



# Business Plan Presentation

## Use-by-Touch – Product Team

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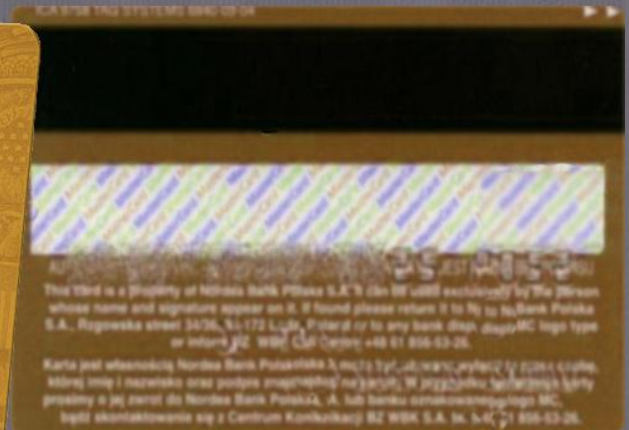
With Support & Guidance of Dr. Paul Newman  
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# Outline

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- About SafeNet Inc.
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- Operating Strategy
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- Pro Forma Finance Plan and Cash Curve
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## Use-by-Touch

- A new milestone in the credit card industry and in the use of biometrics for security.
- Establishes a new product line for SafeNet.
- Ergonomic, compact, and secured Biometric Credit Card with an inbuilt digital display and magnetic strip.





# Highlights

- 5-yr ROI: **998.14**
- Initial Investment: **20 Million**
- Cumulative Profit in 5 years: **229.63 Million**
- Payback period: **2 years**
- Time to New Product Launch: **7 Months**
- Resources: **Mostly leverage existing resources**

## How 'Use-by-Touch' works?

- 'Touch' the card
- Only hold the card
- To



## About SafeNet Inc.

- Global leader in information security.
- Offer broadest range of products and solutions of any security company in the world.
- More than 1,100 employees globally.
- \$300 million in annual revenue.
- Market capitalization of more than \$0.5 billion.
- Extends across 100 countries.
- More than 10,000 customers:
  - ARM, Bank of America, the Departments of Defense and Homeland Security.



## Strategic Alignment

- Market & Technology leader in protecting sensitive financial transactions.
- Trusted to protect over 80% of the world's inter-bank transactions - more than one trillion dollars per day.
- SafeNet's successful security products:
  - Hardware security modules
  - Two-factor authentication tokens
  - High-speed encryptors

# Target Market

- Banks that supply 178 million credit cards in the United States (2009)
  - 3 million annual growth.
- 5 year target: 26% market share.
- Future Growth (Total Market)
  - Worldwide expansion.



# Unique Selling Propositions

- Banks
  - Drastically reduce or eliminate billions spent on credit card fraud.
- Merchants
  - Reduce the number of fraudulent charges that cost the merchandising industry \$52.6 billion in 2006.
- Credit Card Consumer
  - Significantly reduce or eliminate the chance you will be one of 10% of Americans that fall victim to credit card fraud.

# Competitive Test

- Technology & first to market
  - Establish brand identity.
  - Customer loyalty.
- Patents
- R&D
  - Additional features.
  - Lower costs.
  - Enhanced security.
- Develop industry standard

## Value Test

- Benefit:
  - Drastically reduce or eliminate credit card fraud.
- Price
  - Lower than other alternatives
    - \$20 one time fee for smart card.
    - \$10/month for Life Lock identity theft protection.



# Marketing Strategy

- Market Facts:
  - More than 1 Billion Visa cards worldwide
  - More than 450 Million of those in US.
  - 2/3 of Consumers would consider switching their primary card if a better feature was offered.
  - In 2005, estimated 13.5% of US adults victim of identity fraud in previous year
    - 15.4% of 34-44 yr olds.
    - 11% of 55-64 yr olds.
    - 10.4% of 65-74 yr olds.
    - 5.6% of 75+ yr olds.

## Marketing Strategy (cont.)

- Year 1:
  - Market directly to card issuers (banks) via Sales Channel.
  - Print, television, and internet advertisement to generate Market Pull from end users.
- Year 2 to 5:
  - Use buzz in market to generate pull from users combined with advertisement in media: television, internet, print.
  - Use word of mouth internally in bank to generate interest.
  - Continue Direct Sales & Distribution to Banks.

# Sales Estimates & Target Revenue

- In Year 1, projected sales will be for new card applicants primarily – **1.78 Million**
- Year 2, Sales for new card applications plus users switching to safer card – **5.38 Million**
- Year 3, Sales of **14.15 Million**
- Year 4, Sales of **28.2 Million**
- Year 5, Sales of **41.6 Million**

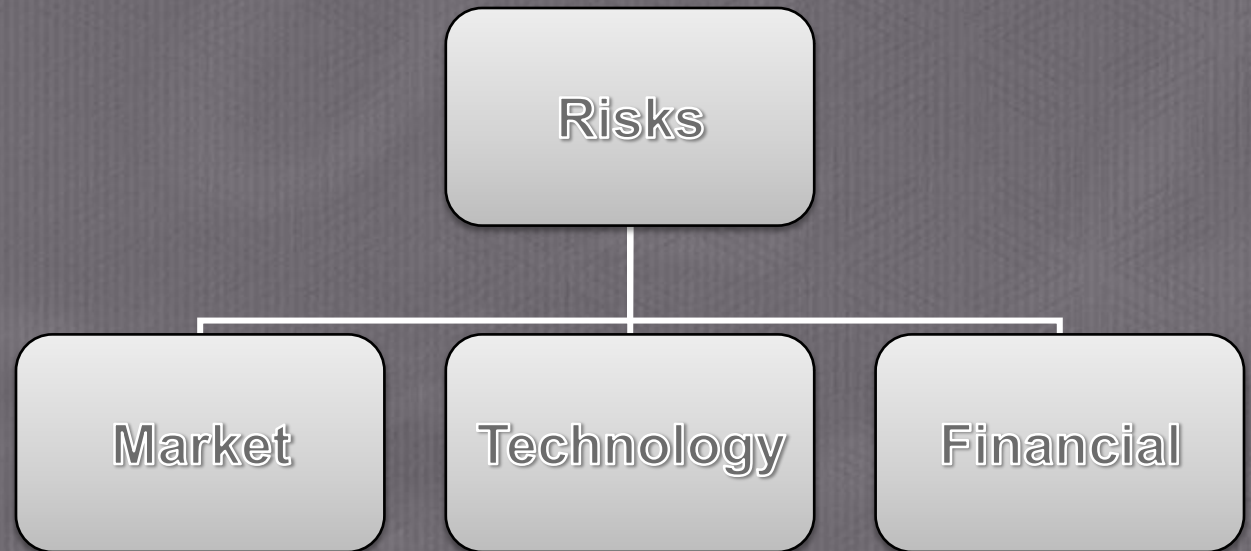
Year	Projected Sales	Projected Sales (Millions)	Market Share	Selling Price per credit card (\$)	Revenue Target (\$)	Revenue Target in Million (\$)	Cumulative Sales (Millions)	Potential Customers (Millions)	Facts	
1	1,780,000	1.78	0.01	40	\$71,200,000.00	\$71.20	1,780,000	178,000,000	178,000,000	Million Americans with Credit card Year 2009*
2	5,376,600	5.38	0.03	38.5	\$206,999,100.00	\$207.00	7,156,600	179,220,000	181,000,000	Million Americans with Credit card year 2010
3	14,147,472	14.15	0.08	36.58	\$517,514,525.76	\$517.51	21,304,072	176,843,400	184,000,000	Million Americans with Credit card year 2011
4	28,202,348	28.20	0.16	34.38	\$969,596,740.74	\$969.60	49,506,420	185,695,928	187,000,000	Million Americans with Credit card year 2012
5	41,636,101	41.64	0.26	31.97	\$1,331,106,138.59	\$1,331.11	91,142,521	140,493,580	190,000,000	Million Americans with Credit card year 2013
				Total Revenue forecast	\$3,096,416,505.09				* - www.creditcards.com	



# Cost vs. Perceived Quality Matrix

	Low Quality	Med Quality	High Quality
Low Cost	Commodity		Bargain Costco
Med Cost		Value	<b>Use-by-Touch Credit-Card</b>
High Cost	Poor Value		Luxury Elite

# Risks



## Market risk

- Patent the technology in “Use-by-touch” card.
- The card will be the first of it's kind in the market.
- Build trust relationship with customers.
- Competitive pricing strategy.
- Card customization.



## Technology risk

- Continuous R&D Investment.
- Stay a step ahead of security threats & hazards.
- Set the security standard in fraud prevention technology.
- Utilize existing product platform

## Financial risk

- A relatively low initial investment - \$20M.
- Short time to profitability (Cash Curve).
- Debt paid-off in 3 years (Income Statement).
- Focus on assembly line automation to ensure Low COGS.

# Operating Strategy

- Personnel/Resources/Manufacture:
  - Currently employs 1100 employees.
  - Make similar product with existing staff and machines.
  - First year production on current equipment.
  - Hire a couple of engineers familiar with Digital Display technology to integrate into product.
  - Invest in people and machinery in subsequent years as production ramps up.



## Operating Strategy (cont.)

- Funding:
  - Small initial capital investment required
    - Handled either with loans or cash on hand.
  - Subsequent capital required for expansion to come from profit from previous sales.
- Product Design:
  - Existing product platform – minimal design.
  - Integration of Digital Display / Activation of Magnetic strips required.

## Operating Strategy (cont.)

- Shipping:
  - Utilize current shipping channels.
  - Simplifies Distribution - sent to bank, not customers.
- Sales:
  - Utilize current sales channels.
  - Current contacts within banks used
    - A few large banks control US market.
    - Word will spread internally.
  - Create customer pull from consumers.

# Reality Test

- Ramp-Up:
  - Draws on current capabilities/capacity.
  - Incremental ramp-up utilized, automated process.
  - Few additional employees needed, hire 2 technical experts on digital display technology.
- Implementation is easier due to leverage on
  - Existing Design, Testing, Shipping, and Sales channels.
  - SafeNet's current business relationship with financial institutions.



# Pro Forma Income Statement (2009-2013)

Data Sheet

Pro Forma Income Statement for 5 years (2009 - 2013)					
Year	2009	2010	2011	2012	2013
	1	2	3	4	5
<b>Unit Sales (Millions)</b>	1.78	5.38	14.15	28.20	41.64
<b>Debt (Millions)</b>	20.00	20.00	14.00	0.00	0.00
<b>Selling Price (\$)</b>	40.00	38.50	36.58	34.38	31.97
<b>COGS (\$)</b>	23.00	22.31	21.64	20.99	20.36
<b>Margin (\$)</b>	17.00	16.19	14.93	13.39	11.61
<b>Cont Margin</b>	0.43	0.42	0.41	0.39	0.36
<b>Revenue (Millions)</b>	71.20	207.00	517.44	969.61	1,331.27
<b>Gross Profit (Millions)</b>	30.26	87.05	211.28	377.60	483.48
<b>General Sales &amp; Admin (Millions)</b>	9.97	27.75	72.44	135.75	186.38
<b>R&amp;D costs (Millions)</b>	3.00	6.21	15.52	29.09	39.94
<b>Advertising Expenses (Millions)</b>	10.00	22.00	30.00	25.00	10.00
<b>Sales &amp; Distribution Expense (Millions)</b>	0.71	6.21	31.05	77.57	119.81
<b>EBIT (Millions)</b>	6.58	24.88	62.27	110.20	127.35
<b>Interest (Millions)</b>	1.20	1.20	0.84	0.00	0.00
<b>EBT (Millions)</b>	5.38	23.68	61.43	110.20	127.35
<b>Taxes (Millions)</b>	1.61	7.10	18.43	33.06	38.21
<b>Net Profit (Millions)</b>	3.77	16.57	43.00	77.14	89.15
<b>Cumulative Profit (Millions)</b>	3.77	20.34	63.34	140.48	229.63
<b>Plant Improvements (Millions)</b>	0.00	12.00	15.00	20.00	30.00
<b>Payoff Debt (Millions)</b>	0.00	6.00	14.00	0.00	0.00
<b>Net Cash (Millions)</b>	3.77	2.34	34.34	120.48	199.63

Initial Investment

Product Pricing

69% of Corporate Revenue

Expenses

EBIT 9 – 12 % of Revenue

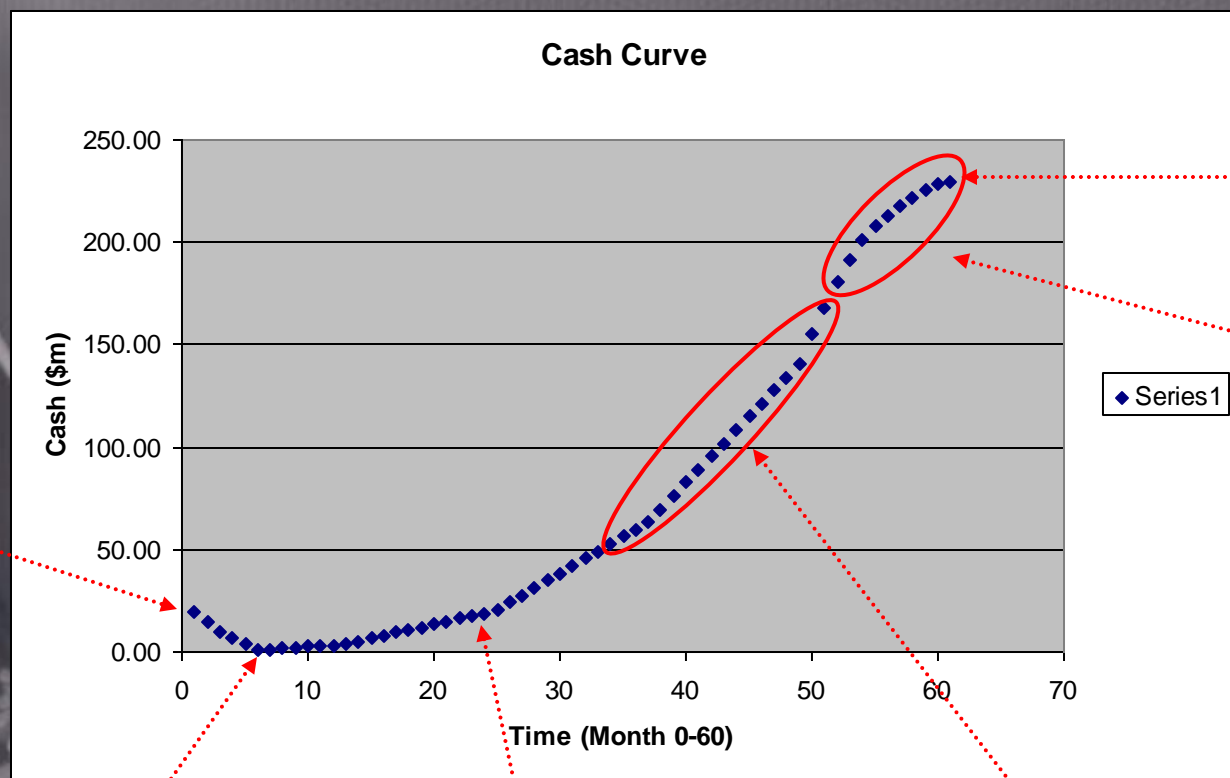
Pay-back Period – 2 years

Continuous Plant Improvements

Debt payoff – 3 years

ROI = 998.14<sup>24</sup>

# Cash Curve



Start-up Cost  
- \$20M

ROI = 998.14

Competition  
hits

Scale – 3<sup>rd</sup> & 4<sup>th</sup> year

Speed - Time to Market – 7  
months

Time to Profitability – 2 years

## Conclusion

- “Use-by-Touch” forms a prospective business case for SafeNet as it...
  - Is aligned with the strategic intent of SafeNet.
  - Leverages SafeNet’s core competency.
  - Targets an Untapped market.
  - Targets Customers with a Compelling Reason to Buy.
  - Has a \$200M (approx.) Net cash potential in 5 years for a \$20M Investment.



# Questions ?

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