

MAYPAPERFLOWER POTENTIALS

OVERVIEW

Maypaperflower operates within the context of a changing world where traditional crafts often struggle to compete against modern alternatives. The decline of the Thanh Tien craft village's conventional products due to a lack of innovation highlighted a critical need for a social enterprise like Maypaperflower. The market research showed increasing demand for environmentally friendly products, convenience in distribution, and the desire for art pieces that contribute to mental health enrichment.

The enterprise's environment is characterized by a need for innovative solutions, sustainable practices, and a commitment to social development. Competitors in the broader market consist of conventional craft businesses and alternative artistic ventures, both of which influence Maypaperflower's strategies for differentiation and scaling.

ECOSYSTEM UNDERSTANDING

Entrepreneurial ecosystems are complex and dynamic systems that consist of various elements and actors that influence the emergence and development of new ventures in a certain location. The article by Maroufkhani, Wagner, and Wan Ismail (2018) provides a systematic review of the literature on entrepreneurial ecosystems, focusing on the definitions, dimensions, indicators, and outcomes of this concept. The authors identify four main dimensions of entrepreneurial ecosystems: the individual, the organizational, the institutional, and the relational. They also propose a set of indicators to measure the performance and impact of entrepreneurial ecosystems, such as the entrepreneurial activity rate, the innovation rate, the survival rate, and the social value creation. The authors highlight the importance of understanding the interplay and alignment among different elements and actors in an entrepreneurial ecosystem, as well as the contextual factors that shape its evolution and dynamics. By deeply understanding

their ecosystem, Maypaperflower identified the untapped potential of disadvantaged labor groups and eco-friendly materials. Leveraging this insight, they not only addressed social issues but also differentiated their products.

1. HUMAN CAPITALS

May's staff is structured into three levels:

- Level 1: Apprentices. Apprentices, at the entry level, receive comprehensive education in manufacturing processes. No prior qualifications are necessary. They earn around 4.5 million VND per month.
- Level 2: Experienced Staff. They are experienced staff working with us for 1-2 years, mastering basic manufacturing processes. Their responsibilities expand, and they earn up to 6 million VND per month.
- Level 3: Manufacturing Masters, who are proficient in all processes. Their role involves creating, overseeing, training, and maintaining quality. They earn around 7.5 million VND per month.

Additionally, we engage production freelancers working from home. Trained and assessed by Manufacturing Masters, they're compensated based on qualified product quantity. For marketing, sales, and management staff, salaries range from 7,000,000 VND to 12,000,000 VND monthly. Experience and qualifications determine compensation, as they are crucial links between us and clients.

Ensuring employees' well-being is a top target priority. We achieve this through a comprehensive benefits package that encompasses social and health insurance, as well as annual leave. Our commitment to our staff extends to recognizing and rewarding long-serving and high-performing individuals with promotions and incentives.

2. SOCIAL CAPITAL

Maypaperflower has cultivated partnerships with 29 collaborators and supporters from diverse fields. These encompass:

- Key suppliers like Hawa, Lanvi, and Do.
- Skilled traditional artisans.
- Well-established retail establishments and markets.
- Strategic media and logistics companies.
- Esteemed national art universities.

In addition, our proactive campaigns have garnered support from notable organizations, including UNDP, Start-Up Vietnam Foundation, Hue Union of Science & Technology, and Vietnam Ministry of Agriculture & Rural Development. To amplify our presence, we've cultivated a robust Facebook fanpage, amassing 7,884 followers and reaching a substantial audience of 142,000. These milestones underscore our capacity for growth and expansion.

3. INTELLECTUAL CAPITAL

Maypaperflower strategically harnesses its intellectual capital as a cornerstone of our competitive advantage. This encompasses a range of valuable intangible assets that set us apart in the market and underpin our sustained growth and success. Our intellectual capital encompasses various elements that contribute to our uniqueness and market positioning:

- Our team comprises accomplished artisans proficient in intricate techniques that are challenging to replicate.
- We have secured trademark registration for the Maypaperflower name and logo. This legal protection safeguards our identity.
- Our operations extend beyond manufacturing, marked by a meticulously designed process that encompasses all facets of our business.

- Fostering robust partnerships, which bolsters the distinctiveness and quality of our products. These relationships contribute to our sustained success.

4. MANUFACTURED CAPITAL

In terms of manufactured capital, Maypaperflower possesses physical assets valued at 320,833,000 VND. Among these assets, machines constitute nearly half of the total value and are projected to have a useful life ranging from 5 to 10 years. Additionally, storage and display items make up over one-third of the total value, with an expected lifespan of 10 to 15 years and minimal associated maintenance costs. These quantitative insights underscore the efficient utilization of Maypaperflower's physical assets, indicating their economic viability. Furthermore, the anticipated extended service life of these assets reinforces the organization's long-term sustainability in this regard.

5. FINANCIAL CAPITAL

Some of our financial metrics are shown below:

- Gross Burn Rate: 60 million VND, depicting our expenses.
- Net Burn Rate: 108,303,218.33 million VND in revenue, essentially highlighting the surplus we've managed to generate.
- Burn Rate: spanning from 60 million VND to 108,303,218.33 million VND, rests at 48,303,218 VND, signifying our expenditure range.
- Cash Runway: extending to 2.23 months, providing us a stable financial cushion.
- Working Capital: stands strong at 234,209,594 VND, underscoring our ability to manage short-term financial obligations.
- Debt-to-equity ratio: of a mere 5.2%, coupled with an equity ratio of 95%. These numbers reflect our minimal financial risk and robust capital foundation.

- Gross Profit Margin: holding steady at 30%, showcases our adeptness in managing production costs effectively.

6. PAST PERFORMANCE OF TRACTION

Reflecting on our historical performance during 2022, specifically within the initial half of 2023, a comprehensive overview reveals the following key metrics:

- Sales Volume: Notably, we achieved a sales volume of 2,700 products within this time frame.
- Inventory Efficiency: Our inventory turnover stands at 8.48 days, demonstrating a swift and efficient management of our stock.
- Robust Sales Growth: Our sales experienced a commendable growth rate of 20%, indicating a healthy trajectory.
- Average Purchase Value: Customers' average purchase amounted to \$15, showcasing their engagement with our offerings.
- Customer Value: Each customer holds a value of \$45, underscoring the significance of their engagement.
- Retention Rate: Impressively, our retention rate rests at 75%, indicative of our ability to maintain a substantial customer base.
- Acquisition Efficiency: Our acquisition rate per customer is a cost-effective \$6, underlining our efficient customer acquisition strategies.
- Positive Customer Sentiment: With a Net Promoter Score (NPS) of 8/10 and a Customer Satisfaction Score (CSAT) of 4.7/5, it is evident that our customers are content with our products and services.
- Expanded Reach: Our reach on Facebook has spanned 142,000 individuals, revealing a broad online presence.

Furthermore, through astute analysis of consumption patterns, Maypaperflower has discerned that consumer demand for our products peaks in correlation with significant holidays and commemorative occasions. In response,

we've strategically pivoted our production towards customization, effectively catering to diverse preferences during various periods. Beyond this, we've implemented cross-selling methodologies, suggesting complementary products to customers during their purchase journey. This not only enhances their shopping experience but also stimulates sales.

7. RISKS MANAGEMENT

We meticulously organize risks into distinct categories to provide a more elucidating panorama:

Market Risks: Our products fall outside the realm of necessities, resulting in a relatively modest market size. This circumstance may lead to challenges in pinpointing potential customers. Yet, a promising avenue lies in crafting compelling value propositions and allocating resources towards impactful marketing endeavors. These actions will enable us to navigate this challenge effectively.

Financial Risks: Transitioning to financial risks, we recognize the potential vulnerabilities in terms of credit and liquidity. The specter of insufficient customer engagement, leaving revenues lagging behind expenses, looms. However, our resolve to combat this lies in meticulous financial planning and the consistent monitoring of our cash flows. By adopting these measures, we can stay financially resilient even during lean periods.

Operational Risks: The interdependence of our manufacturing processes and raw material supplies necessitates prudent handling. It is imperative to diversify our supplier base and cultivate robust relationships with them. This strategic move will bolster the sustainability of our supply chains, ensuring uninterrupted production.

Talent and Human Resource Risks: Maypaperflower's admirable initiative to employ individuals facing disadvantages, such as disabilities or educational shortfalls, is commendable. However, this approach necessitates thorough training investments. To manage this, a comprehensive recruitment, training, and retention

program will be pivotal, enhancing both our workforce's capabilities and job satisfaction.

Partnerships and Collaboration Risks: Fluctuations in pricing and scarcity from our partners pose potential stumbling blocks. To counter this, Maypaperflower is steadfastly focused on nurturing a robust partnership management regimen. Furthermore, we are committed to expanding our partner network, mitigating dependence on any single entity.

Regulatory and Legal Risks: The intricate web of tax regulations, environmental laws, and labor standards warrants meticulous attention. Staying abreast of regulatory shifts and adhering unfailingly to legal requirements is non-negotiable. This approach will minimize potential legal and compliance pitfalls.

8. OPPORTUNITY FOR GROWTH

Maypaperflower's scaling strategies have yielded remarkable outcomes:

1. **Expanded Reach:** The combination of tradition and innovation attracted a wider customer base, both locally and internationally, resulting in increased sales and revenue.
2. **Social Impact:** By providing fair wages, flexible work conditions, and training opportunities, Maypaperflower positively impacted the lives of disadvantaged labor groups, women, and artisans, fulfilling their social mission.
3. **Sustainability:** The use of eco-friendly materials resonated with environmentally conscious consumers, enhancing the enterprise's environmental impact and fostering long-term sustainability.
4. **Recognition:** Winning awards and maintaining sustainable growth boosted Maypaperflower's credibility and visibility in the market: Icon of the Public Relations and Media Awards 2021 (VNPR Awards 2021); Maypaperflower is one of 29 social impact businesses supported by the United Nations Development Program

(UNDP) in 2022; Consolation prize in Ho Chi Minh City tourism souvenir design contest

With the above analysis and results, we believe that our business model is capable of sustainable growth and scale up.