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Insomnovation – Natural Sleep Solutions Business Plan

Nikolas Limperis

University of Arkansas, Fayetteville

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Insomnovation – Natural Sleep Solutions Business Plan

By

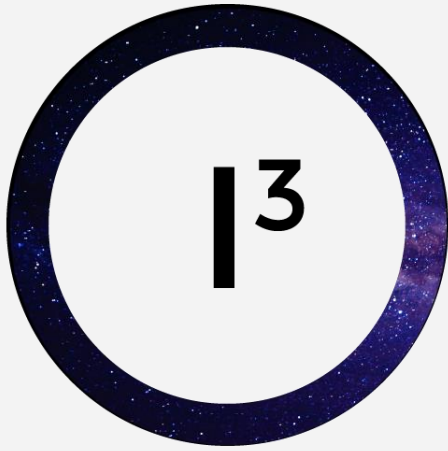
Nikolas Ren Limperis

Advisor: Dr. Cash Acrey

**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of
Science in Business Administration (or Bachelor of Science in International Business) in
Accounting (your major)**

**Sam M. Walton College of Business
University of Arkansas
Fayetteville, Arkansas**

May 14, 2022



Insomnovation

Innovations in Insomnia

Business Plan 2022 | University of Arkansas, Fayetteville

Student Team Members

Julia Davis, Chief Executive Officer (Team Leader)
Nik Limperis, Chief Financial Officer
Josh Shackleton, Chief Technology Officer
Wesley Smith, Chief Operating Officer
Masako Suzuki, Chief Marketing Officer

Faculty Advisor

Justin Urso, Director, McMillon Innovation Studio
Sam M. Walton College of Business
100-174 Harmon Ave, Fayetteville, AR 72701
Phone: 479.459.0191
Email: jurso@walton.uark.edu

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Executive Summary

Opportunity

Across the globe, hundreds of millions of people suffer from insomnia, which can be characterized by three attributes: trouble falling asleep, trouble staying asleep, or trouble waking up. These people are massively affected by the problems they have, disrupting their mood, productivity, and even their happiness. Insomniacs also typically consume a significantly lower amount of 7 key vitamins and minerals - B6, B12, C, D, E, Magnesium, and Gamma-aminobutyric acid (GABA) - in comparison to those who sleep normally^{1,3,4,5,6,8,9,10}. There are hundreds of readily available solutions on the market, yet over 85% of people suffering don't utilize any solution whatsoever, primarily due to a lack of information about how these solutions work. While solutions range from supplements like melatonin, which artificially meets a need in the body, to high-tech beds and pillows, no solution exists for those who want to naturally address their key deficiencies which contribute to their insomnia.

Company Overview

Insomnovation is a sleep company focused on providing information and access to sleep solutions for insomniacs and others suffering from sleep problems across the United States. The Sleep Box, our flagship product, provides an all-encompassing biomedical test for the 7 key vitamin deficiencies that are correlated with insomnia as well as a monthly subscription box to provide the vitamins to address those very deficiencies. Users will utilize the resources found on our website to learn about all solutions available, even those not in their local markets, and become familiar with the opportunities they have to fix their sleep. We will create a community of informed sleepers and continue to grow our company so we can work towards putting the sleep epidemic to rest.

Product and Competitive Advantage

Insomnovation is partnering with UAMS to create the first all-encompassing biomedical test to scientifically identify customers' vitamin deficiencies that are linked to their insomnia. Alongside this partnership and test, Insomnovation will provide a simple subscription box that provides them both a methodology to scientifically identify their deficiencies, as well as the vitamins to address those deficiencies.

Market Analysis, Customers, and Go-To-Market Strategy

Our findings show that approximately 70 million Americans have chronic sleep issues¹¹, of which 9 million spend an average of \$55 a month on sleep supplements. This leaves 61 million Americans either not satisfied with current products or with a lack of information on how to solve their problems. Furthermore, 55% of individuals surveyed on our prototype have shown interest in purchasing the product, leading us to conclude that 33.55 million Americans would be willing to use our product. As America increases its focus on health and wellness, the investment received by sleep-tech startups is projected to double in 2022. In 2020 \$488M was invested in sleep-focused startups versus \$800M in 2021¹³. Expenditure on sleep products has also increased 5.1% in the past 5 years, equivalent to \$18.6 billion.

Currently, we are working to add additional content to our website to further build a reputation for our business. As we must wait for the comprehensive blood test to be completed, we will partner with EverlyWell¹⁴, a popular blood testing company with hundreds of available tests on the market, to provide temporary tests for subsets of vitamins (i.e., one for vitamins C, D, and E). Alongside these tests, we expect to be purchasing the first batch of vitamins in April to create the first iteration of The Sleep Box to sell to our established user base in July.

Management Team

Julia Davis, the CEO, has created multiple startups and is an experienced innovator with multiple current patents pending. Nik Limperis, CFO, has 5 years of sales experience and is a current CFA level 1 candidate. Josh Shackleton, CTO, has over 8 years of web development experience and has created multiple professional websites. Wesley Smith, COO, has 3 years of experience both in sales and professional networking. Finally, Masako Suzuki, CMO, is a recent graduate of the U of A with a BS in Marketing, with over 3 years of related experience, and is the current e-Commerce Brand Growth Manager at CoreTrex LLC.

Capital Needed & Financial Strategy

We are initially seeking an angel investment of \$150,000 to build partnerships with Packlane, a custom packaging manufacturer for the physical box, marketing our product, and beginning research and development. Within the next 2 months, we will submit a project proposal to the National Science Foundation (NSF), immediately followed by a 6-month phase of writing our proposal for a SBIR grant. Phase 1 of SBIR funding is for 12-month long proof-of-concept trials, and we will be awarded \$250,000 for this purpose, which will allow us to conduct initial prototyping of the blood test. Phase 2 will award \$750,000 over the course of the following 2 years for finalizing development and meeting regulatory requirements for our blood test. Insomnovation aims to have an approximate market valuation at \$44.3 million by 2026, with a goal of being acquired by a large-scale vitamin or wellness company such as Nestle through their Garden of Life supplement line or Pharmavite, an Otsuka Pharmaceuticals subsidiary which produces the Nature Made vitamin line.

Problem and Opportunity

Every night, over 70 million Americans struggle with chronic sleep issues¹¹, and over 33% of Americans report having trouble sleeping. Among these struggling Americans, the leading sleep disorder is insomnia – difficulty falling asleep, staying asleep, or waking up¹⁵. Most people who struggle with insomnia turn to sleep aids such as melatonin or Ambien¹⁶, products designed to either artificially subdue a deficiency in the body or sedate the brain to sleep. However, a large percentage of these people stop using these supplements due to negative side-effects after using them such as nausea and dizziness, which may contribute to an increased difficulty of sleep^{17,18}, or the loss of efficacy after a prolonged period. Melatonin, the most common supplement for sleep issues, has a problem: it's non-standardized, which means that each pill can differ in size from each other pill even in the same container¹⁸. This means people cannot be sure that they are getting the amount they need to have a good sleep guaranteed each night. Products such as these on the market today attempt to cover up sleep problems instead of getting to the root of someone's sleep issues.

Some companies do provide vitamin treatments instead of supplements. For those companies, such as Care/Of²⁰ or Proper²¹, there is a focus on holistic wellness through an extremely large and diverse inventory of vitamins and minerals, rather than a specific focus on sleep with diagnostic testing and a specialized inventory of the core vitamins whose deficiencies contribute to insomnia. No centralized sleep solution exists for those searching for a true remedy for their sleep issues.

Solution

The Sleep Box by Insomnovation is one of the first sleep subscription boxes in the market focused on treating deficiencies in the 7 key vitamins and minerals that are linked to insomnia^{1,3,4,5,6,8,9,10}. We will use our blood test to scientifically identify each customer's core deficiencies and provide the solutions through a monthly subscription box that holds the exact vitamins in the dosages they require. As part of our retention plan, customers will be given a new diagnostic test every six months to reevaluate their deficiencies and ensure our solution is properly addressing them. Premium add-ons such as Gamma-aminobutyric Acid (GABA) chocolate, a Japanese sleep remedy, and caffeine sensitivity tests will be included to add a sense of surprise and excitement in each box so customers will be more inclined to rely on us to get them the sleep they need.



Those premium add-ons, which include regional solutions like valerian root, are intended to further entice customers to utilize our box rather than just our blood test. With the intention of providing new, unique solutions from around the world, we could create more confusion by adding more options for our customers, further oversaturating the market. To avoid this, we are creating articles on our website to better inform consumers of the benefits of each product, and plan to host a bi-weekly podcast where we interview sleep experts on various sleep-related topics, with Q&A. We will utilize our patented blood test, superior products, and information provided on our website to become the center of assistance for those suffering from insomnia.

Validation of Business Idea and Venture

Target Market Refinement

Originally, we aimed to target women 18 through 45 with our product. With further testing using advertisements, messaging, and our website, we found that over 70% of the 6,000 website users were females 55+. They were much more receptive to our messaging, with an average cost-per-click of our ad being near 8 cents, compared to the nearly 20 cents for all other age groups.

Originally, while these women came to our website often, the bounce rate on our site was peaking over 90%. By adding informative content in the form of blog posts and better information on our products, our bounce rate dropped to 65% in 4 days. Thus, we identified our customers as primarily females aged 55+ and changed our primary focus from attempting to sell our products to create an information base which we will use to sell products in the future. We plan on continuing refining our brand image and marketing to better reach our target market, using data from Facebook Pixel and Google Analytics to statistically evaluate our attempts, and reach a statistically significant sample size of 10,000 users before the end of April.

Validation of Pricing Strategy and Content

We conducted over 50 customer discovery interviews, alongside multiple concept, prototype, and pricing surveys to find the right price, product, and market fit. We found that 62% of customers were willing to spend \$50 per month on a monthly recurring subscription box, with that increasing to 75% if the box only contained vitamins (in lieu of supplements such as

melatonin). 70% of customers prefer a blood test to a survey because surveys do not get to their personal issues, instead generalizing their issues into a “one-size-fits-all” package not guaranteed to help them. Purchase interest for our product increased further by 15% when our product contained a blood test.



Insomnovation User Persona

Jamie

Demographic

Gender: Female
Age: 62
Marital Status: Married
Location: Chicago, IL
Income Level: \$70k

Customer Profile:

- A busy female who struggles to stay asleep alongside daytime drowsiness
- Developed insomnia a decade ago and experiences the symptoms every day
- Wants a convenient sleep product that does not create dependency or side effects
- Has tried melatonin and Ambien, and they stopped working

Frustrations

- Cannot get enough sleep every night
- Low energy, focus, and efficiency during a day
- Fearful of developing dependency or experiencing side effects
- Skeptical of seeing doctors and getting medical treatment

Goals

- Find a sleep solution that is convenient, affordable, and does not create dependency or side-effects
- Find a reason why she is experiencing insomnia
- Get more education of cause of insomnia
- Feel refreshed every morning when she gets up

Despite having such a large percentage of survey respondents likely purchasing our product, there were trends in those who weren't interested. Many of those reports that their problems stem from a lack of information or trust in our vitamin solution. Because of this, we understood our primary focus would be to both scientifically research our vitamin solution and provide educational opportunities for our solutions so users would have a reason and a way to understand our solutions. In doing so, we can further broaden our reach on the market and help more people get their best sleep.

Market Overview and Analysis

Market Summary

The sleep market within the United States sees an expenditure of \$79 billion annually on sleep solutions, with \$6 billion dedicated towards sleep issue diagnosis and supplements (SDS). Globally, people spend \$439 billion on any sleep-related problems, with \$33 billion of that specifically for SDS, 7.5% of the market. Initially, we will target the US market, which is 18% of the global market, or \$79 billion, and applying the same 7.5% globally spent on SDS we have found that the US market size for SDS is \$5.94 billion.

Taking the 9 million individuals in America who currently spend money on sleep diagnosis and supplementation and the current market, we have found the average monthly amount spent on sleep solutions to be \$55 per month or \$660 per year. When applying this to the 61 million Americans not currently spending money on sleep solutions but reporting having problems sleeping, we reach a total addressable market of \$40.2 billion yearly.

Competitors	Insomnovation	Care/Of	Proper
Products Shipped to Your Door	✓	✓	✓
Natural Vitamins	✓	✓	
Biomedical Test	✓		
Focus on Sleep	✓		

Competitive Analysis

Primarily, Insomnovation has two direct competitors: Care/Of and Proper. Both companies ship their products to your door, but they differ greatly in their contents. Care/Of specifically ships personalized vitamins to your door using a comprehensive survey to identify what problems one may have but doesn't focus on sleep and aims to address all health issues generally. Proper, on the other hand, uses supplements such as Ashwagandha and Kava and ships the products to your door, but doesn't directly address the issues that lead to insomnia directly; instead, they attempt to ease the symptoms. Insomnovation, in comparison, uses the biomedical test to diagnose vitamin deficiencies, with a primary focus on sleep so that customers receive the best treatment to help treat insomnia while providing an all-natural solution shipped right to your door.

Intellectual Property

Insomnovation will create a patented blood test through a partnership with the key biomedical scientists and researchers at UAMS. We plan on partnering with Elisabet Børsheim, Ph.D, a professor in the pediatric department at UAMS. She has research in pediatric nutrition with specific focus on suboptimal nutrition in metabolic disorders. While the University requires all research under it be owned by the university and licensed out, we are working on a deal in which we are the only authorized body to use this test. We plan to partner with an experienced phlebotomist in the future to lead our research. Our blood test will be akin to other tests such as the Lets Get Checked Essential Vitamin Test, an at-home finger prick test that can detect precise levels of a small group of vitamins.

For filing our patent, we will hire Meredith Lowry at Wright Lindsay Jennings LLP, an experienced patent attorney with hundreds of successful patent filings. We plan on filing our provisional patent in 4 to 6 months, once we can concretely define the complexities of our test. Once the provisional patent is filed, we will have 12 months to apply for a US Utility Patent, alongside patents in other countries through the Patent Cooperation Treaty, which takes around

18 months to be reviewed and accepted. In all, we are looking at around 3 years from original provisional patent filing to our patented blood test.

Go-To-Market Strategy

We have begun by creating advertisements to our website, which will have both our products and informational articles about the solutions we provide. With our market identified as primarily women 55+, we have begun using Facebook groups, such as one for mothers of U of A students, to begin spreading the word to our potential early adopters. We have also already started establishing thought leadership through developing a sleep podcast, where verified sleep experts will join us to talk and answer questions about sleep issues. After establishing this trusting base, we will begin refining the marketing of our product for people of all ages while continuing to provide information for our customers, so they will know Insomnovation is where they will come to get answers for their sleep questions.

The US Sleep market contributes 18% of the global expenditure on sleep solutions, the highest of any individual country. On average, Americans spend \$55 per month on sleep solutions. To better refine our insight into the price of our product, we surveyed over 500 people, and found that a majority of respondents, 65%, were willing to spend \$55 per month on sleep solutions. At this price per box, we retain a 65% profit margin, which allows us to focus on research and development for new tools, as well as marketing for existing solutions.

Through our participation in the EMPOWER Accelerator, we have made contacts with those in assisted living care centers, the population of which often are affected by the very issues we aim to address. The customer acquisition cost for this method would be virtually nothing, as we can easily utilize connections between these centers to reach more customers. Because of this, we are planning on targeting these centers as another stage of early adopters for our box. This provides an opportunity to further develop and refine the contents of our box to better reach our target market.

Operating Strategies

Research and Development

Insomnovation's R&D team consists of Ms. Rinalda Proko, and scientists at the University of Arkansas for Medical Sciences (UAMS) to develop the desired blood test for all 7 key vitamins related to insomnia, with the additional ability to determine the exact level of each vitamin in the body. We are working specifically with Ms. Proko to write a three-page project proposal to the NSF, a prerequisite for obtaining SBIR funding. We plan on completing the development of the blood test in the next 36 months, which we will fund by an angel investment from Startup Junkie, the Safe Agreement through the Arkansas I-Fund, and an SBIR grant. After completing the blood test, we will undergo clinical trials to prove the efficacy and accuracy of the test, after which we will seek FDA authorization to officially use our blood test. We also will begin filing our provisional patent for our blood test in the coming months to prepare for the later stages of development.

Current Stage of Development

Currently, we are in the midst of forming partnerships to take our R&D to the next level, into direct development and clinical trials. Until that is completed, we will utilize a partnership with EverlyWell, a popular blood-testing company with a massive inventory of blood tests. By initially using a survey to narrow down their deficiencies, we can still use already-made blood tests for subsets of vitamins (such as a test for vitamins B12, C, and D) to further confirm or deny their key inadequacies and provide a unique value to the product before the comprehensive test is finished.

We have recently been accepted into the EMPOWER Accelerator, powered by Startup Junkie and the Science Venture Studio. This provides us with five industry mentors, with experience in industry, commercialization, and technology. These mentors have already begun to assist us in reaching our early adopters and preparing our proposals for funding.

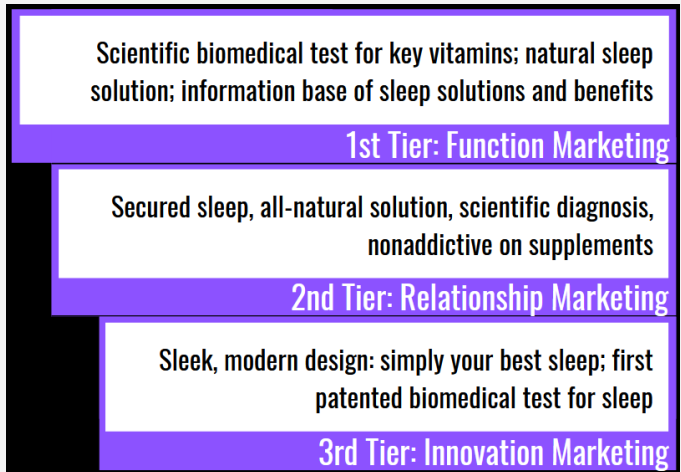
Regulatory Strategy

As vitamins are not regulated by the FDA, we do not need to worry about regulation for those. However, we will require FDA approval on the blood test, and other regulatory approvals such as HIPAA for taking people's blood, privacy disclosure, and cyber security for storing customers' private information. We will partner with Wright Lindsey & Jennings LLP law firm and one of their privacy attorneys who specialize in HIPPA. Once we navigate through the legal seas and achieve HIPPA compliance, we can begin selling our full product.

Marketing Plan

Given that a major proportion of the population who have sleep problems don't use sleep solutions, our primary focus is providing education on how vitamin deficiencies are connected to poor sleep quality. By creating a podcast and informational articles on our website, we will better educate our customer base about the solutions they are missing out on and provide them with opportunities to try those same solutions.

We have utilized the three-tiered marketing strategy based on Dr. Clayton Alderfer's Existence, Relationship, Growth (ERG) Theory. The first tier, function marketing, is about describing to users how your product solves a need or fits a niche in the market; we provide the first blood test for key vitamins linked to sleep, a focus on a natural solution, and provides an information base for the various sleep solutions. Next, relationship marketing, or how we explain what customers should feel when using our product. By providing scientific methods of addressing their sleep, they should feel secure in their ability to get the rest they need, and feel comfortable not relying on artificial, addicting products. Finally, the third tier, or innovation marketing, where the user is explained how the product distinguishes itself from its competition. Our sleek, modern design represents the simple desire of getting good sleep, and our simple focus on getting you there. Once patented, we will also strongly advertise our blood test as a key factor in securing good sleep each night.



Risk Management

Insomnovation faces many challenges to become successful in the saturated sleep market, and we must face these challenges head-on to overcome any barriers preventing our success.

Name of Risk	Explanation	Risk Level	Impact Level
Product Efficacy	Efficacy of Vitamin solution	High	High
Customer Retention	Subscription length	High	High
Accuracy of Test	Margin of error / strength of blood test	High	High
Competition	Other sleep solutions	Medium	High
Vitamin Dosage	Overdosing / correct dosages	Medium	Medium

Product Efficacy

Vitamins are a popular yet unproven solution to many medical issues. Despite seeming like obvious answers, research in this area is limited. Fundamentally, vitamins are not regulated by the FDA, which means that while we don't face any regulatory issues in getting our product to market, we will eventually have to build credibility and trust about our vitamin solution. We have begun to do so by implementing thought leadership in the form of our podcast and informative articles on our website and will further investigate the topic through SBIR-funded research.

Customer Retention

Our unique value proposition is primarily the biomedical test for the key vitamin deficiencies linked to insomnia. A customer may see that once getting the test, our other products become obsolete, especially with the readily available vitamin stock in stores worldwide. However, customers will be aware of the recurrence of deficiencies through our website and will be required to purchase a test anyways after a couple of months to re-check their deficiencies. If a customer is interested in our test, they will be financially motivated to purchase a subscription over simply a blood test.

Accuracy of Test

By relying on a biomedical test to identify deficiencies in our customers' bodies, we also rely on the test to be accurate and consistent for those same customers. Our partnership with UAMS will add credibility to our test, and further R&D will eliminate any worries one may have about us.

Competition

With all ventures comes competition. Without addressing other solutions that customers will compare us to, we cannot gauge our reputation and progress. We uniquely provide the biomedical test for deficiencies, which allows us and us alone to provide a scientific method of identifying customers' issues, unlike that of our competitors.

Vitamin Dosage

Vitamins and their dosages are unregulated by the FDA, which means the only body keeping vitamin dosages in check would be ourselves. We don't want to have a customer

overdose on vitamins, but we want them to have appropriate dosages to address their deficiencies. We plan on utilizing Good Manufacturing Processes to ensure our vitamins are safe for our customers.

Management Team & Advisory Board

Management Team

Team Member	Relevant Qualification
Julia Davis <i>Chief Executive Officer</i>	<ul style="list-style-type: none"> ● Experience interning with 2 local startups and 2 large corporations ● Developed product to prevent gasoline spillage at the pump that is patent pending
Nik Limperis <i>Chief Financial Officer</i>	<ul style="list-style-type: none"> ● CFA level 1 candidate ● 3 years experience in economic and financial forecasting ● 5 years sales experience
Josh Shackleton <i>Chief Technology Officer</i>	<ul style="list-style-type: none"> ● 4 years of computer science experience ● 8 years experience web development ● 5 years experience object oriented programming ● Creator of multiple professional websites
Wesley Smith <i>Chief Operating Officer</i>	<ul style="list-style-type: none"> ● LLC for clothing company ● 3 years sales and professional networking experience
Masako Suzuki <i>Chief Marketing Officer</i>	<ul style="list-style-type: none"> ● BS Business Administration (Marketing) - University of Arkansas (2021) ● Experience interning with 3 startups in Marketing, PR, Operation, and Commercialization in medical consultation, e-commerce consulting, etc. ● Current e-Commerce Brand Growth Manager at CoreTrex LLC

Advisory Board

Advisor	Area of Expertise	Qualifications
<i>Beth Cobb</i>	<ul style="list-style-type: none"> ● Clinical Research ● Healthcare Management ● Medical Devices 	<ul style="list-style-type: none"> ● 3+ years experience with NOWDx currently serving as COO ● 8 years experience as Business Director with Cincinnati Children's Hospital Medical Center
<i>Jennifer Smith</i>	<ul style="list-style-type: none"> ● Health law attorney ● HIPAA Privacy and 	<ul style="list-style-type: none"> ● 10+ years of experience as a health law attorney. ● Medical staff bylaws, privileging, and peer review ● Professional contracting and licensing issues; government investigations and regulatory actions

	Security	<ul style="list-style-type: none"> ● HIPAA Privacy and Security, and the Affordable Care Act, including the Employer Shared Responsibility Provisions. ● Extensive experience advising clients on the Healthcare Quality Improvement Act, Arkansas Peer Review Fairness Act, Patient Safety and Quality Improvement Act, and more.
<i>Dr. Lazarte</i>	<ul style="list-style-type: none"> ● Medical Doctor ● Health Entrepreneur 	<ul style="list-style-type: none"> ● 6+ years as Founder & Medical Doctor at Basis Health ● Medical Doctor at Rural Physicians group
<i>Dr. Daya</i>	<ul style="list-style-type: none"> ● Health Entrepreneur ● Sleep Expert ● Medical Doctor 	<ul style="list-style-type: none"> ● Founder and director of AarogyaSeva: Global Health Volunteer Alliance ● Assistant Professor of biomedical and computer engineering at Syracuse University College of Engineering and Computer Science ● Founder and vice-president of the Madhyama Prasaran and Scientific Research Foundation
<i>Rinalda Proko</i>	<ul style="list-style-type: none"> ● Molecular Biology 	<ul style="list-style-type: none"> ● Graduate research assistant at the University of Arkansas ● 3+ years experience as as molecular biologist specialist at the National Reference Virology Laboratory at the Institute of Public Health in Tirana, Albania ● Serves as a member of the Committee for Postdocs and Students (COMPASS) at the American Society for Cell Biology (ASCB)
<i>Andres Lazarte</i>	<ul style="list-style-type: none"> ● Venture Capital ● Investor ● Entrepreneur 	<ul style="list-style-type: none"> ● 6 years as head of strategy at Basis Health ● 8 years of experience in entrepreneurial areas including investor relations, business development, and venture capital. ● Co-founder and director of business development for Idahome Solar.
<i>Randy Allison</i>	<ul style="list-style-type: none"> ● Technology ● Senior Living ● Community Based Healthcare 	<ul style="list-style-type: none"> ● Nearly three decades in technology and executive sales ● 8 years Owner and Administrator of Interim HealthCare of San Gabriel Valley ● Home health care and senior living foci

Financials

Revenue

Our revenue will be through the continued subscription of users. With the cost of acquiring the materials and delivering this product (the vitamins within, the box created by a third party, and shipping costs) we expect a total gross margin between 65%, equivalent to \$37 per box. Over time, the costs saved from economies of scale and in-house box production will allow for an increased gross margin of 70%.

We are primarily operating in the United States because 18% of all money spent on sleep solutions globally originate from the United States. With only the US being targeted and from our population and spending analysis, this allows for a \$46 billion total addressable market. Eventually, we plan on expanding into other developed markets such as Europe to access a similar customer base as that of the US, while expansion into underdeveloped markets such as India provide opportunities to establish ourselves as a name-brand of a rapidly growing middle class.

Exit Strategy

We plan for an acquisition in the years past 2024, with the desired acquisition price of \$44.3 million at the beginning of 2026. This model is based on EV/Revenue ratios of other subscription boxes (ex. Barkbox has an EV / Rev ratio of 2.22) and sleep-focused businesses (Eight Sleep holds a ratio of 3).

The potential acquisition offers come from Otsuka Pharmaceuticals, a Japan-based company whose holding company owns Pharmavite, the producer of Nature Made vitamins in the United States. Nestle has also been considered a potential buyer, having previously acquired the natural vitamin producer Garden of Life in 2017. Both companies post annual net incomes of hundreds of millions of dollars and billions in sales, meaning that these companies would have no issue in acquiring Insomnovation at our estimated value. As Garden of Life is already sold through Whole Foods and lacks specific vitamins dedicated to sleep, this fits two niches that we provide. Pharmavite also utilizes vitamin selling through Nature Made, though lacks the additional quality and standardization of vitamin quantities that we can provide.

Financial Notes

1. Sales plan to start in July of 2022, with each month afterward showing a doubling in quantity at the most optimistic levels. Growth at this level would slow into 2023, but a goal of 0.01% of our potential market at the conclusion of the year. This growth would continue to slow into 2024, with a hopeful acquisition of 0.08% of our target market being acquired.
2. Sales for lower growth levels have also been calculated, with levels accounting for 50% growth and 25% growth in the initial months of sale in 2022. Financial statements below are based off of the 50% growth model. The rate that these provide is also carried over into the 2023 and 2024 operating years following a trend of slowing sales as seen in the optimistic growth model. These lower sales would mean a higher initial stability for the business but would slow research and expansion significantly, especially in the long run. Potential downsides here would be a need to adjust salary dates for executives and to avoid acquiring assemblers and bookkeepers. In this situation, most activity and resources would be dedicated to research rather than sales.
3. Cost of goods sold including labor, material, and overhead is expected to be 35% of revenue for each box in the first year of sales in 2023, or approximately \$18 per box. With the eventual increase in scale, we can reduce the costs of these boxes by \$2 per unit through continued purchase plans in 2024, providing a COGS of 30% of sales in the second year of sales.

4. Research and development allocation will be restricted by revenue at first, but it will increase largely due to SBIR Phase I grants. We also expect to allocate 40% of our revenues to the development of our blood test as well. Research costs may be reduced with patent collaboration with the University of Arkansas.
5. Marketing is expected to take approximately 13% of revenue for the first five years of business. 2023 will see a marked increase to 25% of revenue to greatly expand our marketing for the subscription box. Subsequent years will see a return to the baseline of 13% unless otherwise persuaded by changes in revenues.
6. Insurance costs are expected to be \$53 monthly, or approximately \$636 annually for 2022 and 2023. We expect to increase this to \$2,250 annually in 2024.
7. Patent and legal services are expected to be \$28,000 in 2023, with further costs of \$42,000 being incurred in 2024.
8. Salaries for team members will begin in 2023, with the CMO and COO earning \$26,000 for their yearly work. The CFO and CEO will begin receiving salaries in 2024, and a bookkeeper and assembler will be acquired to keep up with product sales and demand respectively. 2025 will see an increase to assemblers as necessary, though automated alternatives will be evaluated at this time. This trend will continue into 2026, where necessity of labor over capital assemblers will again be considered, and whereupon a second bookkeeper will be acquired. Salaries will grow at a rate of 5% per year.

Insomnovation Payroll Schedule 2023 - 2026						
	Employees	2023 Employees	2024 Employees	2025 Employees	2026	
CEO	1	-	1	\$31,200.00	1	\$75,000.00
CFO	1	-	1	\$31,200.00	1	\$75,000.00
COO	1	\$26,000.00	1	\$31,200.00	1	\$75,000.00
CTO	1	-	1	\$31,200.00	1	\$75,000.00
CMO	1	\$26,000.00	1	\$31,200.00	1	\$75,000.00
Assemblers	-	-	1	\$31,200.00	3	\$309,582.00
Bookkeepers	-	-	1	\$45,000.00	1	\$99,225.00
Total	5	\$52,000.00	7	\$232,200.00	9	\$783,807.00

9. Payroll taxes will take up an additional 7.65% of salaries as is required by the Federal Insurance Contributions Act (FICA).
10. Corporate income taxes are expected to be standard with US operations. C-Corp income is taxed at a federal rate of 21% with a state rate of 6.5%, for an estimated total of 27.5%.
11. Accounts receivable are expected to be 5% of total sales. We estimate that 65% of these will be receivable within 30 days, 25% will be receivable within 60 days, and the final 10% of receivables being acquired within 90 days.
12. Inventory will be first acquired 3 months prior to our anticipated sales. We anticipate the first set of sales to occur in July from the families of the executives and the executives themselves.
13. Long-term assets are not planned on being acquired within the first three years of sales. The company will remain relatively disjointed for 2022 and 2023 to help reduce costs associated with acquisition. We will be evaluating asset acquisition pertaining to box assembly within 2024, when we expect it would be worthwhile to reduce the cost of labor for assemblers.
14. Grant funding is assumed to be gained from successful NSF SBIR Phase I of \$250,000 in 2023. Further funding of \$400,000 will be acquired from NSF SBIR Phase II in the first year of 2024. An initial quantity of \$5,000 of personal capital investment from team members is expected in July to ensure short-term sustainability. Greater, unexpected quantities of cash inflows will be dedicated towards research spending.

Financial Statements

Income Statement

Insomnovation Income Statement January 1, 2022 - 2024															
	2022												2023	2024	
	January	February	March	April	May	June	July	August	September	October	November	December			Year Total
Revenues															
Sales Revenues	-	-	-	-	-	-	\$275.00	\$412.50	\$618.75	\$928.13	\$1,392.19	\$2,088.28	\$5,714.84	\$182,330.95	\$572,232.63
Grant Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	\$250,000.00	\$400,000.00
Cost of Goods Sold	-	-	-	-	-	-	\$96.25	\$144.38	\$216.56	\$324.84	\$487.27	\$730.90	\$2,000.20	\$63,815.83	\$185,975.60
Gross Profit	-	-	-	-	-	-	\$178.75	\$268.13	\$402.19	\$603.28	\$904.92	\$1,357.38	\$3,714.65	\$368,515.12	\$786,257.02
Marketing	\$150.00	\$300.00	\$300.00	\$300.00	-	-	\$300.00	\$300.00	\$300.00	\$300.00	\$180.98	\$271.48	\$2,702.46	\$45,582.74	\$74,390.24
Research and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	\$72,932.38	\$68,667.92
Insurance	-	-	-	-	-	-	\$53.00	\$53.00	\$53.00	\$53.00	\$53.00	\$53.00	\$318.00	\$636.00	\$2,250.00
Patent and Legal Services	-	-	-	-	-	-	-	-	-	-	-	-	-	\$28,000.00	\$42,000.00
Payroll Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	\$52,000.00	\$232,200.00
Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,978.00	\$17,763.30
EBIT	(\$150.00)	(\$300.00)	(\$300.00)	(\$300.00)	-	-	(\$174.25)	(\$84.88)	\$49.19	\$250.28	\$670.94	\$1,032.91	\$694.19	\$165,386.00	\$348,985.57
Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	\$45,481.15	\$95,971.03
Net Income (Loss)	(\$150.00)	(\$300.00)	(\$300.00)	(\$300.00)	-	-	(\$174.25)	(\$84.88)	\$49.19	\$250.28	\$670.94	\$1,032.91	\$694.19	\$119,904.85	\$253,014.54
Sales at 100% growth	-	-	-	-	-	-	\$275.00	\$550.00	\$1,100.00	\$2,200.00	\$4,400.00	\$8,800.00	\$17,325.00	\$1,107,150.00	\$8,857,200.00
Sales at 50% growth	-	-	-	-	-	-	\$275.00	\$412.50	\$618.75	\$928.13	\$1,392.19	\$2,088.28	\$5,714.84	\$182,330.95	\$572,232.63
Sales at 25% growth	-	-	-	-	-	-	\$275.00	\$343.75	\$429.69	\$537.11	\$671.39	\$839.23	\$3,096.17	\$20,694.95	\$85,053.96

Balance Sheet

Insomnovation Balance Sheet January 1, 2022 - 2024														
2022														
	January	February	March	April	May	June	July	August	September	October	November	December / Year End	2023	2024
Current Assets														
Cash	\$1,850.00	\$1,550.00	\$1,250.00	\$853.75	\$5,805.63	\$5,733.44	\$5,437.16	\$5,164.42	\$4,928.76	\$4,567.49	\$4,183.21	\$3,393.02	\$472,515.74	\$999,443.23
Inventory	-	-	-	\$96.25	\$144.38	\$216.56	\$324.84	\$487.27	\$730.90	\$1,279.07	\$2,238.38	\$3,917.16	\$45,582.74	\$143,058.16
Accts. Rec.	-	-	-	-	-	-	\$13.75	\$25.44	\$41.22	\$63.38	\$95.91	\$144.32	\$9,116.55	\$28,611.63
Total Assets	\$1,850.00	\$1,550.00	\$1,250.00	\$950.00	\$5,950.00	\$5,950.00	\$5,748.25	\$5,626.25	\$5,618.44	\$5,783.19	\$6,325.68	\$7,165.85	\$508,981.93	\$1,171,113.01
Liabilities														
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity														
Investment	-	-	-	-	-	-	-	-	-	-	-	-	\$150,000.00	\$150,000.00
Retained Earnings	\$2,000.00	\$1,550.00	\$1,250.00	\$950.00	\$5,950.00	\$5,950.00	\$5,748.25	\$5,626.25	\$5,618.44	\$5,783.19	\$6,325.68	\$7,165.85	\$358,981.93	\$1,021,113.01
Total Equity	\$2,000.00	\$1,550.00	\$1,250.00	\$950.00	\$5,950.00	\$5,950.00	\$5,748.25	\$5,626.25	\$5,618.44	\$5,783.19	\$6,325.68	\$7,165.85	\$508,981.93	\$1,171,113.01

Statement of Cash Flows

Insomnovation Statement of Cash Flows January 1, 2022 - 2024															
2022															
	January	February	March	April	May	June	July	August	September	October	November	December	Year Total	2023	2024
CF from Operations															
Net Income	(\$150.00)	(\$300.00)	(\$300.00)	(\$300.00)	\$0.00	\$0.00	(\$174.25)	(\$84.88)	\$49.19	\$250.28	\$670.94	\$1,032.91	\$694.19	\$119,904.85	\$253,014.54
Change in Accts. Rec.	-	-	-	-	-	-	(\$13.75)	(\$25.44)	(\$41.22)	(\$63.38)	(\$95.91)	(\$144.32)	(\$384.01)	(\$9,116.55)	(\$28,611.63)
Change in Inventory	-	-	-	(\$96.25)	(\$48.13)	(\$72.19)	(\$108.28)	(\$162.42)	(\$243.63)	(\$548.17)	(\$959.30)	(\$1,678.78)	(\$3,917.16)	(\$41,665.58)	(\$97,475.42)
Net CF from Operations	(\$150.00)	(\$300.00)	-300	(\$396.25)	(\$48.13)	(\$72.19)	(\$296.28)	(\$272.73)	(\$235.66)	(\$361.27)	(\$384.28)	(\$790.20)	(\$3,606.98)	\$69,122.72	\$126,927.49
CF from Investing															
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CF from Financing Activities															
Grant Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	\$250,000.00	\$400,000.00
Capital Investments	-	-	-	-	\$5,000.00	-	-	-	-	-	-	-	-	\$150,000.00	-
Net CF Financing	-	-	-	-	\$5,000.00	-	-	-	-	-	-	-	\$5,000.00	\$400,000.00	\$400,000.00
Change in CF	(\$150.00)	(\$300.00)	(\$300.00)	(\$396.25)	\$4,951.88	(\$72.19)	(\$296.28)	(\$272.73)	(\$235.66)	(\$361.27)	(\$384.28)	(\$790.20)	\$1,393.02	\$469,122.72	\$526,927.49
Beginning Balance	\$2,000.00	\$1,850.00	\$1,550.00	\$1,250.00	\$853.75	\$5,805.63	\$5,733.44	\$5,437.16	\$5,164.42	\$4,928.76	\$4,567.49	\$4,183.21	\$2,000.00	\$3,393.02	\$472,515.74
Ending Balance	\$1,850.00	\$1,550.00	\$1,250.00	\$853.75	\$5,805.63	\$5,733.44	\$5,437.16	\$5,164.42	\$4,928.76	\$4,567.49	\$4,183.21	\$3,393.02	\$3,393.02	\$472,515.74	\$999,443.23

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