
Business Proposal: Example

Our team recommends that we design, manufacture, and market a new virtual reality (VR) stair-stepper model. This business proposal summarizes our recommendations.

Synopsis

Our R&D team recommends designing a new stair-stepper machine with VR features. This machine, which we are dubbing *King Kong*, features VR goggles. Customers wearing these goggles will feel as if they are climbing up the outside of the Empire State Building as they stair-step. The new machine uses the same chassis as our existing 3500 model but layers on additional digital components to enable VR features.

Background

Virtual reality is a term several decades old that means portraying fantasy in as realistic a fashion as possible. The ultimate VR system would generate perceptions indistinguishable from reality. Commercially successful VR entertainment is now available at movie theatres, theme parks, and game arcades. Due to gradual drops in digital component prices, it is now commercially practical to produce exercise equipment that offers a powerful VR experience. We can use VR to wed exercise to entertainment.

The Current Market in VR Exercise Equipment

Two of our competitors—Calispindex and Pravda Mills—have already manufactured and sold exercise equipment with some VR features. These competitive models are as follows:

- **Calispindex SpinCycle VR20.** This stationary bike has a small flat-panel screen that projects images of a rolling rural countryside while the customer exercises. As the terrain changes, the bike reacts accordingly. For example, when the screen shows an uphill portion of the course, the bike becomes harder to pedal.
- **Pravda Mills Tread-1000.** This treadmill has similar digital components to the SpinCycle VR. While running on the treadmill, customers view actual images from the Boston Marathon course.

Both companies featured these two VR products in their last two annual reports. The pie charts in Figure 14-1, taken from data in their annual reports, illustrate the growing importance of VR equipment to these two companies.

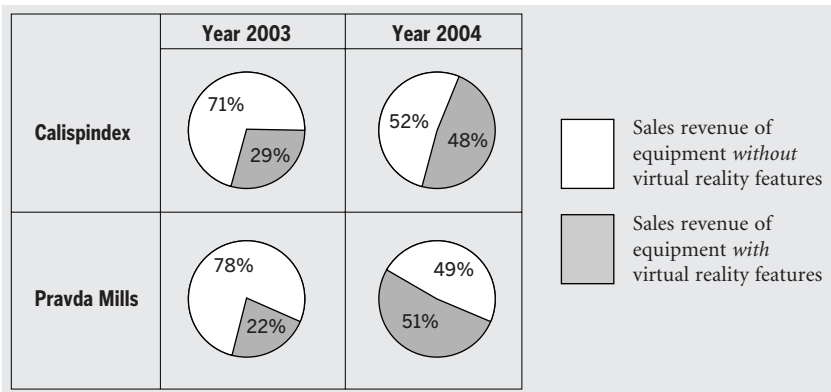


FIGURE 14-1 VR-based equipment accounts for an increasing percentage of sales.

Did the growth in VR equipment merely cannibalize the existing market in older, non-VR machines? In fact, as Figure 14-2 shows, both Pravda Mills and Calispindex enjoyed significant overall growth in new product revenue.

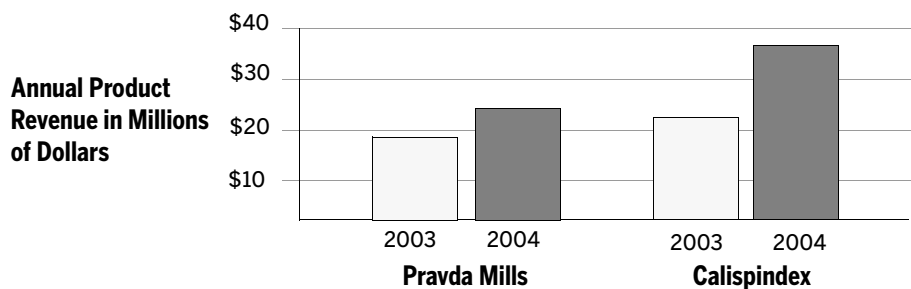


FIGURE 14-2 Overall sales at companies with VR equipment have grown.

During this same period, our own annual product revenue was flat.

Our Recommendation

When designing King Kong, we worked closely with Elena, vice president of marketing. She emphasized the need to enter this market as soon as possible. The components and manufacturing for this machine will cost us \$750 more per unit than the 3500; however, we can sell the machine for \$2,500 more per unit. Elena estimates that we can sell approximately 2,000 units in the first year and 6,000 units in the second year.

We estimate approximately nine months from project inception to first customer ship. Bob, vice president of manufacturing, feels that we can build this model in our existing Beloit factory.