



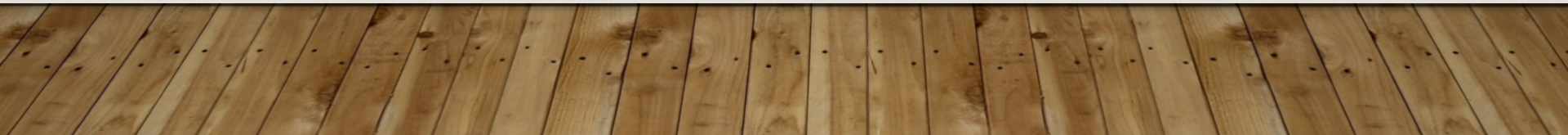
CREATE A BUSINESS IN LATVIA? FROM IDEA TO REALITY

PĒTERIS STUPĀNS

PLEIF, MELBOURNE, DECEMBER 2016

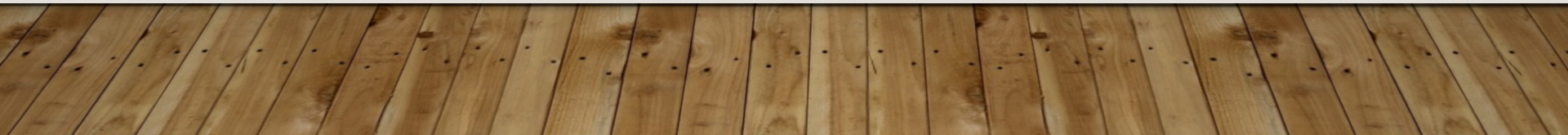
MY CONCEPT FOR A GREENFIELD BUSINESS IN LATVIA. BACKGROUND...

- Latvia has a small local market, however ready access to a 500m strong European population
- Reasonably low cost base for manufacturing for labour, premises and services
- Possibility of EU grant and/or finance funds
- Tax system which favours business owners
- Vision to add value to Latvia's leading primary resource in a novel way.
- Saw a gaping gap in the EU market ready to exploit
- Vision to gain significant export incomes for Latvia



THE GAP IN THE MARKET....

- EU market for children's domestic outdoor activity toys estimated to be 400-500mEUR p.a.
- Market dominated by:
 - Low volume, high value, local custom manufacturers, often failing battle with costs, at one end
 - High volume, low value poor quality Chinese imports at the other.
- Ageless appeal of children's outdoor activity and more recently a market swing to natural wood activity toys



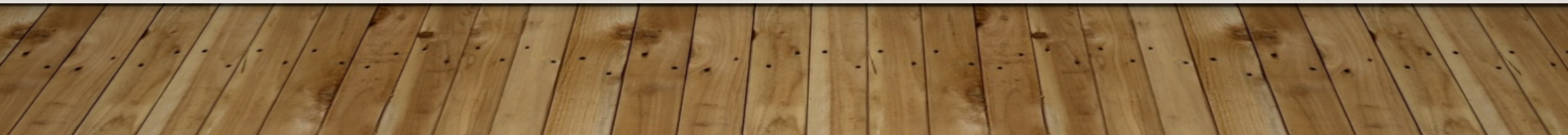
THE CHEAP AND NASTY BOTTOM END...



THE FAILING EXPENSIVE CUSTOM BUILT TOP END...



SO THE OBVIOUS
OPPORTUNITY IS



THE HAPPY MIDDLE GROUND...

BUILD YOUR OWN!



REDEFINING THE MARKET ... RAW TIMBER IS BETTER FOR YOUR CHILD THAN PLASTIC, NATURALLY!!

FROM
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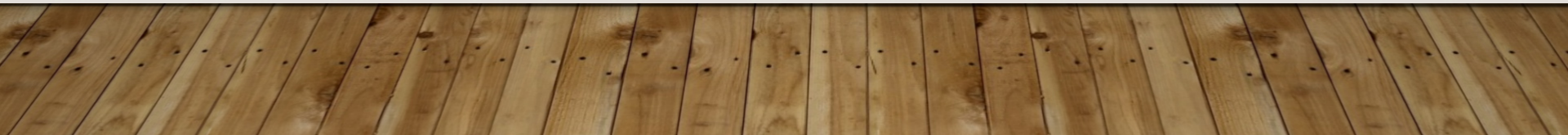


TO
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CUSTOMER FRIENDLY PRODUCT CONCEPT:

- Price range appealing to the EU middle market masses
- Drop-shipping from central warehouses in UK, NL, DE, FR, ES.
- Flat-pack Ikea style boxed kits
- DIY user assembly
- Modular optional extras – swings, towers, climbing walls, slides
- Quality, strength and durability of impregnated Latvian pine and spruce.
- Satisfies all EU safety standards, FSC certified timber



BUSINESS STRATEGY:

- Establish an sizable **early market** with first customer commitments even before committing to investment
- Establish a strong **core technical team**
- Find strong regional **distribution partners** in UK and continental EU
- Depend on these partners for interpreting **local tastes** to feed into product design.
- Factory located in Cēsis (100km from Rīga) – **lower costs**, more skilled labour and closer to raw materials
- Establish a **quality and customer orientated internal business culture** from the outset
- 99% export - Latvia is a small **fringe market** for us
- Find **innovative** market niches with new products

BUSINESS REALITIES:

- At first difficult, but not impossible to get suppliers on side
- Premises - initial 1000sqm rental now expanded to 4000sqm and acquisition
- Established a strong local **production team** of 30, expanded to 50 in high season – competing with emigration labour market
- Challenges:
 - Demand fluctuates with seasonality
 - zero inflation EU market, but wage inflation in LV

THE FUTURE?

- **Grow** to cover all logical **EU and beyond markets** and segments in domestic children's activity equipment.
- **Next crossroads** - whether to grow rapidly by debt/equity finance, or endogenously/more slowly.
- Next exciting project - researching leveraging our high volume production capability with **modular house manufacturing** with concepts from 30sqm studios to 250sqm homes – also for the Australian market.

MODULAR HOMES:

