

VP/SI IN CENTRAL EASTERN EUROPE

CASE STUDY

MOZAIK FOUNDATION – IGRAJ UČI RASTI

SOCIAL PROBLEM

With the advent of technology, such as tablets and video game devices, real-life relationships in early childhood are gradually being superseded. This affects healthy early childhood development and can lead to poor cognitive and social development.

It is fundamental to preserve the value of real-life relationships and ensure a healthy early childhood development during critical years of development (e.g. from 3 to 12 years old).

SOLUTION

In order to reintroduce **traditional educational games** and toys in early childhood, and to reinforce

key cognitive and social development aspects, Igraj Uči Rasti has developed a **card game** for children aged 3-12. This particular game is designed to develop **five cognitive abilities at once**:

- Language and communication
- Motoric abilities
- Critical thinking
- Social and emotional intelligence
- Imagination and creativity

Igraj Uči Rasti (“Play, Learn, Grow”) seeks to have **as many children as possible** play with this game. For every game sold, one game goes for free to a **low-income family**. This is possible thanks to the large profit margin made per unit.

Educational card games



Bosnia and Herzegovina

ABOUT THE VPO & THE SPO

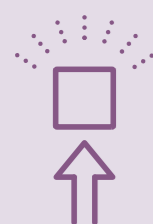
Mozaik Foundation	Igraj Uči Rasti	Card Game
VPO	SPO	Product
<ul style="list-style-type: none"> • Foundation • Founded in 2004 • Sectors: social entrepreneurship, community and youth development, education 	<ul style="list-style-type: none"> • Social Enterprise • Founded in 2016 • Sector: education • Beneficiaries: children and low-income families 	<ul style="list-style-type: none"> • Launched by Igraj Uči Rasti in 2016 • Aim: reintroduce traditional educational game developing five cognitive abilities at once in the most efficient and enjoyable way

SPO AND VPO'S OBJECTIVES FOR THIS PROJECT



1. Distribute the product in the **Western Balkans** region (Latin alphabet for the Bosnian and Herzegovinian (BHS) version) immediately upon launch of the business.
2. Develop versions in Cyrillic, English, German, French, Spanish, and Italian versions to enable the distribution of the game to children **across Europe**.
3. Deliver the product to **all institutions** working with children aged 3-12 (kindergartens, schools, education and social institutions and organisations).
4. Deliver one free game, for each game sold, to children in **low-income families**.

APPROACH TO IMPACT MEASUREMENT



Outputs	Outcomes
<ul style="list-style-type: none"> • # of children reached • # of units sold • # of free units given to low-income families 	<ul style="list-style-type: none"> • % of institutions using this tool • % increase in the number of households where parents have improved skills in playing with children • % reduction in the exposure of children to digital content as a sole source of learning

REPORTING



- A semi-annual pro-forma and annual official financial statements, and an annual profit and loss statements (P&L) with a clear breakdown of impact cost/return.
- Annual impact return statements, with a clear breakdown of cost/return (crosslink: P&L).
- Annual impact reports, including canvassing and feedback from all types of beneficiaries (retail clients, children, institutions).

MOZAIK FOUNDATION'S INVESTMENT

NON-FINANCIAL SUPPORT (NFS)



Access to networks



Financial management



Operational support



Management team & CEO support



Strategic support



Marketing & communication



Technical assistance in specialist areas



Legal advice

Pre-seed investment (3 months):

- Mozaik Foundation initially provided pre-seed funding and NFS to develop and test a product prototype to conduct **market analysis**. This was done to assess the market demand and to ensure that the SPO could have a meaningful impact.
- The SPO began with a **marketing campaign** on Facebook before the launch of the product. It received an excellent market response: within 24 hours 90 units (3% of the initial plan) were pre-ordered.

Incubation:

- Mozaik Foundation designed the business model in close collaboration with the SPO.
- Mozaik Foundation seeded the SPO to launch.

Acceleration:

- Mozaik Foundation designed the business acceleration model in close collaboration with the SPO.
- Mozaik Foundation enabled SPO's entry into an EU Accelerator to raise a new round of capital for acceleration and access to the EU markets.

FINANCIAL SUPPORT



Mozaik Foundation provided a pre-seed investment in the form of a grant (€2,500). After the pre-seed investment, Mozaik Foundation provided the seed funding in form of **equity** (€8,000).

FINANCIAL AND SOCIAL RETURN TO DATE

Profit margin:



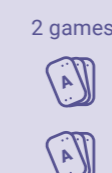
1 game sold

→



is worth

→



2 games

1 game to sell

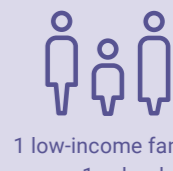
→



1 buyer family

1 game for free

→



1 low-income family or 1 school

Target for 2017: 10,000 units sold (10,000 given for free).

THE SPO'S DEVELOPMENT PLAN

This SPO covered its national market in the first year of operations, and entered the regional market.

In 2017 the SPO entered its **acceleration phase** with an Austrian Impact Hub in Vienna. The goal of acceleration is to

scale business operations, raise a round of funding, and enter the EU market.

The SPO plans to enter the **EU market** by 2019, at the latest. It will enter the market with the game **translated** into five major languages spoken in the EU.

INVESTMENT OPPORTUNITY

The SPO is seeking a round of funding of €300,000 in 2017 (first round) to fund the marketing, distribution, logistics, and stocks needed to **enter the new markets**. The SPO seeks an optimal mix of **debt and equity funding**, and is willing to consider convertible loans, grants and quasi-equity instruments (mezzanine or subordinated debt or debentures) that will attract various classes of impact investors.

The SPO forecasts another round of funding of €300,000 by the end of 2018 (second round) to set up its own **printing house** to support the production of 450,000 units per year.

The **annual target** for the EU market is to sell **450,000 units**, which would cost about €1.3 million to produce and distribute. The forecasted EBITDA¹ of €0.4 million on the total annual sales of €5.2 million promises a favourable (business line) IRR² of 45%.

1. Earnings Before Interest, Taxes, Depreciation and Amortisation

2. Internal Rate of Return

WHAT THEY THINK



My associates and I had an idea, but we had no capacity and means to bring it to life. Mozaik Foundation enabled us to transform that idea into reality and start a social business. The process of incubation was magical and unforgettable. We used all the tools we were given (Lean startup, Design Thinking, Business Canvas) and the numerous books I read. There were “wow” moments when we jumped from joy as things would fall in place; there were “4AM” moments of great inspiration. Each round of (market) testing with the public improved our prototype. It all helped bring our prototype to life and its final shape - our product.”

Armin Maglic, CEO, Igraj Uči Rasti



We're very proud of this successful and innovative project: it's the only game that helps children develop five cognitive abilities all at once. This project also has a strong social impact thanks to the free copies that are sent to low-income families.”

Dario Vins, Social Business Adviser, Mozaik Foundation

For more information:

Contact us at knowledge.centre@evpa.eu.com

Visit our website: www.evpa.eu.com

Photo credit:

Igraj Uči Rasti © Mozaik Foundation

Disclaimer

The case study presented in this leaflet features organisations that are continuously working on their business model. As a result, all cases are evolving organisations and thus their model is continuously improving.

With the financial support of the Charles Stewart Mott Foundation