



## **Global Enterprise Experience** ***Business Concept***

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More than 200 years ago, Thomas Jefferson, the author of the Declaration of Independence and third president of the United States spoke of an earth that “belongs [...] to each of these generations, during its course, fully, and in their own right.

He further emphasized that in order to be sustainable a generation cannot “contract debts greater than may be paid during the course of its own existence”, otherwise “the earth would belong to the dead and not to the living generation.”<sup>1</sup>

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<sup>1</sup> Jefferson, T. (1789), p.1.

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## 1. Executive Summary

Bios Investments is an asset management company that invests in socially responsible environmentally minded businesses. Based on a in-depth understanding of the financial markets, a well defined set of both economic and environmental parameters and intimate knowledge of new innovations and companies, we will strategically invest in companies that offer both financial returns today and environmentally sustainable returns for future generations. In addition, rather than simply returning dividends to investors, a 2% portion will be devoted to implementing a green marketing campaign. This campaign will work to highlight the importance of protecting the environment rather than exploiting it.

## 2. Business Overview

### **Background**

The share market is one of the most important sources of capital for companies. It is also one of the key places in which people choose to invest their money. The dramatic expansion of share markets throughout the globe and the increasing ease of communication and monetary transactions has made it easier for investors to invest their capital in a wide variety of companies throughout the world. This has brought about a number of asset management companies that invest shareholders money in a diverse range of companies, in order to provide carefully analysed investments and spread risk.

At the same time (and many would say as a result of) there has been increased concern for the impact that human activity is having on the environment. Governments and individual citizens are realising that our actions are having a negative effect on the environment. They are realising that if we do not act now to undo some of that damage we may not provide much of a future for our children.

These two elements coupled together have brought about an increase in demand for investment environmentally sustainable companies.

### **Bios Investments**

Bios Investments is an "investment company with a difference". In general investment funds (asset management companies that invest in a diverse range of what they believe to be well performing companies) are all about investing in companies that have high growth strategies, earnings per share and such. At Bios we believe that such investment funds focus too much on these factors, concerning themselves with revenue for this generation not considering the wider systemic implications. Investment needs to change, to focus on the future of the globe rather than the present.

Investors are increasingly looking for companies that not only provide long term capital gains but also invest in companies that are working to ensure a sustainable environment into the future. In essence Bios is an investment company that specializes in investing in small-medium sized companies that are developing environmentally sustainable products and/or adopting sustainable business practices. The companies, which the fund invests in are currently New Zealand and German based, with a view to expand the market scope as the company grows. The company will be listed on the New Zealand share market as well as the Frankfurt Stock Exchange where its head office will be located.

The other key area, which Bios covers, is marketing. Currently, dividends are paid out of the investment company and then passed on to investors on the basis of high profits. By taking a small proportion of these returns Bios will develop a marketing arm that establishes a green marketing campaign. Where by we promote greener sustainable living throughout New Zealand and Germany.

## Initial Investments

Initially Bios will invest in a small but diverse range of companies. These investments will be

Companies must exhibit commitment to sustainability in areas of future thinking, resource use, staffing, business systems, products and services and relationships .

### *Comvita*

#### *Center for Silicon-Photovoltaic*

Bios Investments will invest in a major research projects, which have commercial viability. One of those projects is the silicon-photovoltaic research center in Halle/Saale, Germany. On its way to a solar valley in the federal state Saxony Anhalt, the Fraunhofer Association will start operating its Center for Silicon-Photovoltaic (CSP) this year upon EU approval. In close cooperation with the Martin-Luther University Halle-Wittenberg and the Max-Planck Institute, the CSP will protect and extent the competitive advantage of its cooperating firms. In 2005, "15 percent of all silicon cells produced worldwide came from the three German federal states Thuringia, Saxony and Saxony-Anhalt."<sup>2</sup> Facing the scarcity of the resource silicon and its increasing price, Bios Investment expects great potential and growth within the sector of solar energy generation.

#### *Call a Bike*

Germany will start this year with a new project in which cars are classified concerning

Bicycles are located all over the city but especially close to carparks, which are in more-than-walking distance to the next train stop. After registering online or via the phone one can take advantage of this great

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<sup>2</sup> Comvita

<sup>3</sup> Deutsche Bahn AG

service. Each bicycle is secured with an electronic lock and by calling the number printed on it one will receive the code that will unlock it. There is no need to return the bicycles as it can be just left locked to a fixed object close to a major crossing. Then another phone call has to be done in order to give 'Call a bike' the location as well as the receipt code seen on the display when locking the bike. From the minute of hiring until the return call, a charge of 8 cents per minute (maximum of € 15 per day) will apply and debited to ones credit or debit card. Within the first 3 years the number of people using the "Call a bike" service almost increased eightfold<sup>4</sup>.

## Opportunity

As highlighted above there has been a convergence in thinking about environmental sustainability and investment. People are able to invest their funds into a company that encourages the protection of the environment and receive capital gains in return. It is here that we believe that there is a gap in the market. There are very few investment funds, which provide low risk, diversified, educated investment in companies that contribute to improving the environment. The ones that do exist do not incorporate a marketing programme.<sup>5</sup> We see this as an area of the market that is not fulfilled. Providing Bios Investments with the opportunity to offer a service with sustainable margins, capital revenue growth and profits while also making a difference in the world we live in.

## 3. Market Analysis

### Market Trends

Not only the Kyoto Protocol changed the perception about the state of the world today. Books like *Limits to Growth* and *Beyond the Limits* have captured the attention of a much bigger audience than ever before. This enlarged interest and awareness have lead to numerous implementations in almost every country of the world. Having to deal with resource scarcity and changing climate, environmental-friendly products and sustainable business practices begin to become the focus of every economy, be it the demand or supply side.

The proverb "charity begins at home" doesn't seem to apply anymore, in fact there is a growing interest in what we can do together to make the world a better place to live in. At Bios we think that people are eager to invest their money not only in their future but also for the next generations to come. Additionally, there is a great potential for companies that are environmentally focused and are in need of investment.

### Competition

Currently there is no direct competition with a company of this nature. However, as mentioned before, there are a number of other funds management companies that invest in eco-friendly companies. One of them is the U.S. bound Winslow Management Company, which practices the Social Responsible Investing (SRI) of the Pax World Funds. Winslow's investment policy also encompasses small-sized companies promising great potential. Therefore we are going to have to work hard to market the unique nature of Bios in order to differentiate ourselves from these other companies. Entering new markets will be a viable strategy of our business. Additionally we are likely to be competing with other substitute investment products, such as bonds, term investments and individual listed companies.

## 4. Competitive advantage

This business is unique; it is not common for companies to devote profits into other non-profit issues. However, what we are doing now, is contributing some efforts to the society at the same time when we are getting many things from it. The uniqueness of this business enables us in gain profits and at the same time, increasing the awareness for our company.

Bios Investments also draws its competitive advantage from the fact that it provides a service not only to the investors. It also provides a service to the entrepreneurs of the environmental enterprise, to Governments and most importantly to all people throughout the world. Bios investments is not just about investing in companies, it is about investing in a better future for the globe, something which is both valuable and rare.

There are lots of people who support environmental sustainability. There has been a renewed awareness surrounding environmental issues and the importance of protecting the environment for future generations. This has lead to a high level of interest in investing in environmentally sustainable products. By tapping into this market we are able to establish a niche and therefore a competitive advantage over other investment funds.

There is no other company, which is combining these three elements. There are a number of councils that put out publications about what environmental companies to invest in (such as The Progressive Investor<sup>6</sup>). These organizations certainly provide information and advice in order to make good and appropriate investment choices. Bios Investments however will not only make this process easier (by diversifying the risk and making educated investment decisions), but it will develop a marketing campaign to further advocate the environmental cause.

## 5. Objectives and goals

In this project, we are investing in a new style of business. In today's society, most of the investment funds are solely about the profits and they might have neglected other important issues. With our new idea of doing business, we are aiming in having a win-win situation in both business and the health of environment by investing in sustainable companies and contributing parts of the profits to a green marketing campaign.

Capital is always a problem to the new and developing sustainable businesses. Therefore, in this project we are mainly investing in new and developing sustainable businesses in order to give them a support. Once we have established these initial goals we are able to expand the business from limited regions to global scale.

In the short term our objectives are to:

- Apply for start up grants from development funds such as the Sustainable Business Council or NZTE (as New Zealand examples).
- Draw down a loan to gear the initial investments.
- Deliver proof-of concept.
- Set up a core set of companies in which to start investing.
- Taking on staff and setting up in offices in New Zealand and Germany.
- List the company on the Frankfurt Stock Exchange and the New Zealand share market.

Once these objectives have been achieved and the company has been consolidated we will look to implementing our long-term objectives:

- Expand the markets and companies that we invest in.
- Develop a number of funds to cater for different needs, markets and desired levels of risk and markets.
- Expand the marketing campaign (cover counties other than Germany and New Zealand, and expand the variety of marketing tools).

## 6. Venture Strategies

### Human Resources

In the beginning Bios is mainly financed by loans, grants and a limited amount of share revenue. As soon as operating the investment company becomes profitable loans can be repaid and dividends can be paid out. Due to the financial situation especially in the first months and years of operating, there is not much room for risky investment in human resources. In each location we will start off with a small but very effective team consisting of a Managing director, a share analyst, a marketing expert as well as someone being responsible for finance and administration. After the start-up periods internships at Bios will be available for graduates as well as student who are still studying. Another main part of the human resource policy is offering apprenticeships and courses. By offering students and employees the opportunity of individual growth, Bios will also gain from that relationship. The focus lies on students not just because they are cheaper in terms of lower wages compared to their productivity but also because they will bring with them their ideas, concepts and knowledge about new technology learned at university.

### Marketing

Our promotional efforts consist of cooperation agreements in addition to the exploitation of the variety of media resources available today. Prospective customers will be able to easily access our company's homepage as well as our office locations. Advertisements in newspapers and financial magazines as well as a registration in the yellow pages will ensure an easy way to contact us, thus minimizing the search costs for potential clients. Furthermore, we would like to draw attention through press releases and business papers. This will also be in line with our HR department, since internships and trainee positions could be advertised to enrolled students and graduates.

However, the core of our marketing strategy is closely linked to the nature of our business. Our Green marketing campaign means advertising for the companies we invest in and having them advertise for us. As an additional source of revenue we will offer a marketing program to interested companies. In detail, stickers could be posted on each frame of the bikes, flyers could be handed out at the universities and various stores, a link on the companies' homepages might directly lead to our homepage, and so on. Since most of them will be medium-sized or start-up businesses, helping them to promote their products and services, will be of great interest to our customers – the investors. Growth of the businesses will be reflected in their dividends. Additionally, raising the acceptance of and the knowledge about new inventions and techniques on a global scale will be a valuable contribution towards sustainability.

## 7. Financials

### Financial Strategy

As an investment company it is important that we have a robust and transparent financial strategy. Our overall financial strategy is to start the company with funds secured from loans and grants and then develop the company into a self-sustaining entity. This will allow us to establish a small scale operation, to minimize risk, and then to expand once the company has established a reputation and stabilized its operations.

### Sources of Capital

In the initial stages to get Bios up and off the ground we are looking at get a loan. This will allow us to establish the Bios team, set up advertising and operations. The loan could also be used for negative gearing to finance initial investments. This could also be supplemented through grants from organizations such as New Zealand Trade and Enterprise and the Sustainable Business Council. As this is a company that is looking to help the environment, this is likely to be looked upon favorably by Governments and grant funds. We would be looking to pay these back quickly as we would be expecting to draw a high number of investments from year 2.

In the long term the company will become self-supporting. The purchasing of shares in Bios will help to fund the company. As outlined below we would take some of the dividend returns as well as capital growth.



## Cash flow

### Bios Investments – Projected Cash Flows

	Months 1 – 6	Months 7 – 12	Months 13 – 18	Months 19 – 24
Loan	\$210,000	\$190,000		
Capital Receipts		\$1,000,000	\$1,500,000	\$1,500,000
Investment Income			\$200,000	\$500,000
Investments – Australia			\$500,000	\$500,000
Investments – Germany		\$1,000,000	\$500,000	\$500,000
Investments – NZ			\$500,000	\$500,000
Marketing	\$70,000	\$50,000		
Office Overheads	\$40,000	\$40,000	\$40,000	\$40,000
Wages	\$100,000	\$100,000	\$100,000	\$100,000
Loan Repayments			\$60,000	\$60,000
Dividends				\$200,000
Environmental Marketing				\$100,000

## Dividend Policy

The returns paid to investors will be in the form of capital gains as well as dividends. Bios will take 6% of these dividends, 2% will be used for the green marketing campaign and the remainder will be used to cover our operating costs. This is slightly higher than what traditional asset management funds take. However we believe that people will be happy to pay the higher proportion as is it an investment in the future.

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