna, M. 2011. Cause Marketing For Dummies. 2nd ed. USA: For Dummies.  
Web. 25 Mar. 2013.

Weber. 2008. The business case for corporate social responsibility: A company-level.

Weiner. 2000. Attributional Thoughts And Consumer Behavior. Journal of Consumer.

Wood, D. 1991. Corporate Social Performance Revisited. Academy of Management Review, [Online]. vol.16, no.4, 691-718. Available at: 19910CorporateSocialPerformanceRevisited.pdf [Accessed 16 August 2016].

Wood, C. & Leighton, D. 2010. Measuring social value: the gap between policy and practice. 1st ed. UK: Demos.

Wymer, W. & Samu, S. 2003. Dimensions of Business and Nonprofit Collaborative Relationships. The Haworth Press, Inc., [Online]. N/A, N/A. Available at: [http://www.academia.edu/1097903/Dimensions\\_of\\_Business\\_and\\_Nonprofit\\_Collaborative\\_Relationships](http://www.academia.edu/1097903/Dimensions_of_Business_and_Nonprofit_Collaborative_Relationships) [Accessed 18 September 2016].

Yoo, B. & Donthu, N. 2001. Developing and Validating a Multidimensional Consumer-based Brand Equity Scale. Journal of Business Research, 52 (1). 1-14.

Young (Eds.). 1996. Corporate philanthropy at the crossroads: 105-126. Bloomington: Indiana University Press.

Zeynali, S. & Safarnia, H. 2012. Consumers' Response to Cause-Related Marketing: Empirical Evidence from Iran. Middle-East Journal of Scientific Research 12 (7): 1012-1016, 2012, [Online]. ISSN 1990-9233, 1-5. Available at: [Accessed 18 November 2015].