Sung Nam
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Business Acquisition Series (BAS): Part 5

Business Product: Touch screen adapted winter gloves

Business Idea: How does the touch screen of a smartphone work? It has a capacitance sensor. So a charge is spread throughout the screen. If the current at a certain point is changed by a touch from a human hand, then the phone will pinpoint where the current change occurred. Human skin acts as a good conductor, or a material which can transfer electrical current. We are 70% water and water is a good conductor. But the conductor also needs a "grounding" feature, like a capacitor. A capacitor found in our electronic devices is made of a conductor piece and a "grounding" piece, which stores all the energy from the current. Usually, the ground is made of an insulating material, which is non-conductive and can be a dielectric, such as glass, plastic porcelain. So, we realized the convenience of having a glove which is recognized by the smartphone when the buttons are touched.

Demographic/client base: Students, office workers who use phone often and don't want to take off gloves every time they are outside.

Google Search Result: I found a good number of the gloves on Google. North Face, some Chinese gloves, no name brands. Chinese gloves sell for $5. North Face is $40. So we feel $10-$20 is a good pricing point.

Product/service highlight: It snows in Korea during the winter and the air is frigidly cold. So people wear gloves. Korea also has the highest concentration of smart phone users and the smart phone users regularly upgrade their phone to the newest models. Most of the new models are touch screen, and this year, Galaxy Note and Nexus S3 have been the top sellers, which uses capacitative touch screens, which will require conduction for the screens to recognize the users finger tap. Sure, the consumers could take the glove off every time they use the phone, but it will become a nuisance. So we believe these gloves will do well.

Distribution/Operations: We need to find a glove manufacturer that will use special metallic threading to weave into the glove fingertip. Normally, the thumb, pointing finger and middle finger are woven with the threading. So aside from the actual glove, the extra charge will be the cost of weaving the special threads (labor+material cost).

We know Korea is cold and Seoul is a great place to start. We can sell the products to retail stores in Kyeonggido since I haven't seen any of these products in my hometown. I know Seoul metro area, especially Hongdae will have these products.

Financing: We don't anticipate too much upfront cost – it is a direct function of the number of gloves purchased, so if I purchase 100 gloves at $5, then I will need about $1000 to start off. If I purchase 1000 gloves, then I will need about $6000.

Ownership burden: The project will require much energy and time from the owner. It will most likely be a one man shop at the beginning and will require much oversight even with the expansion.

Economically feasible?

Cost: Glove – about $5/unit

Spool of threading - $50/spool for 100 gloves, or $0.50/unit

Sewing machine - $1000

* Alternative is purchasing a 4,000 pack for $3 each or $12,000 for the pack.

Revenue: If we sell 1000/month, that is about $10,000/month for 3 months

Per Unit Spread: If we sell for $10/unit, then we will earn about $4.50/unit, or $4500/1,000 gloves sold. 1,000 gloves a month is about 50 gloves/working day.

Valuation: If we sell 1,000/month the gross margin will be $13,500 in 3 months. We think this whole venture is risky, given the online presence of multiple items online. We would pay up to 1,000 units at $5/piece, or $5,000 investment upfront.

Prototype:

Conclusion: We feel this product has manageable risk considering the need for functional gloves. I have yet to meet an individual from my hometown who has a glove for Smart Phones. This item will sell, even if we just sell 100 gloves to each cell phone store.