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Junior Achievement Ecuador

Quito, Pichincha, Ecuador



Cushqui Pocket Report.-

Ecological and social responsibility should be the first and foremost consideration when forming a Junior Achievement company. Therefore, Cushqui Pocket’s intention is to promote an ecological lifestyle in the community by producing a wallet made of recycled raw material; it is the ecological option of the wallet market.

The company’s Mission is: *“To satisfy the needs of our customers by encouraging an ecological lifestyle, while fulfilling their need for innovation, creativity and diversification through the sale of top-quality ecological wallets; and generating profits to our shareholders without leaving social responsibility aside”*. The corporative values that characterize the company are: **innovation** through a unique product, **ethics** as a guide of all of the acts and **social responsibility** to create environmental awareness in the community.

The product was chosen through a market study in which the company researched preferences of a variety of products and the target group’s willingness to pay, along with a cost analysis. This allowed it to set an optimal and affordable price for the goal market, which permitted the company to achieve its objectives of providing high profits to the shareholders. The target market included children and teenagers from Colegio Alberto Einstein’s educational community, where it used a non-differentiate common market strategy. The market permitted to have several models, a variety of designs and fabrics.

Cushqui Pocket produced and commercialized wallets made of used tetrapak beverage cartons. The wallets came in a rectangular shape, available in 4 different models which depended on the way they closed and the material that covered the carton; it was either covered by fabric remnants or patterned contact paper. On the inside, the company logotype appeared. The variety of designs was a result of the use of the remnants from hundreds of different fabrics. We had a magnificent product, unique in the market, appropriate and affordable to all customers, regardless of their age.

The capital was earned by selling stocks at a cost of \$4 a share, giving the company an income of US \$400. Due to the great demand of shares, the nominal value of a portion of them increased giving as a result a US \$21 extraordinary gain. A great advantage the company had was that it didn’t need to invest a large sum to produce the wallets because most of the materials that were used were recycled.

The wallets were manufactured entirely by the company members, which demanded hard work, time, and effort. An inline production system was used. Each member specialized in a specific activity in the production line. Therefore, we had faster and more efficient assembly, reaching a production of 661 wallets in only one month and seven days, widely exceeding the estimation of production and sales. Sales estimations were 550 wallets; however this goal was surpassed by selling a total of 623 wallets at school, fairs and individual sales. The leftover wallets were used for social responsibility and promotional activities that Cushqui Pocket JA performed. The remaining raw materials were donated to a school which has limited resources. After the 15% donation to an orphanage in Haiti, the profit margin for the shareholders was 205%, which exceeded the expectations.

We served the community not only by encouraging an ecological lifestyle in the customers, but contributed to spreading awareness of the global warming problem, through workshops for the school’s students, as well as students from underprivileged schools. These activities were undertaken by the social responsibility department that the company created.

INDEX

- The Process.....Page 2
- Finance.....Page 6
- Cushqui Pocket and the Community.....Page 8
- Cushqui Pocket’s Future.....Page 9
- Learning Experience.....Page 9



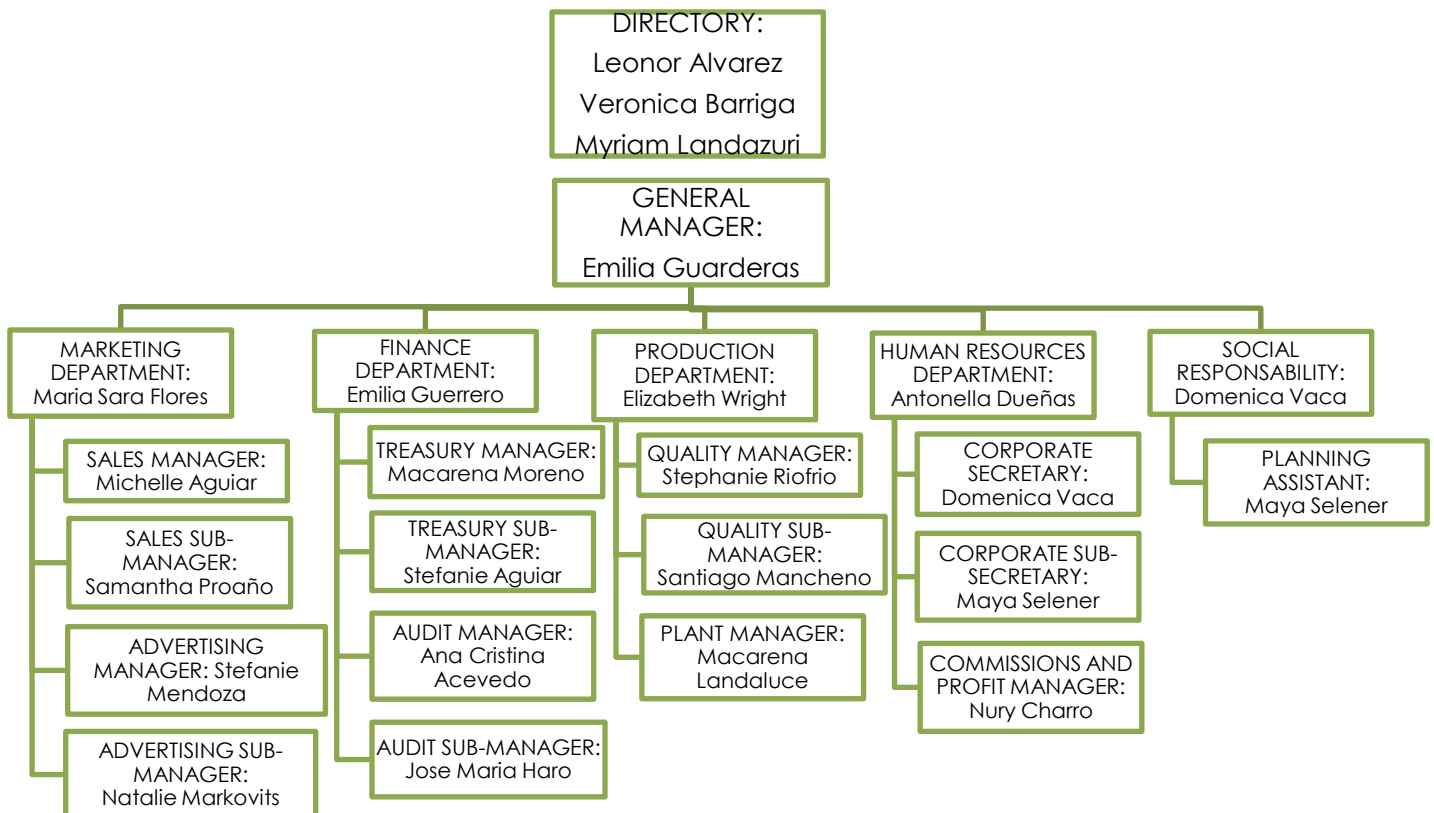
The Process

Our Human Resources Department established a set of goals to be achieved by all Cushqui Pocket employees during the time the company was operating. The creation of an atmosphere of tolerance, respect and companionship, which motivated the generation of ideas and learning, was our main purpose.

This department implemented a control mechanism to monitor the fulfillment of the job descriptions established for each of the employees; to verify if they were executed successfully. Initially, in the Business plan, we agreed to issue weekly reports to our shareholders; nevertheless we decided it would be better to inform of our monthly activities in order to reflect the company's advances more accurately. The total amount of time that was dedicated to meetings was 17%, to production 51% and to sales 31%.

We faced certain inconveniences, such as communication barriers, lack of punctuality to meetings, and unforeseen travel plans of three of our department managers. Nevertheless, we found solutions through Facebook, emails and Messenger to improve the quality of our communication. Fines were implemented to solve tardiness issues and there was the recognition of effort and dedication through the promotion of new managers.

Company Structure



Shareholders book

	Number of shares	Price	Total Price	Shareholder
1	5	\$4,00	\$20,00	Aída María Montoya
2	15	\$4,00	\$60,00	Aurora Gargurevich
3	10	\$4,00	\$40,00	Leonor Alvarez
4	3	\$4,00	\$12,00	Martin Salazar
5	4	\$4,00	\$16,00	Emilia Guarderas
6	2	\$4,00	\$8,00	Veronica Barriga
7	3	\$4,00	\$12,00	Natalie Markovits
8	4	\$4,00	\$16,00	Macarena Moreno
9	3	\$4,00	\$12,00	Domenica Vaca
10	3	\$4,00	\$12,00	Stephanie Riofrio
11	4	\$4,00	\$16,00	Elizabeth Wright
12	3	\$4,00	\$12,00	Macarena Landaluce
13	3	\$4,00	\$12,00	Santiago Mancheno

	Number of shares	Price	Total Price	Shareholder
14	4	\$4,00	\$16,00	Nury Charro
15	3	\$4,00	\$12,00	Antonella Dueñas
16	3	\$4,00	\$12,00	Maya Selener
17	4	\$4,00	\$16,00	Emilia Guerrero
18	3	\$4,00	\$12,00	Stefanie Aguiar
19	3	\$4,00	\$12,00	Jose Maria Haro
20	3	\$4,00	\$12,00	Ana Cristina Acevedo
21	3	\$4,00	\$12,00	Samantha Proaño
22	4	\$4,00	\$16,00	Mª Sara Flores
23	3	\$4,00	\$12,00	Stefanie Mendoza
24	4	\$4,00	\$16,00	Michelle Aguiar
25	1	\$4,00	\$4,00	Myriam Landazuri
	100		\$400,00	

The marketing department used product differentiation as a strategy; being pioneers by making recycled tetrapak wallets and focusing on ecological and innovative aspects. The name and slogan objective was to create an impact on our target market. The name Cushqui Pocket is a mixture of two languages: Quichua and English. Cushqui means money and it is a very common word used by Ecuadorians; this encouraged national identity. We used pocket in English, which is not our first language, but we wanted to show that the company is immersed in a globalization process and taking advantage of the influence that brands with names in English have in our country.

Our slogan “Save Your Cushqui, Save It Green” is a complement of the company name, since using these wallets made you save in a “green” way, meaning ecologically. Again, we have a slogan in English for the reasons explained previously. The logotype depicts three meaningful elements of the company: the money, the recycling symbol, and the pocket silhouette. We used this visual design so that our customers know what we do and relate it to an ecological wallet without reading the name. We used green as the main color because it symbolizes ecology and money. A campaign to collect the tetrapak was created, using posters and emails addressed to all the educative community. This campaign allowed us to create expectations before the product’s release within the institution, and permitted us to collect all the raw material needed.

The price of the finished product was US \$2.50, based on the cost of production and the ability to pay. This covered the cost of the product and included profitability.



The publicity that we used had the intention of reflecting our proposal of taking care of the environment, that’s why we used ecological friendly publicity: At the different stands we used chicken wire covered with fabric remnants, trash bags, and burlap. We used colored hat made by us and different decorations made of cardboard. As something additional, we used flyers printed on recycled paper, banners and we even offered discounts for those who brought recycled materials to us. These strategies transmitted our ecological lifestyle to the public and created great impact. Furthermore, our product was advertised through different

media like television, five different radio stations, Facebook, and Radio Einstein in our institution. We sold Cushqui Pocket at our school, a mall, and two different fairs, one of them was the fair at the Universidad de los Hemisferios (event's sponsor) where we won the prize for "most profitable stand"; and it was one of the most visited stands of all the companies.

As an external motivation for our salespeople, we paid a commission: for the sixth wallet sold externally from any of the selling points, the employee received 10% of his sale. It should be emphasized that this method of motivation created an atmosphere of healthy competition within the employees.

All departments joined and worked together for the creation of our product. Initially, we were only going to manufacture a single model with 4 different color and pattern designs, but due to member creativity, other options were evaluated.



These options demanded the use of more materials. Samples were made so that, after a general consensus, we could decide which of the products to choose and add the finishing touches. We picked: Fabric covering, snap button, Fabric covering Bead and elastic, Contact paper Velcro, and Contact paper Bead and elastic. The wallets were covered with fabrics that were remnants, which gave each wallet its uniqueness. The versatility of the product, together with the originality of the raw materials, transformed this into something completely new and creative. Furthermore, our product offered our customers the possibility of reusing materials, instead of being a part of the waste that the city produces. Once the tetrapak was gathered through the collection campaign, the process consisted of washing the containers to eliminate any type of odor or residue. After the cleaning, the next step was to reshape and cover each carton with recycled paper so that, subsequently, we could apply either the fabric or the contact paper. To obtain nicely finished edges, trimming was used. The next process step was placing the button, Velcro, or bead. To complete the product, the wallet was folded and stapled, including the Cushqui Pocket logo sticker inside.

All of the employees became qualified so that they knew the whole production process. Inline production was chosen so that each member could take control of specific functions, having in mind their personal abilities and preferences. This was a fundamental factor due to the fact that manufacturing required a lot of time and effort. Teamwork was fundamental. Together with General Management we decided to reward those employees who had



dedicated quality extended working hours, taking into account the requirements of the famous Maslow Motivation Theory. For such recognitions, we decided to have the designations of "Employee of the Month" and "Cushqui Pocket Employee", for being one of the best members of the company. These elections had as a base the information found in the Attendance and Fines log, which was elaborated by the Human Resources personal. According to the collected data, three "Employees of the Month" and one "Cushqui Pocket Employee" were appointed.

The company established a full quality system, since it was essential to offer a top quality product. To accomplish this goal in each production stage, from the selection of raw materials to the final sale of the product, we proceeded with special attention in order to detect any type of flaw and find a possible solution for it. The percentage of faulty wallets was only 3.025%, which represented an insignificant margin of error. The production department did not waste any material during the fabrication. Not only for raw materials but for extra material and final products, we had weekly stock list to keep track of the materials that we needed so that we could generate a purchase order. These orders were given to the financial department, which had to approve the expenditure, verified the existence of funds and proceeded to the purchase of the needed materials. A stock list of finished products was also compiled with the intention to give the required wallets to the marketing department on time. As we mentioned before the estimated number of wallets was exceeded, we got to produce 661 wallets in only 5 weeks. The finished product was securely stored the school facilities, with the purpose to avoid any kind of damage or robbery



The goals were exceeded not only because of the teams' dedication, but also because of the perseverance and substantial participation of Cushqui Pocket as a team. Working as a group was crucial for the members and departments. It was also important for the company's integration and improvement of the productive performance of each of its employees.

Finance

The Finance Department was very well organized in order to strictly control the company's money, and be fully responsible for it. Thus, they created vouchers for income and expenses which were attached to sales or payment bills. The vouchers where enumerated and included the signature from the treasury manager, finance manager and general manager. For the acquisition process, a purchase order is required by the production department in order to have a register of every income and expenditure.

Below are some tables with the most important information:

Fixed Cost:

GENERAL FIXED COSTS		
	Budget	Actual
Item	\$	\$
Marketing expenses	137.50	77.15
TOTAL	137.50	77.15



The fixed costs correspond to publicity expenses, because no other expenses corresponding to the fixed cost were incurred.

Variable Cost:

Variable Costs		
Item	Budgeted unit cost	Actual unit cost
"Cloth-snap button" wallet	\$ 0.35	\$ 0.30
"Cloth-bead and elastic" wallet	\$ 0.46	\$ 0.38
"Sticker-snap button " wallet	\$ 0.70	\$ 1.01
"Sticker-velcro" wallet	\$ 0.70	\$ 1.08
Unit Average	\$ 0.55	\$ 0.69

The variable costs include the materials used in the product.

The mean breakeven point of the company reached approximately 45 units, thus the first event was successful and this quantity was exceeded.

With the formula of the breakeven point the company was able to calculate the breakeven point of every model of wallet

In the following chart the breakeven points of the wallets are shown:

Breakeven Point Units		
Item	Budgeted Breakeven Point	Actual Breakeven point
"Cloth-bottom" wallet	64	35
"Cloth-brooch" wallet	68	36
"Sticker-bottom" wallet	77	52
"Sticker-velcro" wallet	82	55
Unit Average	73	45

As shown above, the actual breakeven point was less than the budgeted one. Due to the control of fixed costs and the price of the materials, which were lower than we expected after working with big distributors, we lowered costs.



Balance Sheet:

Assets	
Current Assets	
Cash	\$ 1,363.50
Inventory	\$ 0.00*
TOTAL	\$ 1,363.50
TOTAL ASSETS	\$ 1,363.50
Current liabilities	
	\$ 0.00
Capital Stock	
Net Profit	\$ 400.00
Net Worth	\$ 963.50
TOTAL LIABILITIES + NET WORTH	\$ 1,363.50

*The inventory was of US \$0.00 because all of the remaining stock, like glue, elastic, fabric, and buttons were donated to a low resources preschool that could use the materials.

Profit and Loss Statement:

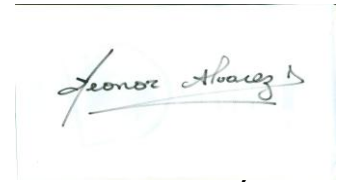
Sales Income	\$ 1,557.50
(-) Sales expenses (base materials, stickers)	\$ 520.33
Gross Earnings	\$ 1,037.17
(-) Management expenses	\$ 0.00
(-) Sales expenses (publicity, commissions)	\$ 94.15
Net Earnings	\$ 943.02
(+) Other income (delays and gain from sale of shares)	\$ 55.00
(-) Other expenses (tax and sales discount)	\$ 34.52
Net Profit (Before taxes and donations)	\$ 963.50
(-) Donations 15%	\$ 144.53
(-) Tax 25%	*
(-) Workers payment 15 %	*
Dividend	\$ 818,98
Profitability Per Share	205%

* The tax imposed in Ecuador is 25% of the net profit and includes 15% for workers' salaries. Because the company Cushqui Pocket JA is a Junior Achievement company, we did not have to adhere to the legal regulations for an actual company.

The earning percentage over the cost was 85.17%, which is obtained by the subtraction of the selling cost from the net profit and dividing it by the selling cost. This means that from each dollar sold we earned the 85.17%.

Some expenses we had were the commissions paid to each employee that sold extra wallets, as the Marketing Department explained previously. One last expense was a discount made of 50 cents to a client who brought recycled material. Because the net profit was greater than the projection, the amount donated was also greater ; just as the dividends for the shareholders. The gross profit margin was 66.59% and the net margin 60.56%, which indicates that the raw materials had no monetary value at all, being recycled elements. The return on the capital employed of the company was 240.87%, excluding donations, and subtracting them from the net profit is about 204.74%.

The earning percentage over the cost was 85.17%, which is obtained by the subtraction of the selling cost from the net profit and dividing it by the selling cost. This means that from each dollar sold we earned the 85.17%. The finance department had an outstanding performance because the expectations superseded with a wide margin with profitability per share estimated in 185%.



Leonor Álvarez

Cushqui Pocket and the Community



The members of the company considered important that the customers recognized the company not only because of the product but by what inspired it. The donation, 15% of the profit sent to the orphanage in Haiti through a nongovernmental organization called Catholic Relief Services (CRS), wasn't the only thing that the company considered important but also to share with other people who have limited resources and this is why another department was created, called Social Responsibility Department. This department was responsible of organizing special events, like talking to people of different ages, schools, economic situations, about global warming, the importance of recycling,

and taking care of the planet. This brought a feeling of satisfaction to the members of the department because of what they learned and how they helped other people.

Cushqui Pocket brought to the market a product never before seen, but this wasn't the only element that made it special. The fact that it was a recycled product was also a plus. This not only served as a wallet, but helped to establish a green lifestyle and made people aware of global warming. Therefore, we realized that innovation is what makes a company grow. As a consequence, the company created new designs for the wallets.

Cushqui Pocket's Future

The value of a company is one of the main objectives the members of the company have. Cushqui Pocket doesn't think there should be frontiers, which is why it wants to develop in the international market, creating new companies in other countries. A Cushqui Pocket wallet is not only where you save your money, but for the companies that use tetra pack in the industry; it is also a way of gaining publicity and a motivation to recycle their own product. In fact, we have already contacted two local milk production companies who use tetra pack. On the other hand, the creation of new recycled products could make the company develop. Cushqui Pocket has not only been a temporary project, but has also been considered a new space for people who need to have an income to live, and at the moment don't have one. Those whom, due to a lack of education and/or opportunities, need a chance can find a way can through this. This includes women who are in jail for example, and some others who live around the city and have no employment; this is especially important considering the fact that Ecuadorians are very good at hand crafts. Thus, a local university has taken this possibility seriously and is studying it to make this new project possible.

Learning Experience

We never thought that one of the major challenges we would face in life would be creating a company. Actually, who would imagine that behind a company there are such complex and demanding logistics and organization that demand so much time, sacrifice and persistence? We sometimes wonder how many people underestimated this contest as being nothing more than a game in which teenagers play the role of business people. After completing the project, there is something we can be sure of: they are totally wrong.

The experience that Junior Achievement offers has given us the opportunity to prepare ourselves for the globalized world of business. We find ourselves involved in a competitive atmosphere where we share with different cultures and learn how to respect different ways of thinking. Our purpose is to achieve our personal goals, always demonstrating our best effort and giving the opportunity to innovate in different ideas.



Cushqui Pocket was our first company; each one of us learned to work as a team, to make correct decisions, and confront problems. Being a member of this company was a great sacrifice, but it was worth it. We have grown, not only in business knowledge, but also as human beings. We have matured; we learned how to listen, to negotiate, to give and take, to delegate and self control.

In a few words, our greatest achievement was learning to work together. We cannot forget to mention that we also learned responsibility, the delegation of tasks, creativity when solving problems, especially at the moment. We developed outstanding sales and organization skills, and to express our ideas in an effective way to other members of the staff.



Participating in this competition motivated us to create our own company in the future, being part of Cushqui Pocket made us realize how important it is to not leave aside social responsibility and active work with the community; something that every successful company should do. Looking at the past and remembering everything that JA taught us, we have developed skills and discovered the potential that young people have, we are sure that as future business people we will be successful using visionary and creative ideas.

If asked to repeat the JA experience, we would answer yes without thinking. We would enjoy it even more now, because we know that there is no other experience as professional and as real that could let us be part of the business world. In our case, we learned that a company can be successful, obtaining a profit by helping the community. The success of a company is not measured only by its products, reports, or profits, but by a mixture of all those factors and more; including our performance and perseverance throughout the process. It is a lifestyle, that's why once you know us you won't forget us, at least we won't forget about Cushqui Pocket.

