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Coral Art NFT Business Plan
MASTER'S DEGREE FINAL PROJECT

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Abstract

Globally, technology has revolutionized the way things are done and businesses are conducted. The practice of art has evolved enormously over the years with several developments in technology and technique. Modern-day digital innovations continue to evolve in the art space with many traditional artists and art companies incorporating digital footprints in their businesses. In digital arts has seen the emergence of non-fungible token (NFT) arts with several business models. In this study, a sustainable business plan for an NFT art company, Coral Art, is assessed in Spain, a developed country and Iran, an emerging economy. This is intended to give both traditional and digital artists a clear feasibility plan of what to expect when they venture into the NFT art business.

1. Introduction

The first chapter introduces the concept of non-fungible token (NFT) art in modern day art establishments. The chapter begins with the background of the study, which highlights the emergence of NFTs as against traditional arts, the historical beginnings and their economic impact and value. The problem statement, the aims and objectives of the study, the scope of the research, and the summary of the methodology follow this. The Chapter concludes with the illustration of the significance of the study as well as the structure and organization of the study.

The purpose of this paper to introduce the feasibility study of the business idea which consists of making a startup company to provide NFT art services for artists by converting the traditional/classic art that is done by hand into a digital form that is protected on the blockchain. So, for this introduction there is the presentation of why the business idea was chosen and through detailed data the importance of this business to retain the copyright of art products and the perspective on how the organization's team work will be built and processed to generate benefits in the Spanish market. This startup name was chosen as Coral Art, for services of transforming the physical and traditional arts to digital art version to use it in the digital galleries' world.

1.1. Scenario:

The idea was derived when trying to sell one of my artworks created by clay layering as a traditional art and there was the knowledge that many artists were struggling to find the appropriate platform to sell their works. All over the history of art, there have always been faced the problem of fragility, from canvas paintings to marble sculptures, and they are far fewer that are extinct. With this business idea, art can become immortal in digital form. Another important point is that traditional artworks have value because they are unique and when they are sold. What Coral Art wants to bring to the table is that with help of NFTs and blockchain in the art field, artists can manage their own market (because the market is decentralized). The artists can also build their own career and income using NFT technology as an outstanding opportunity. In addition, it can target those with a large fan base to allow them to use NFT platforms to switch from traditional art market to digital art and cryptocurrency payments instead of relying on fan contributions and doing commissions for a living. When they turn their work into an NFT, officially they sign the ownership of their work and it keeps their rights in the blockchain in the form of a unique code. This way, an artwork through NFT can be traceable with information such as current owner and subsequent owners with artist details. Fortunately, artists can keep generating income because the creator receives a percentage of all future sales of their art because of royalties.

1.2. Background:

1.2.1. Traditional Art

Globally, technology has revolutionized the way things are done and businesses are conducted. The practice of art has evolved enormously over the years with several developments in technology and technique. Modern-day digital innovations continue to evolve in the art space with many traditional artists and art companies incorporating digital footprints in their businesses. Even though some traditional artists have found little interest in digital art, its importance cannot be underestimated. It must be emphasized that though they may differ widely in terms of how they are brought into life, the digital and traditional art forms share many similarities. Traditional arts utilize physical media and the requisite tools to create designs while the digital arts involve the use of technology to adopt these effects, improve upon them and create new versions with exciting features. The same effort (time and skill) put into traditional paintings is almost the same as the way digital arts are created. Thus, the impression that digital arts are easily created are being phased out. Even with the rise of digital art, traditional art continues to be a force to reckon with. With traditional arts, it is perceived that the art being directly involved with the hands provides a much more connection of the soul to the painting.

Traditional artists have hand-eye coordination greatly improved with motor capacities firmly developed. Traditional arts, similarly like the digital arts can be an expensive lot due to the constant replacement of materials needed in developing and finishing the art. Moreover, the costs of these items are also quite expensive and not on the low. There are a number of factors, which make traditional paintings quite the investment too. In the first place, they are regarded as unique entities comparable to digital arts as the process of painting, sculpture, and sewing and printing are seen as carrying more value, in terms of monetary and spiritual assessments. More often than not, versatility is promoted among traditional artists due to the fact they have to solve problems they encounter in developing these pieces of art. When a mistake occurs in developing a traditional art masterpiece, they have to find ingenious ways to correct these errors and make the painting much more acceptable. However, some of these errors are hard to remove creating imperfections, which make the monetary value of these arts even soar higher. It is undeniable that traditional pieces of art require enormous amount of time in their reproduction as well as constantly require the replacement of the materials needed in their reproduction.

1.2.2. Digital Art

The emergence of digital art occurred at the beginning of the 1980s with computer engineers playing a vital role especially in the development of the popular program, paint, which can be found even on the interface of modern computers. The digital artist, Harold Cohen, became one of the pioneering artists to use the new program (Reference). Digital arts are mostly created with the aid of computer generation techniques, drawn or scanned using computer gadgets such as the tablet and the mouse. Even more fascinating is the instance that, since the 1990s, more artists, with creative freedoms and expressions, have gained the technique of manipulating images filmed with the video camera. Moving images in films have been redeveloped to create still collage visual masterpieces with high value. In more recent times, digital arts have been made much more interactive with more final tweaks allowed to be projected onto the final image. (Reference) categories art into two main folds: the process-oriented visual art form and the object-oriented art works. With the object-oriented digital art, digital technologies are used to create traditional arts such as paintings, sculptures and prints. In this form of art, existing medium in the form of traditional arts are redeveloped to digital media format. With the process-oriented visual art form, the traditional artists use the digital space to access the options widely available to them using this form of art. Here the digital art created is intrinsic, and forms an integral component in the overall digital art final image. In both art types, all the images are digitally created, stored and distributed. In current art technologies, the non-fungible token (NFT), dominant in the financial sector, has taken the art space by storm and continues to surge.

1.2.3. Non-Fungible Token

The NFT represents a digital asset and is in the form of real-world objects such as art, music and videos as well as game items, and are mostly purchased and sold online with cryptocurrency. They are built on technology and programming similar to cryptocurrencies such as Bitcoin or Ethereum, and possess unique identifying codes. With NFTs being around since 2014, their surge in current markets is due to the increasing way of purchasing and selling of digital artwork. Indeed, the NFTs differ from many digital creations, in that, since many of these digital items are infinite in supply, NFTs are however unrepeatable and digitally scarce. The physical money as well as 'digital money' (cryptocurrencies) used for daily transactions are fungible implying that they can easily be traded or exchanged for one another. Moreover, they are also equal in terms of value meaning a euro is always equivalent to another euro while a bitcoin is always the same as another bitcoin. The fungibility of these entities make them easier as a way of conducting transactions. On the other hand, NFT functions differently, as they cannot be easily exchanged for transactions due

to their non-fungibility resulting from the possession of different digital signatures for each NFT. Simply put, one NFT differs from another NFT in value. Their presence is usually found on blockchains, much more specifically, the Ethereum blockchain (ERC-721 and ERC-155) which is a distributed public ledger that records transactions.

The general public acceptance of blockchains and their subsequent technological advancement make NFTs capable of being easily stored and, with it, the path to certification of the ownership of the asset as well as its originality. NFTs are characterized by four main traits including their transferability, uniqueness, indivisibility and the ability to prove their scarcity. Across the globe, NFT arts have opened up new opportunities for most art professionals, traditional and digital alike, since they are now regarded as vital investments or commodities capable of being traded since its value and originality are assured. Economically, most digital artists have been able to rake in some income from the sale of their images by connecting with collectors. Being known for its reliability, the NFT art platforms enjoy some significant degree of trust from art specialists as the blockchain platform provides transparency in the artwork, its code and the copyright to be known. In this way, counterfeiting and theft of the artworks is prevented. In this study, NFTs, as applied to the art industry, is analyzed.

NFT artworks basically work in an open and transparent manner. As a unique digital certificate, it does not represent the artwork itself but rather indicates proof of ownership. In most cases, ownership of the NFT does not imply access to the copyright in the digital art in which it is related. This is similar to physical artworks where copyrights remain those of the artists unless assigned to the buyer. The Ethereum, which is the most popular blockchain network on which NFTs are recorded, stored and traded, is essentially a digital public ledger which records transactions and the data from these transactions are stored in encrypted blocks which are chronologically chained together. Whenever new data enters, it is allocated to a new 'block' in the chain. Each new block created in the blockchain is tied to the preceding block thus any attempt to alter information stored in these blocks can easily be detected. Hence making the NFTs difficult to duplicate.

1.2.4. Economics of the NFT Art – Business Plan

NFT arts differ from traditional arts in the sense that they are completely different, as they are digital and can be stored in digital wallets on specific itemized blockchains. NFT arts are purchased and sold on categorized platforms called the NFT marketplaces, which are present online, and home to video games, fine arts, collectibles and trading cards among other digital

products. Some of the marketplaces include: OpenSea, Axie Infinity, Rarible, SuperRare, Mintable, Nifty Gateway, Foundation, NBA Top Shot, Sorare, Venly, and Zora among others with many more gaining tractions with each passing day. The Ethereum is one of the few cryptocurrencies which facilitates trading of NFTs, and this crypto requires an investment in it before being granted the purchasing power and ability to receive payment for each NFT that is sold. To begin with, consumers normally are required to create digital wallets, which generate the Ethereum account automatically for further NFT transaction.

1.3. Problem Statement

Many artists face the problem of not finding a secure and beneficial platform to sell their work. The lack of secure platforms has caused many artists to lose their artwork to art thieves. Therefore, Coral Art aims to fill this gap by offering the solution for traditional art marketing for artists, eliminating intermediaries and connecting artists to a wide range of customers from different parts of the world.

The 21st century is moving rapidly with ingenious technological advancements. With this comes so many innovative ways of generating income for businesses. The traditional art is not going away anytime soon as it is still widely patronized across the world. However, what traditional artists must adapt to is the ever-changing scenes of the art world. An incorporation with digital art, particularly the NFT art, can go a long way to address some of the problems associated with the traditional art practice and at the same time create wealth for these enterprises. This study seeks to highlight two main problems. The first is to address the enormous advantages digital art, in context NFT art, can go a long way to create economic independence for art businesses. The second problem the research tackles is to create a pathway for new businesses to venture into the digital art foray or for traditional artists to incorporate digital NFT art in their businesses.

The creation of wealth for economic sustenance of any business serves as the main priority for most businesses including the art business. Thus, it is no wonder that many traditional artists are seeking to migrate to digital arts to create a unique portfolio for their businesses. Nowadays, in this era of perceived perfection from the boardroom to social media, it has become very difficult to deal with mistakes. Much particularly involve traditional arts which are made with the hands and thus prone to mistakes. These mistakes may be hard to remove and cannot be undone. In certain instances, these mistakes can make the art more genuine and valuable while at the same time, these mistakes would have compelled the artist to start all over again, wasting time and resources, or let it remain and move ahead. Secondly, tied with the first problem is the fact that traditional

arts require a lot of upfront planning. There must be a clear direction with which the artist wants the art to go as the whole concept cannot be changed midway through the art process. Moreover, the reproduction process for traditional arts is also a hard nut to crack especially when in this digital age, the artist wants it to be sold online and has to come up with scanned images of the art for the online platform which might not present an accurate feel of the image to promote its sale. Another major concern for traditional artists is the portability of such arts. Such arts involving basic tools like watercolors and pencils could be done on the spot. However, major pieces involving the use of oil paints cannot be done on the move but requires a dedicated and stable workspace. Moreover, these materials and equipment require constant up-to-date stock of materials and equipment, as well as refilling and replacement of these equipment, making the art costly something which truncates the assertion that digital arts are quite expensive.

The NFT art business has taken the world by storm. However, the question lies in the sustainability of the various business models adopted by the various digital artists. There are several business models surrounding NFT arts in experimentation stage and it is yet to be seen how effective they can be. Most of the digital artists have been able to make a fortune out of selling NFT arts for high prices but for how long will this business model last? This study seeks to answer the question and provide alternative solutions. The sustenance of royalties accrued by selling NFTs is also an issue to tackle with regards to maintaining a good business model.

1.4. Aims and Objectives of the Study

Coral art is a consulting company for artists who want to transfer their physical and traditional art to the digital art world. The main aim of the study is to develop a sustainable business framework for businesses, particularly, for players in the traditional art space, seeking to enter the art market of NFT. Coral art wants to use NFTs and blockchain in the field of art to achieve the following objectives:

The specific objectives of the research include:

1. To help artists to manage their own market
2. To help artists build their own career and income by using NFTs technology as an outstanding opportunity.
3. Our main target is all artists who will be unknown for some time or those with a large fan base.

Coral Art in Digital Gallery Business Idea

4. Using NFTs platform to switch traditional art market to digital art and cryptocurrency. Payments instead of relying on fan contributions and doing commissions for a living.
5. Through NFTs, artists can reach a larger audience of potential buyers and collectors that would have been impossible to reach at conventional art galleries.
6. To design a sustainable business model for current NFT art solutions with Coral Art.
7. To integrate the NFT art business model for existing traditional art businesses.
8. To identify factors mitigating against the successful adoption of NFT arts in traditional art businesses.

Coral Art will start its mission with three employees:

- The CEO
- The consulting artist who is a digital developer
- A Blockchain specialist.

As a first step, the target is to build a portfolio of clients. And, after 2 years we can expand into other countries.

1.5. Significance/Motivation of the Study

Non-Fungible Tokens (NFT) are smart contracts in the Ethereum blockchain, these tokens can be minted to assign a specific owner to a unique digital asset or file. Our clients are artists who had been creating digital art in the form of paintings, icons, animations, etc., and now want to digitalize their artistic expression which can be achieved using NFTs.

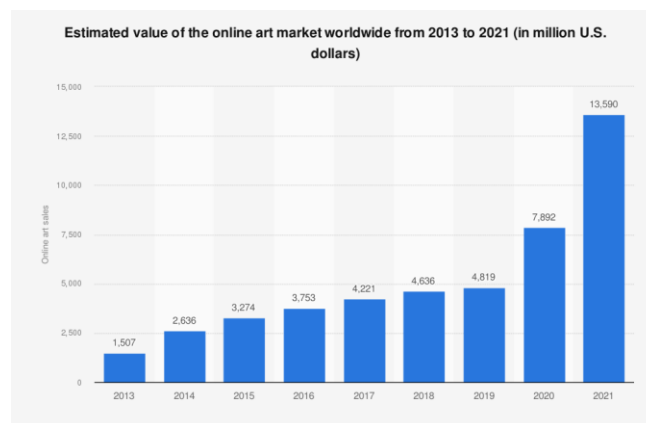


Figure 1: Total online market worldwide from 2013 to 2021. Source:(Statista)

From the figure above, we can see that online market for art doubled between 2019 and 2021. The data also suggests that this will be increasing in the future.

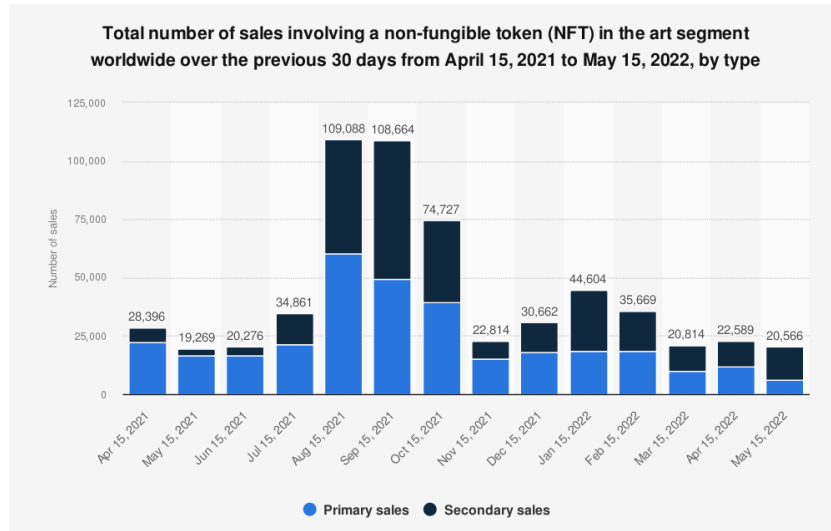


Figure 2: Total number of sales involving a non-fungible token (NFT) in the art segment worldwide over the previous 30 days from April 15, 2021, to May 15, 2022, by type

From the figure above, we get information during the 13-month period between April 2021 and May 2022 about the number of art sales using NFT for primary and secondary sales. So, the demand for art using NFT is currently very high.

The traditional works of art still remain a force to reckon with due to their value as they are unique in their own right. However, in the current technological world, digital art continues to pull in money comparable or in excess of traditional art. Hence, it is high time traditional art galleries and other businesses make significant strides to incorporate NFT art into their business models. The rise of the crypto art with its associated NFT-based digital marketplace provides unlimited avenues to assess the mechanisms that shape the practice of modern-day art. NFT art provides the avenue for artists to create unique digital art works. A number of factors play an integral role in how much artists are able to make from the sale of NFTs including the reputation of the artist, the community formed behind the NFT, the technology used, the ease of access of the art and the status symbol associated with the NFT art among many others. This study is significant on many fronts. In the first place, for digital creators and artists who intend to sell their art, it is intended to provide a business model for their operations. Not only that but also the long-term viability and sustainability of their business. Secondly, the business model developed in this research will help existing traditional businesses to incorporate NFT art as part of their core mandate to benefit from the extra income associated with the NFT art. Thirdly, the government

authorities intending to regulate the NFT art marketplace will first-hand get a knowhow of how the market operates with a copy of the business model developed in this study. Aside private players, government museums can also launch their own NFT art centers with such historical country artifacts. Lastly, the discipline of NFT art is emerging among the business community and it is integral that the academic community properly understand the business models as well as understanding the models which tick and operates well. In this way, the next generation of researchers could develop proper and resilient business plans.

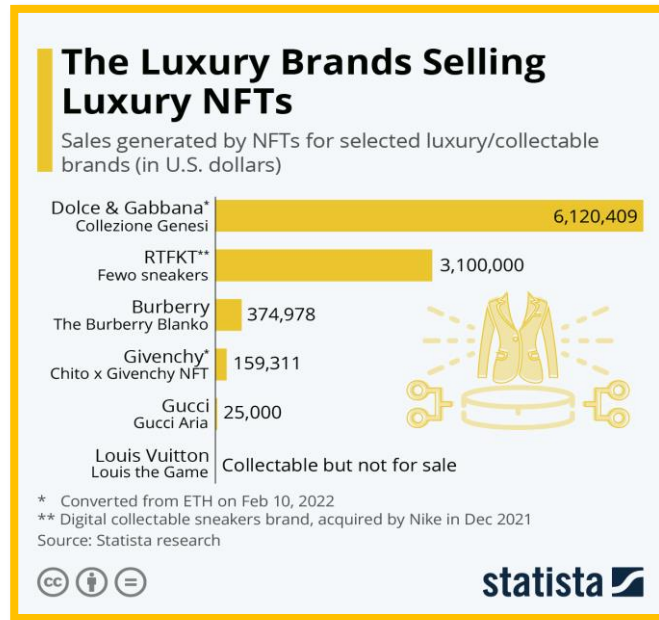


Figure 3: Luxury Brands Selling Luxury NFTs

1.6. Organization of the Study

The study is organized into five chapters. The first chapter begins with the introduction of digital and traditional art and delves into NFT art. The problem statement and significance of the study is also discussed in this chapter. The second chapter talks about the literature review which discusses several business models adopted by NFT art businesses. Chapter 3 talks about the methodology of the business model and the marketing plans. Chapter four talks about the design of the business plan and the marketplace. Business data from NFT arts is also analyzed in this chapter. The last chapter, Chapter five, concludes with a feasible business plan for a NFT art business or a traditional art business seeking to incorporate the NFT business model as part of its core.

2. Business Organization

In this section the concept of Coral Art as an NFT art company is explained with a summarized description of the ownership, the actual legal form, the main activities, the products and services deliverable.

2.1. Description of Business

Coral Art (CA) is a consuler company for artists, both digital and traditional, who want to transfer their physical and traditional art into the digital art space. Simply put, the company operates on the online marketplace business model. Coral Art will serve as an online marketplace that will allow users of art to purchase, sell and trade non-fungible token (NFT) arts. As a new company, CA is different from other marketplaces because it intends to give to new users free space to shape their artworks and not only as a marketplace for trading NFT arts.

2.2. Ownership & Principals

The Coral Art (CA) has three key officers in charge of its daily operations: the Chief Executive Officer and two key employees. The Chief Executive Officer (CEO), Marjan Maneshgar, heads the company with a Bachelor degree in Software Engineering. The other principal officers of the company include a consulting artist who serves as the digital developer and a blockchain specialist well versed in digital financial transactions.

2.3. Organizational Chart

Coral Art is in its formative stages hence the entire organisational chart and the various internal managing procedures are done by the CEO, the blockchain specialist and the digital developer who make sure that all the necessary tasks are completed successfully.

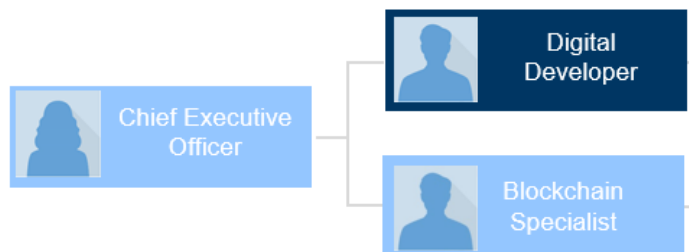


Figure 4 : Organisational Chart. Author Representation

2.4. Legal Form & Location

The legal structure of Coral Art is in the form of sole proprietorship, a business model that is owned and run by one individual, in this case, the Chief Executive Officer, and supported by two technical expertise. The business is registered in Spain under the name of the CEO in the register of Trabajadores autónomos de tipo Empresariales (Seg-social.es, 2018).

2.5. Products & Services

Coral Art seeks to offer a number of services. The main business model is to serve as an online marketplace for trading in NFT art. Other auxiliary services associated with the business include: serving as a hotspot for NFT art collectibles, undertaking NFT art online courses, starting an NFT cryptocurrency and not heavily dependent on Ethereum, serving as a platform for NFT art loan schemes, becoming an NFT art broker, and creating NFT wearables. Other services of offer by the company include creating an NFT art blog, formulating an NFT art newsletter and online magazine, launching NFT art apps and writing NFT art eBooks. As an agile company, the company will add more portfolios to meet market demands it grows.

3. Internal & External Analysis

For every company, the conduction of external and internal analysis periodically can go a long way to measure the 'healthiness' of the company. This section highlights the external and internal factors needed to be put in place by the Non-Fungible Token (NFT) art company to function effectively. When these measures are not investigated and worked upon, there is bound to be some problems the company might encounter later on its operations. The conduction of the external analysis of the firm will help the company examine the environment within which it is operating and also find out the opportunities and threats in the industry. Also, undertaking external analysis encourages the business to grow into new areas and helps to anticipate and adapt to change to fit the needs of the customer (Indeed Editorial Team 2021). On the other hand, conducting an internal analysis needs a detailed examination of the company's internal components, either tangible or intangible, such as assets, resources and processes. The internal analysis of the company helps the company to identify the areas for growth and develop a practical business strategy. Internal analysis give the management knowledge to assess the organization's strength, expertise and opportunities (BusinessBlogs 2021). Therefore, in the course of the research, the following metrics will be analyzed: SWOT (Strengths, Weaknesses, Opportunities and Threats), PORTER and CAME analysis (Correct, Adapt, Maintain and Explore) to put into practice what was obtained in the SWOT analysis.

3.1. PESTLE

The PESTLE analysis is an essential tool to analyze and point out the macro-environmental factors capable of affecting the business (Bradford 2020). These factors could have an impact on the position, potential and overall direction of the company now and in future. PESTLE, just like SWOT, is an acronym symbolizing Political, Economic, Social, Technological, Legal and Environmental factors that can shape any organization. The political factors refer to the political atmosphere of the country and its impact on the country's economy, the economic factors talk about economic determinants like interest and inflation rates which shows how strong the economy is, social factors show the impact of society on the business such as lifestyle and culture, technological factors indicate the importance of technology in the business and how no company can survive without technology, legal factors shape how a company responds to legislative changes just like all businesses, and lastly environmental factors such as weather and geographical location which affects consumer demands and trading patterns (Mariadoss 2021). In short, the PESTLE analysis gives a strategic and systematic overview of a business's prospects, risks and opportunities in any new environment.

3.1.1. Political

The business model takes two countries in focus as its startup point: Spain and Iran. Spain is very much classified as a democratic constitutional monarchy, also termed as parliamentary monarchy which indicates that the ruling monarch is seen as a ceremonial head of state. Meanwhile, the head of the national government normally is the democratically elected Prime Minister. The Spanish governance system is made up of three branches: the Executive, Legislative and the Judiciary. The Prime Minister, Pedro Sanchez heads the executive or the national government from 2017, having also won the general elections in 2019 before the COVID-19 pandemic, belongs to the political party, the Partido Socialista Obrero Español (PSOE) (BBC News 2019). The Executive branch also has the Spanish regions or autonomous communities in its body, and is made up of the deputy prime Minister and other Ministers. The Legislative is made up of Spain's Parliament (Cortes Generales) while the Judiciary comprises Spanish judges and magistrates who act in independence and are subject only to the rule of law. The Prime Minister, Pedro Sanchez, is of the firm belief that the tax system in the country needs to be reformed so that those in the highest income tax (IRPF), as well as large companies, with huge profit returns pay larger tax contributions with no less than 15 percent effective tax rate (Bloomberg 2021). With this angle, small emerging businesses would not have to pay so much taxes in its formative years creating an enabling environment for growth. The second intended startup country for the

business, Iran, with has a complex political structure with modern Islamic theocracy embedded with democracy like Spain. The office of the Supreme Leader, which controls a host of important institutions is headed by the incumbent Ayatollah Ali Khamenei, who serve as the most powerful figure in the Iranian political system. This network of unelected institutions controlled by the Supreme Leader functions alongside the Presidency, headed by the incumbent Ebrahim Raisi and a modern parliament, all of whom are chosen by the electorate. The President is elected every four years, has no more than two consecutive mandates and is responsible for the selection of members of cabinet who are finally approved by the Parliament. Likewise, the 290 members of parliament, termed as the Majlis, are elected through democratic elections (BBC News 2021). The economy of Iran is characterized by the integration of state and quasi-state entities with the tax system normally computed through a self-assessment system. Tax filings in the country are normally based on the fiscal year of the business. For every business registered under the Iranian Commercial Code and operating in Iran, the profits are taxed at the corporate level and shareholders have an equal distribution of the dividends from the business, with these dividends exempt from tax (Fouladi and Adel-Barkhordar 2014).

3.1.2. Economical

The Spanish Economy, a capitalist mixed economy, is the fifth largest in Europe (based on nominal GDP statistics) behind Germany, United Kingdom, France and Italy and is an important member of the European Union and the Eurozone, the World Trade Organization and the Organization for Economic Co-operation and Development (Government of Alberta 2021). In recent years, Spain has been in the midst of a balanced economic recovery. However, like most countries in the world, the economy was affected by the Covid-19 pandemic leading to the biggest contraction among EU member countries.

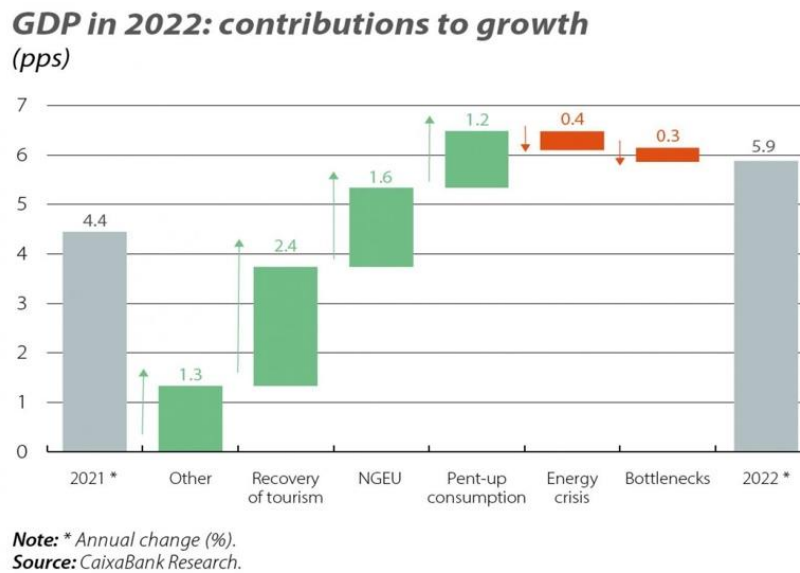
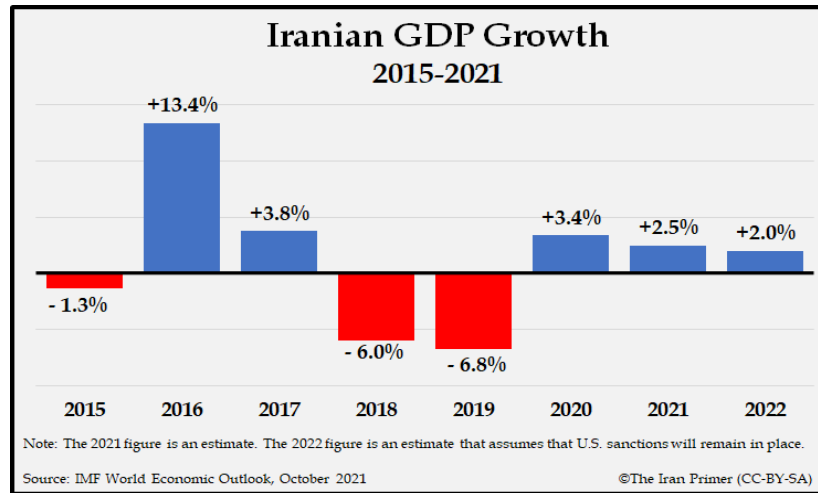


Figure 5 : GDP Growth Contributions for Spain in 2022. Source:(Caixa Bank Research 2022)

followed by Greece (-9.0%), Italy (-8.9%), Portugal (-8.4%), Malta (-8.2%), Croatia (-8.1%) and France (-7.9%). The only EU country that registered an increase in GDP in 2020 was Ireland (+5.9%) (Eurostat 2021). The general government deficit stood at 5.1% of GDP in 2021 and is expected to decrease from 2022 (4.4% of GDP) through to 2023 (4.3% of GDP). However, in the first half of 2021, the Spanish GDP is projected to have grown by 5.7% (IMF), with the tourism industry leading the recovery as the main economic growth driver. More positively, the Spanish economy is said to witness continuous growth in 2022 (6.4%) and return to the pre-pandemic growth levels by the beginning of 2023. Household consumption patterns is expected to remain strong over a period of time and the EU Recovery and Resilience Plan (RRP) is expected to promote public and private investment. Inflation in 2022 is expected to be around 1.6% in 2022 and reduce marginally to 1.4% in 2023 (BBVA Research 2022). The economy of Iran is dominated by areas such as the oil and gas sector, the agriculture and services sector, and the financial and manufacturing services sector. Mainly, economic activity and government revenues depend on oil and gas revenues (U.S.EIA 2021). For the Iranian Calendar year of 2020/2021, the GDP has been estimated at USD 628 billion calculated at the official exchange rate for a population of about 84 million. For the same calendar year, the GDP is expected to grow by 1.7%. Prior to the Covid-19 pandemic, the economy had already contracted by 12% in the previous two years. The country's fiscal deficit is projected to grow to over 6% of its GDP with public debt also surpassing 50% in

2020/2021. Inflation for the country is certain to be above 20% on average in the medium term (World Bank 2022).

Figure 6 : Iranian GDP Growth. Source:(IMF 2021)



3.1.3. Social Factor

The Spanish are very open and friendly in comparison to other European countries. On a micro-level, social structure in Spain features an openness to form friendships. Groups are formed among co-workers, students sharing classes at school, and people from the same town that go to parties and events together. With a population of about 47.35 million in 2020, the main business languages include Spanish and Catalan (Instituto Nacional de Estadística 2021). The Spanish setting, with excellent climate, all year round, affords a very affordable living standards with a generally relaxed atmosphere across the country. Like every country with challenges, Spain also deals with problems such as pressure on the healthcare system, ageing population, low salaries, and little credit leading to unequal income levels among the poor and the rich. Approximately 67.5% of the citizens believe in Christianity, 26.8% are non-religious, and 2.9% belong to other religious denominations (Magazzini 2019). The Spanish population is however, almost half of the Iranian population which amounted to approximately 83.99 million in 2020 and expected to get well over 100 million in 2050. The urban population of Iran houses around 74% of the total population in major cities such as Tehran, Mashad, Isfahan, Tabriz, Karaj (Alborz) and Shiraz. More than 98% of the population are Muslims, with Shia Muslims being the largest group (90 %) (Abbasi, Asghari, and Bahrami 2015). Most of the younger generation and the wealthiest citizens among the generation look more favorably to adopting western style of living while other parts of

the population are more rooted in traditional and local culture and traditions. An important factor in the way of living for Iranians is religion. As the Islamic Republic by the constitution, religious feasts and traditions are very well honored. It is therefore worth noting that investing in a business in Iran demands knowledge and respect for the country's religious beliefs, habits and traditions (Foltz 2013).

3.1.4. Technological Factors

Spain is classified as belonging to one of the most advanced countries in the world and was one of the first European countries to issue its all-national identity cards in electronic format. Spanish companies, from telecommunications to civil engineering, have taken the lead in putting the country on top of the technology index scale. The citizenry are well versed in social media usage with social networks including Instagram, Facebook, YouTube, Reddit and a host of others popular among the residents (CDTI 2021). Similarly, in the age of technology, the number of companies technologically-inclined in Iran grows by the day. There are a good number of more successful startups as well as those not so successful. In January 2020, there were 58.42 million internet users in Iran in January 2020, an increase in the number of internet users by 5.7 million (+11%) between 2019 and 2020. Internet penetration in Iran stood at 70% in January 2020 with social media users being 33.40 million. The number of social media users in Iran increased by 9.4 million (+39%) between April 2019 and January 2020 and social media penetration in Iran stood at 40% in January 2020. With regards to mobile connections in Iran, there were 127.0 million mobile connections in Iran in January 2020, an increase by 3.0 million (+2.4%) between January 2019 and January 2020, with the number of mobile connections in Iran in January 2020 was equivalent to 152% of the total population (Kemp 2020).

3.1.5. Legal Factors

The Spanish legal system is centered on civil law, and whereas the central government formulates basic commercial, corporate and intellectual property law, the autonomous regions enact their own legislation when it comes to issues on health, environment, education and general consumer related issues. However, for certain factors such as public debt, monetary systems and foreign trade, the central government plays an important role in legislative affairs. Business law, surrounding company startups, controls all activities with respect to a company's operation, corporate social liability and tax related issues. The Spanish government, according to the business laws, levies taxes such as the income tax, wealth tax, Value added tax, inheritance tax, property tax and Company Income Tax. However, before any of these taxes are applied, the legal

status of the company is taken into consideration, whether resident or non-resident and this goes a long way to determine the tax burden and bases in such issues (Martínez Pujalte 2018). The business laws of Spain require all companies to account for profits and expenditure according to the standards established by the commercial code of Spain. To this end, it is required that all Spanish companies registered in the commercial register submit a detailed report of the company's activities at the end of every year, including the overall balance sheet, and the profit and loss statement (ICEX 2020).

Iran's legal framework is a combination of the French Civil Law and the Sharia-based Islamic Law. In recent years, with the influx of new business, there have been several attempts to modernize the law practice. Foreign investors need to resort to obtaining proper counsel from local specialist lawyers especially in an age where there are current restrictions on capital or fund movement in Iran. It is difficult to undertake banking transactions as global banks, in most cases, are alienated from the Iranian financial services sector (Moshtaghi 2009).

3.1.6. Environmental Factors

Spain offers one of the globe's hottest destination centers, with tourism playing an essential role in the local economy. Tourism is a major industry in the country and contributes to about 11% of the local economy. The presence of world class educational institutes, low crime and good hospitals provide a conducive environment for businesses to thrive and be successful. However, the country faces a number of environmental problems such as deforestation and desertification. The influx of more tourists, especially during the summer holidays also result in water and air pollution caused by airplanes and cruise ship (Coduras et al. 2016). Like Spain, Iran has some of the most beautiful places on the planet with famous heritage sites. The visitation of these sites provides much revenue to the economy to boost the local economy which might be good as an incentive for the business to thrive overall. However, issues such as international sanctions, increased population and climate change which can pose problems to any business should be looked at and addressed. Iran is still combating environmental protection to save the popular tourist destinations and strong environmental legislature offers a good way to start (Safari and Danai 2017).

3.2. SWOT Analysis

The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis examines the internal and external factors capable of affecting businesses. In summary, it can be said that internal factors are the strengths and weaknesses while the external factors include threats and opportunities. The SWOT is a useful tool for brainstorming and strategic planning which can help in identifying new business opportunities, responding to new trends, implementing new technology and dealing with changes to competitors' operations (GÜREL and TAT 2017).

3.2.1. Strengths

- Skilled startup Human Resource. The core group of Coral Art have their background in computing systems with the CEO having a background in software engineering and having two other personnel skilled in blockchain and digital development. With the CEO already having a digital wallet, the learning curve has been greatly reduced.

- Financial Resource(s). In the current age and technological advancement, the creation of the online marketplace for NFT Art for Coral Art as a starting point for the business did not financially take so much away for the company as it was fairly reasonable priced in the creation of a digital wallet. Again, it is expected that since it is based digitally, the running costs expected is minimal.

- Material Resource(s). The Coral Art business has no witnessed much need of material resources at the early stages. With more digital and traditional artists, it is expected that funds obtained from these artists would be used to secure the necessary materials to augment the operations of Coral Art.

3.2.2. Weaknesses

Skilled Human Resource. There is likely to be a shortage of qualified personnel well versed in crypto art as it requires a delicate balance of computer engineering and blockchain. The growth of the business will undoubtedly require the hiring of more personnel which may prove a challenge.

- Financial Resource(s). It takes investors with good knowledge of the digital art space to venture into NFTs. When the business expands, it might be difficult to attract investors who have no specific knowledge of what NFT arts are and how they will get back profit on the money they have invested.

- **Material Resource(s).** Like all computer related businesses, the issue of cybersecurity requires urgent attention. Computer hackers can infiltrate any digital wallet and make away with cryptocurrencies or even the NFT art itself.

3.2.3. Opportunities

- **Legal Aspect.** Globally, the use of NFTs is on the rise as well as those specifically in art. This presents the right opportunity for Coral Art and other NFT art businesses to properly study and draft the legal structure surrounding such entities and help protect their businesses.

- **Economy.** The importance of ICT in any economy cannot be underestimated. What Coral Art must benefit from is how the operation of the business can lead to a strong economy and capitalize on that.

- **Territory.** The origins of the business are in Spain and Iran. However, like all digital businesses, the opportunity for growth is endless since they require small physical establishments on the ground in any country. The opportunity to expand quickly across the globe can be matched if the company builds rapidly.

- **Competitors.** Most online marketplaces are only in the trading of NFT arts. Nothing more, nothing less. This presents a good opportunity for Coral Art to add other business models aside from trading NFTs such as crypto art live online classes, crypto art blogs, NFT art loan schemes, brokerage packages, selling of NFT eBooks, and launching of NFT app among many others.

3.2.4. Threats

- **Legal Structure.** Technology and the digital space is evolving faster than ever. The legislation around NFT startups continue to be developed in several countries across the world. Coral Art must be ready for all these new laws being enacted for digital businesses to prevent putting them out of business at a short notice due to ignorance.

- **Economy.** The advanced economies around the world may make it easier for the NFT art business to grow due to good ICT infrastructure and good jobs and livelihood for citizens. However, in developing countries where potential customers are struggling with basic needs, it might be difficult for them to invest in such a business when they have not met their basic human needs, leading to stalling in growth of the company.

- **Competitor.** Most NFT art companies with bigger budgets will likely be coming up with the ideas put forth here and can put Coral Art out of business. Again, online and cyber fraud likely

to be started by competitors presents a risk. It is therefore necessary that Coral Art adapt strategically to secure their setup and beat the competition with innovative NFT art products.

3.3. CAME Analysis

The CAME (Correct, Adapt, Maintain and Explore) analysis done in this section presents a strategic business planning tool to the SWOT analysis that requires Coral Art to deal with the aspects found in the diagnoses obtained from the SWOT matrix (SWOT Matrix 2021).

3.3.1. Correct

The core staff of the Coral Art, even though are well versed in computing will continue to have their skills sharpened to meet market demands. Coral Art will also organize seminars for potential investors in future to see the need to invest in NFT art and the rewards associated. In this way, the financial strength of the company will grow with time as the company becomes bigger. As the company grows in size and revenue, more technical personnel with computing experience and the right expertise would be brought on board.

3.3.2. Adapt

The company will also adapt to the different trends in the NFT art space especially with emerging technologies by constantly surveying the market for new technology trends with regards to NFT and related markets. Again, the legislature put in place by regulatory bodies concerning NFT art online marketplaces will be closely monitored for new developments to help Coral Art stay in business.

3.3.3. Maintain

The core staff of the business will remain as head of the various teams in the event of company expansion. Efforts will also be made to ensure that the website and digital platforms created for Coral Art will be strengthened and made more interactive and easier for use by consumers.

3.3.4. Explore

The startups in Spain and Iran will be maintained and more locations will be added as the company grows. There are over a thousand types of art genres in practice and Coral Art will explore which of these art genres are popular with consumers. As a business, Coral Art will

constantly be on the lookout for age groups, and countries pursuing digitization agendas to set up businesses. Legal drafts surrounding NFT arts will be assessed way before they are passed to sustain the business.

3.4. PORTER ANALYSIS

The Porter Analysis represents five forces that determine the competitive intensity and attractiveness of a market. In most cases, the Porter's five forces help identify where power lies in any business setting. This tool makes it possible to understand the strength of an organization's current competitive position as well as the strength of a position that an organization may look to explore (Goyal 2020).

3.4.1. Bargaining Power of Suppliers

Coral Art assesses in detail the global competitive prices for NFT arts offered by traditional and digital artists for the online market place. The company meets the global price standards and better it daily to become the best online marketplace for artists. Factors influencing price changes by art suppliers to the platform such as the demand for a specific art genre, and availability of ICT infrastructure in certain countries are being considered. In these formative years of the company, all the suppliers of the art, digital and traditional, are given access to trade freely on the Coral Art online marketplace and selling prices are even depending on the value of the product.

3.4.2. Bargaining Power of Buyers

Coral Art makes it easier for transactions for all types of buyers to trade in the NFT art. No buyer is treated with discrimination whatsoever. Efforts are being made to discourage price hikes among few selected buyers to avoid them controlling other buyers on the marketplace. Currently, Coral Art promotes fairness and equality among all trading partners and at the onset, buyer prices are fairly even on the platform.

3.4.3. Competitive Rivalry

There are many online marketplaces for NFT art trading. The uniqueness of Coral Art is the constant addition of new portfolios to create attractiveness and promote its brand. Currently, there are a number of competitive players in the NFT art space, but it is certain that with the addition of these innovative products, Coral Art will be a force to reckon with.

3.4.4. Threat of substitution

The business of NFT art trading by Coral Art is started in Spain and Iran, with possible expansion across the world. Iran is a new market and Coral Art has the potential to dominate long before competitors gain foothold. In other parts of the world, the introduction of NFT art and trading lessons for amateurs on the platform, unlike any other online market place, proves to be a success. For any country of business, Coral Art will do it best to offer services in the local currency to make it convenient for customers. In current stages, the threat of substitution is non-existent in Iran but common across all parts of the developed world.

3.4.5. Threat of new entry

Most profitable markets attract new players. The NFT art market is no different. For Coral Art, it is expected that business operations in Spain and other developed economies will face some hurdles with regards to profitability. However, in Iran and other developing countries where the market is just coming up, there is profit to be made before new entrants. Coral Art is also improving its operating process by allowing other cryptocurrencies, not only the popular Ethereum, for trading, to prevent other online market places for copying its brand and ensure profits are protected.

3.5. Canvas Model

The business model canvas serves as a great tool needed to help understand the business model in a straightforward and structured manner. The business model leads to a better understanding of the business model or that of the competitor and comprises of key partners, key activities, the cost structure of the business and the value proposition. Other areas of the business canvas model includes customer segments, customer relationships, and revenue streams (Saif 2011).

3.6. Canvas Analysis

The Canvas Analysis is conducted for the Coral Art Business in Figure 3 as illustrated. The key partners in the running of the Coral Art platform involves having a strong payment gateway where artists can buy and sell their arts. Third party applications can also form partnerships with the mobile application of Coral Arts for effective transactions. Again, Advertising agencies and content partners, although strictly related to crypto art and currencies is allowed to run on the platform and monitored. Quite straightforward, the key activities would involve the development

and maintenance of the Coral Art platform, developing new products aside trading of crypto art and the online marketing.

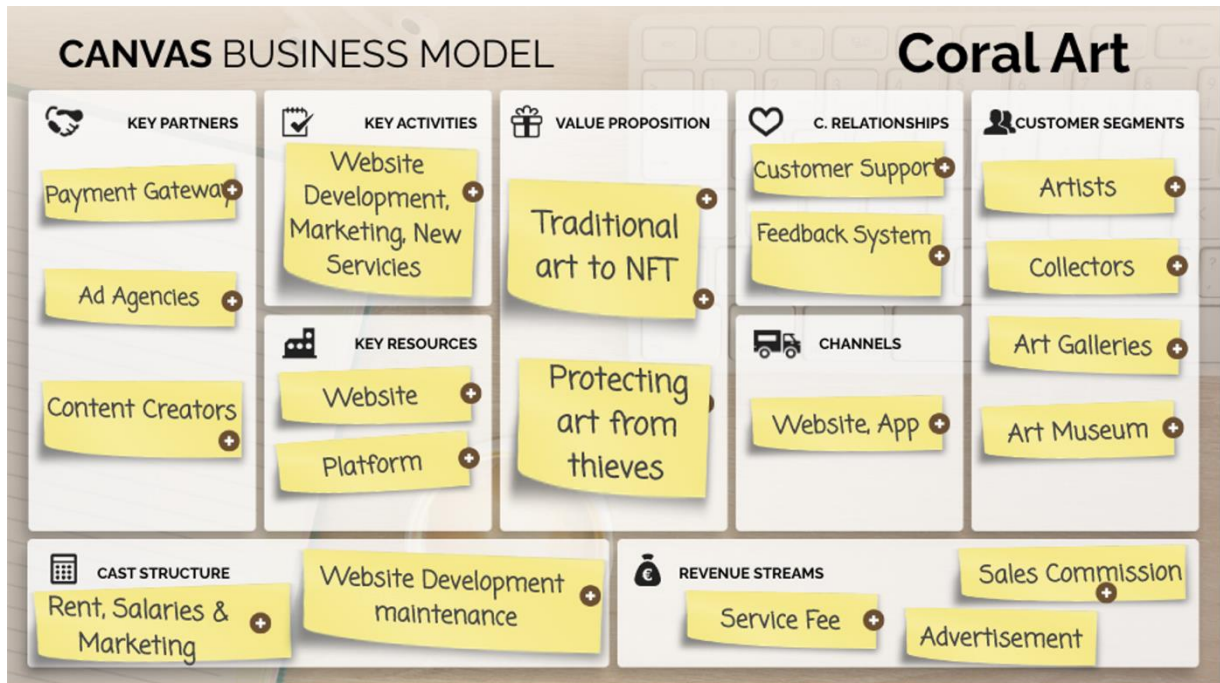


Figure 7 : NFT Art Business Model Canvass Representation. Source: Author's Representation

For consumers, Coral Art intends to boost communication through the coral art official website and mobile applications. Customers will be free to assess the self-service and consumer support options on the Coral Art platform.

The customer segment talks about the segment that makes the most revenue for Coral Art and they include the art buyers, sellers, advertisers who advertise art on the page and get hooked on, and the global internet user population. Everyone, particularly interested in art, is welcome to trade on the platform. The value proposition model proposes that customers can buy and sell NFT arts on the platform as well as earning from their skill. It is expected that the revenue is obtained from listing fees, advertisers and sales commissions while the cost structure detailing the expenses of Coral Art will involve Marketing and Sales, People and Customers and the maintenance and development of the platform.

4. Market Plan - CORAL ART

4.1. Background

Digital arts have seen the emergence of non-fungible token (NFT) arts with several business models. In this brief, a sustainable business plan for the NFT art company, Coral Art, is assessed in Spain, a developed country and Iran, an emerging economy. Coral Art intends to use the NFTs platform to switch traditional art market to digital art and cryptocurrency for artists. Also inclusive are artists who will be unknown for some time or those with a large fan base. Through NFTs, artists can reach a larger audience of potential buyers and collectors that would have been impossible to reach at conventional art galleries and they would receive payments instead of relying on fan contributions and doing commissions for a living.

4.2. Project Overview and Description

The project involves the development of Coral Art into a leading online marketplace for NFT trading. Trading is expected to be conducted with the digital currency, Ethereum before the use of other cryptocurrencies. Coral Art will provide the avenue for traditional and digital artists to manage their arts on the NFT platform by serving as an online marketplace. The Coral Art platform will deal exclusively with both buyers and sellers, all of whom are customers. For the buyers, the customers purchase the NFT art from the Coral Art online marketplace. The NFT possesses an unlockable content which gives the buyer instructions on how to get their free physical copy of the NFT artwork. For Coral Art, the unlockable content will be in the form of a URL and a voucher code. Coral Art will also provide printing and shipping services to create the physical print-on demand and deliver it to the NFT owner at no cost after the purchase of the artwork. For the part of the sellers, the customer will bring in the art piece either to be sold fractionally or wholly. Coral Art will then tokenize the artwork and list it on the platform with the desired specifications. Several investors on the platform can then either purchase a fraction of the artwork or lend money to the collector. For every piece of artwork sold on the platform, Coral Art takes a percentage no greater than 1% of the total value of the art. To further sustain the business model, other forms of revenue generation related to trading on the platform is created. All traders on the platform will have to download the Coral Art mobile application to complete registration. Furthermore, in addition to creating exciting live interaction blogs among traders, there will be coaching services for new digital artists through online classes, as well as NFT artwork financials. Exclusively, Coral Art will offer unique NFT artwork digital catalogues and eBooks on sale. Coral Art also intend to offer NFT artwork loan schemes where these artworks could serve as collateral. Last but not least, the Coral

Art platform will also be made available for advertisers especially in the art industry to market their products. All these supporting business models, unique to Coral Art and different from other online marketplaces where they do only strict trading, is to create a sustainable business for Coral Art.

4.3. Project Objectives/Goals

The main purpose of the study is to develop a sustainable business framework for businesses, particularly, for players in the traditional art space, seeking to enter the art market of NFT. More specifically, information gathered from this research would seek to accomplish the following.

1. To design a sustainable business model for current NFT art solutions on Coral Art platform.
2. To integrate the NFT art business model for existing traditional art businesses.
3. To identify factors mitigating against the successful adoption of NFT arts in traditional art businesses.
4. To help artists to manage their own market,
5. To help artists build their own career and income by using NFTs technology as an outstanding opportunity.

4.4. Project Timeline

The Coral Art NFT platform is expected to be fully operational within a three-month period with all the necessary logistics, particularly the digital infrastructure, put in place before operations start. It is expected that the first batch of artists, digital and traditional, will be fully integrated onto the platform within a six-month period after an initial three-month period of strong online marketing.

4.5. Project Requirements, Revenue and Budget

Coral Art requires the inputs of both skilled human resources hence the main architects of the project include the chief executive officer, who doubles as a software engineer, a digital developer and a blockchain specialist. At the start of the business on a digital platform, it is expected that budget costs will be minimal. However, as Coral Art penetrates more markets, with more artists on board, the budget for operational expenses is likely to go up. It has been estimated that the minimum, maximum and average startup costs for setting up an online marketplace amounts to USD 62, USD 35,923 and USD 19,267 respectively. The budget includes components such as the retail business expenses (storefront property), business formation fees, software

expenses, employee and freelancer expenses, website costs, vehicle and transport costs, advertising and marketing costs and miscellaneous specific industry costs.

In basic revenue generation for Coral Art aside other supporting services, Coral Art will obtain transaction fees from customers whenever money is converted into ETH on the crypto exchange services, since trading is conducted mostly on the Ethereum blockchain platform. Another fee, most commonly termed as the Gas Fee, determined by real network traffic, will also be obtained by Coral Art before any customer can trade on the platform. Lastly, Coral Art obtains commission fees whenever an NFT is sold.

4.6. Conclusions and Key Findings

Globally, the NFT market generated over USD 23 billion in trading volume in 2021. The industry's most dominant marketplace, Open Sea, according to venture capitalists, is worth an estimated USD 10 billion dollars. Most notably, NFTs are now inching closer and closer in value to the traditional art market, where people buy and sell physical works. For instance, the market for non-fungible tokens rose to USD 41 billion in 2021, according to the newest metric by Chain analysis, a consulting firm. By comparison, sales in the conventional (traditional) art market amounted to about USD 50 billion in 2020. According to the Financial Times, the total sales for NFTs will skyrocket even more if the digital collectables are minted on other blockchains, and not only the monotonous Ethereum. For future forecasts, the Investment bank Jefferies lifted its NFT market-cap prediction to more than USD 35 billion for 2022 and estimates the market will reach beyond USD 80 billion by the year 2025.

In Spain, the market share of NFTs in 2021 according to Art Price, stood at below 1% of total transactions, well below the 5% globally. In the country, there are limited NFT art projects, even though one of the leading NFT artists, has been Gala Mirissa whose digital art features have been used in Hollywood films, and who recently designed the world's first NFT cover for the ELLE magazine. Similar to Spain, the momentum for NFTs has been building in the Middle East, a market of similar operational characteristics like Iran. Two artists, Kristel Bechara and Aya Tarek launched their own NFT projects and a further three Middle East-based NFT marketplaces raised approximately USD 10 million. One of the most recognized online art galleries in the Middle East and North Africa (MENA) region has Emerged, with its founder Dima Abdulkader, who has given opportunity for digital artists within the region to showcase their artworks. These successes highlight the growing need for the more online marketplaces for artists across the world. Coral Art in its bid to dominate the online marketplace for NFT arts intends to allow all artists on the platform

potential stakeholders. In this way, everybody feels a part of the company. The company begins operations primarily in the Spanish and Iranian Markets before exploring the global market.

5. Marketing Plan

The marketing plan discusses the Coral Art brand and how it is different from other online marketplaces dealing in NFT art. The products and services offered by Coral Art which is of importance to the brand is also discussed in this section. Furthermore, mission and vision of the company are clearly stated and the values of the company are developed in the marketing plan, which is followed by the operational plan which shows how the company is run and the logistics needed. The porter's value chain is attached to this segment and thoroughly discussed. Finally, the human resources plan and the organisational structure of the company are also discussed, with the financial plan of the company concluding the plan.

5.1. Company Mission, Vision and Values

This section begins with introducing the company's mission, vision and the values attached to Coral Art. These traits of the company are clearly laid out for all customers and investors to know what Coral Art truly stands for.

5.1.1. Mission

The mission of Coral Art is to create a single platform, different and interactive online marketplace, for the purchase and selling of NFT arts. The Coral Art marketplace is to serve as a trading hub in arts for both traditional and digital artists as well as the general public. Using the power of art, Coral Art aims to connect the general populace with the art world, by uniquely offering other portfolios such as NFT online classes and loan schemes, aside the trading of NFTs which most online marketplaces are involved in.

5.1.2. Vision

The vision of Coral Art is to develop a community where artists can truly find a company, they can share their passion and emotions with through art. With Coral Art, not only will artists and the general populace be able to express their talent and hard work, but also an opportunity to economically improve their lives.

5.1.3. Values

Globally, technology is developing at a faster pace than ever before, and businesses have to adapt to survive. With the internet also becoming widely accessible to everyone, the

technological opportunities for companies are endless. Likewise, the chance to use technology advancement for cyber fraud activities is a challenge for most companies. Thus, companies, especially those whose central operating platform is the internet, need to present a clean image to their customers for effective and honest relationships with their customers. The first value for Coral Art is that in the process of trading online on its market platform, the company encourages inclusivity and any individual or entity is allowed to trade irrespective of regardless of color, age, disability, gender, gender identity, gender expression, genetic information, national origin, race, religion, sex, sexual orientation, or veteran status. All traders are treated equal and the company firmly believes in diversity. Again, Coral Art, serving as an online marketplace for artists, both digital and traditional alike, first upholds the values of transparency in its operations especially in online trading. The company also encourages healthy interaction and freedom of expression among all stakeholders on the platform. The company sees the general populace, particularly, artists as the main pivot of its operations and is committed to developing relationships with each customer to make trading on the platform a stress-free and positive experience. Every customer is happy when the products and services at hand are quality in nature and so the company does well in promoting quality services to consumers. Other values adopted by the company include integrity to the highest standards, a commodity, valuable in the online business. Among company employees, key values instituted include teamwork, respect for each other, personal accountability for each assigned tasks and the desire to improve oneself as an employee which would ultimately improve the operations of the company.

5.2. Marketing Strategy

In the current art space, there is no denying about the importance of NFT arts. However, creating NFT arts and building online marketplaces will be meaningless if efforts are not made to market the NFTs. There should be enough spotlight generated around the art to create more visibility and draw in competition among art collectors or the art industry enthusiasts. Without the right marketing strategy, the NFTs, no matter how impressive they may look, will not generate attention they deserve and also miss the necessary financial returns. A lot more marketing has to be done especially in attracting potential investors who are still yet to understand how trading in NFT works and what makes this market a profitable venture. To market NFT more effectively, all players on the platform play a part in one way or the other, and not only Coral Art. The expertise of professional artists on the Coral Art platform could serve as an attraction point for several customers who might not want to go to other places once they have access to quality services from these professionals. There are several marketing strategies which are to be adopted by Coral

Art to promote its NFT business on the online marketplace. Coral Art seeks to adopt two main approaches. The first method involves the application of conventional digital marketing methods, intended to market Coral Art, to a much broader audience while the second approach will seek to use the power of players in the blockchain and cryptocurrency (for instance influencers in the crypto industry on social media platforms such as Twitter, Instagram, and YouTube) by targeting them as a means of marketing to the general public. Coral Art has therefore planned to adopt a series of marketing strategies, in the ever-competitive NFT space, to become more result oriented.

5.2.1. Provision of Exclusivity

There are several online marketplaces trading in the NFT Art Space. Coral Art intends to be exclusive in the way it handles consumers by providing unique selling points from the several online marketplaces which focus directly on buying and selling of NFT Art. Coral Art introduces and markets services such as NFT loan schemes, NFT collaterals, online NFT blogging, NFT apps, and NFT online classes. Players on the market platform also have the chance to suggest or introduce emerging technologies in the world of trade such as virtual reality. To adapt to market trends, Coral Art will be exclusive and agile with respect to the way operations of the company are conducted.

5.2.2. Leveraging Public Relations PR

Coral Art intends to create its own public relations (PR) unit, which would be handled exclusively by the CEO, to focus on the art. The other employees of the firm, the digital developer and the blockchain specialist, will ensure that Coral Art is positioned as an important NFT art online marketplace to the right communities. The leveraging of Coral Art PR involves having access to media contacts, having the right skills to craft press releases, pitching of potential angles to editors, and initiating communication with the audience.

5.2.3. NFT newsletters appearances

Coral Art also intends to be featured on popular NFT newsletters to showcase the NFT arts to a much larger and targeted audience. Some of the most common NFT newsletters for this marketing strategy include NFT Lately, NonFungible.com, Forefront, Zima Red, Metaverse, NFT Drops, The NFT Voice, NFT Review, and Play to Earn. With these platforms, there are several multiple postings of NFT art collections daily. However, to market on these newsletters comes at a cost so it has been factored in the overall budget of the company.

5.2.4. Strong Presence on Social Media Networks and Online Communities

Social Media is an important tool capable of promoting any business including Coral Art. Popular platforms such as Facebook, Instagram, WhatsApp and Twitter, especially are important marketing tools Coral Art can leverage to promote the brand. Websites and other links to the NFT business, which can show multiple images of the arts on display, can be placed on these networks to increase visibility. The building of social media following can go a long to increase the market size of Coral Art. On social media, some of the popular ways of marketing brands such as Coral Art include engaging other NFT artists in conversations on the network and sharing content from other NFT creators on the Coral Art platform. Coral Art intends to spark interest by giving snippets of art works, detailing the artwork process, and sparking interest before they are posted. On social media too, hashtags can be used to build excitement among the social media following who will be waiting anxiously especially on Twitter and Instagram prior to major announcements and postings. Other online communities such as Reddit, Telegram and Discord can be viable tools for starting threads and sharing genuine insights about Coral Art. Meaningful topics, answers to chats among others generate a frenzy on such platforms and Coral Art will explore this tool extensively. Lastly, with these online communities, Coral Art will ask communities for feedback on NFT art projects as well as hosting seminars and sessions where fans are able to ask questions providing good engagement with the fan base.

5.2.5. Investment in Paid Advertisements

Coral Art also intend to invest in paid ads to develop as a global online marketplace for NFTs. Pay-per-click ads, example of which include Google Ads, Facebook Ads and Twitter Ads, in particular, when adopted, will help Coral Art to target specific audience in the NFT trading business online. However, this form of marketing strategy will gradually be adopted by Coral Art when revenue generation and profit are slightly significant.

5.2.6. Giveaways and Brand Partnerships

Coral Art will also adopt the process of hosting an NFT giveaway as part of an upcoming collection, which is a good pre-sale marketing effort. Holding giveaways in this manner of “follow-tag-share/retweet” or fan art contest creates additional excitement around the NFT collection, drives more engagement among your following and awareness among other new audiences. Moreover, Coral Art will also collaborate and partner to help build hype and accelerate the success of an NFT collection even though big brand-backed NFT signifies adequate resources and foundational strength, including budget and expertise to build a passionate community.

5.3. Marketing Mix

The marketing mix represents a set of actions or tactics that a company, in our case Coral Art, will use to promote the brand of NFT art in the market. Normally, the marketing mix comprise of the 4Ps (Price, Product, Promotion and Place). A marketing mix includes multiple areas of focus as part of a comprehensive marketing plan. Effective marketing touches on a broad range of areas as opposed to fixating on one message. Doing so helps reach a wider audience, and by keeping the four Ps in mind, marketing professionals are better able to maintain focus on the things that really matter. Focusing on a marketing mix helps organizations make strategic decisions when launching new products or revising existing products.

5.3.1. Product

Coral Art is offering a number of products and services in its NFT online marketplace, with the main one being the platform it gives to artists, traditional and digital, alike to buy and sell NFT arts. Although there are additional services and products Coral Art renders to its customers such as NFT online classes and NFT loan schemes, the basic product remains as a hub for online trading of NFT arts of all genres. Traditional and Digital artists require the Coral Art online marketplace for the buying and selling of NFT arts. Customers need only to register on the Coral Art NFT app created to be a part of the community with no fees involved. Fees are only charged when customers undertake transactions on the platform and normally Coral Art profits through sales commissions. The product rendered by Coral Art is an online marketplace available on the internet (<https://www.coralartnfrt.com>). It is interactive by nature with the ultimate aim of making customers feel at ease in trading. One unique attribute of the Coral Art marketplace is that the interface is promoting transactions not to be done in only the cryptocurrency, Ethereum, as with all marketplaces, but also, all other types of cryptocurrencies.

5.3.2. Price

As stated earlier, there are no price charges for customers registering and signing on to the platform. There is no fixed price for trading on the NFT art platform. However, Coral Art makes commission from every sale that happens on the platform. The pricing of the NFT art on the online marketplace for Coral Art is based primarily on consumers' perceived quality or value of the NFT art on display at the marketplace. Hence there are no established price points for products and services on the Coral Art platform. To ensure fair pricing on the platform, Coral Art ensures that prices listed by both buyers and sellers compare evenly with competitors and are in tandem with

market regulations. For certain periods in time, Coral Art will introduce a discount scheme on all NFT arts when it is appropriate.

5.3.3. Place

The Coral Art online marketplace will be the only avenue to conduct business. This marketplace will serve as the only available channel for transactions among NFT art buyers and sellers. All transactions are conducted online with traceable receipts across the platform. Buyers and sellers of NFT art would have to look at the Coral Art online marketplace when they want to transact business.

5.3.4. Promotion

Coral Art will undertake a series of activities to promote its business, core among them include the use of online advertising and at the moment word of mouth. Coral Art will also work with galleries across the world to promote their NFT arts especially on their opening days.

5.4. Porter's Value Chain Analysis

Porter's Value Chain (PVC), introduced and described by Michael Porter in his book, "Competitive Advantage: Creating and Sustaining Superior Performance, represents an efficient framework to examine an internal organization as it allows a more structured way of determining where in a company the true value is created. It also assesses where costs can be reduced in order to boost margins. With PVC analysis, communication between departments is improved significantly. The concept of value chain can be studied in combination with supply chain and normally involves all areas of a company's operational activities. While supply chain normally involves the procurement process of goods and services from suppliers, the value chain analyses the value added at various intervals through a series of activities or processes that aim to create profitable value for a product offering. The value-chain business activities can be categorized into primary and secondary activities, with the primary activities being more directly related to the creation of a good or service and the secondary or support activities being those that assist in improving the efficiency and work of an offering to obtain a stronger competitive advantage among peers. Business managers, continuously, aim to maximize their margins, and therefore work to ensure that their inputs are converted to outputs, which have a greater value when combined together. In most cases, the gross profit margin (GPM) remains a metric on the income statement where value creation can be easily determined. In summary, the GPM looks at the difference between a company's gross

revenue generated plus the cost of goods sold divided by the total gross revenue. A higher gross margin indicates that the business is generating more from the combination of the goods used to build its product.



Figure 8: Value Chain Analysis. Source: Investopedia

5.4.1. Porter's Value Chain Analysis – Coral Art

5.4.1.1 Primary Activities

The PVC analysis starts with primary activities which include inbound logistics, operations, outbound logistics, marketing and sales and service. To begin, with inbound logistics, purchased inputs such as raw materials are often taken care of. The company deals with several external companies such as suppliers under this function and mostly activities related include receiving, storing and disseminating inputs to the product. More popular examples include material handling, warehousing, inventory control, vehicle scheduling and returns to suppliers. The inbound logistics for Coral Art refers to the company-appointed artists selecting the finest quality NFT arts from all across the world. The NFT art collection are then stored in the database of Coral Art before being mounted on the online marketplace interface for transactions. Value is added to the NFT art when the traditional artworks are converted into NFT art which possess unique blockchain and tokenization features. By creating NFTs for art pieces, a unique digital twin can be created that is linked to unique identifiers of the physical products. The company does not outsource the

procurement of the artworks from both traditional and digital artists, to ensure high quality standards right from the point of selection of the art works. Secondly, under operations, as soon as the required materials have been collected internally, operations can then convert the inputs into the desired product. The activities associated with operations include transforming inputs into the final product form. For Coral Art, operations involve the following. Customers can register on the Coral Art platform using a crypto wallet. The art is then uploaded with the title onto the platform with a short description. The minting process begins when the artist signs the NFT and pays the transaction fee. Finally, the newly minted NFT is seen in the profile of the customer after the transaction has been validated on the blockchain. Coral Arts will operate in more than 100 markets predominantly online, with Spain and Iran being the first early markets of operation. Coral Art will create the NFT from digital art without going through the process of coding through a process called minting. The process of creating them is called minting and is basically the act of publishing a unique instance of the token on the blockchain. NFTs are minted once they are created, similar to how metal coins are created and added into circulation. After this procedure, the particular piece of digital art becomes secure and tamper-proof, as well as hard to manipulate. Since this digital item became an NFT, it can now be bought, sold and digitally tracked when it is resold or recollected. The third process in the primary activities involve outbound logistics. In most cases, after the final product is finished it still needs to find its way to the customer. Depending on how lean the company is, the product can be shipped right away or has to be stored for a while. The activities associated with outbound logistics involve collecting, storing and physically distributing the product to buyers. For Coral Art, there is no presence of third-party agents in the sales of NFTs. Trading is conducted by buyers and sellers alike on the platform. The next primary activity involves sales and marketing. The fact that products are produced doesn't automatically mean that there are people willing to purchase them. This is where marketing and sales come into place. It is the job of marketers and sales agents to make sure that potential customers are aware of the product and are seriously considering purchasing them. Activities associated with marketing and sales are therefore to provide a means by which buyers can purchase the product and induce them to do so. Examples: advertising, promotion, sales force, quoting, channel selection, channel relations and pricing. Coral Art will then use need-based marketing activities carried out by the company to promote the NFT arts on the platform. Under the PVC, the last primary activity includes the after-sales service. In today's economy, after-sales service is just as important as promotional activities. Complaints from unsatisfied customers are easily spread and shared due to the internet and the consequences on your company's reputation might be vast. It is therefore important to

have the right customer service practices in place. The activities associated with this part of the value chain are providing service to enhance or maintain the value of the product after it has been sold and delivered. Coral Art aims at building customer loyalty through its in-house customer service which at the early stages of the business would be undertaken by the CEO herself. All customer complaints after NFT art trading on the platform would also be tackled head-on.

5.4.1.2 Secondary/Support Activities

The second category of the Porter Value Chain is support activities. They go across the primary activities and aim to coordinate and support their functions as best as possible with each other by providing purchased inputs, technology, human resources and various firm wide managing functions. The support activities can therefore be divided into procurement, technology development (R&D), human resource management and firm infrastructure. The dotted lines reflect the fact that procurement, technology development and human resource management can be associated with specific primary activities as well as support the entire value chain. The infrastructure of the company consists of a number of activities including general (strategic) management, planning, finance, accounting, legal, government affairs and quality management. Infrastructure usually supports the entire value chain, and not individual activities. In accounting, many firm infrastructure activities are often collectively indicated as 'overhead' costs. However, these activities shouldn't be underestimated since they could be one of the most powerful sources of competitive advantage. After all, strategic management is often the starting point from which all smaller decisions in the firm are being based on. The wrong strategy will make it extra hard for people on the work floor to perform well. Coral Art has for the moment, the CEO doubling as the unit business manager. Every online marketplace of the company is monitored to ensure that there is good customer service. The second support activity is the Human Resource Management (HRM). HRM consists of activities involved in the recruiting, hiring (and firing), training, development and compensation of all types of personnel. HRM affects the competitive advantage in any firm through its role in determining the skills and motivation of employees and the cost of hiring and training them. For any organization, a committed workforce is considered a key attribute in the company's success and growth. Coral Art for now has three employees in its startup but is expected to expand with years of growth and an increase in employee number. With growing employee base, the company is expected to take care of its workforce, organize training programs and ensure that there is a low turnover. Technology and Development represents the third support activity of the PVC. Every value activity embodies technology, be it know how, procedures or technology embodied in process equipment. The array of technology used in most companies is

very broad. Technology development activities can be grouped into efforts to improve the product and the process. Some examples under this support activity include telecommunication technology, accounting automation software, product design research and customer servicing procedures. Under this section, research and development departments can also be categorized. Coral Art is largely a technological company using the power of the internet to bring artists to a common platform. Not only is Coral Art using the power of technology to promote the trading of NFT arts, but it is also spreading information about the use of NFT arts. The last of the stages in support activities involve procurement. Procurement refers to the function of purchasing inputs used in the firm's value chain, not the purchased inputs themselves. Purchased inputs are needed for every value activity, including support activities. Purchased inputs include raw materials, supplies and other consumable items as well as assets such as machinery, laboratory equipment, office equipment and buildings. Procurement is therefore needed to assist multiple value chain activities, not just inbound logistics. As an online marketplace for NFT art, some of the procurement processes for Coral Art involve securing of internet services, handling of computing devices and other technological devices for effective business. Every art work placed on the marketplace is collected with regards to procurement rules and real-time inventory of all NFT arts is taken every time. Although value activities are the building blocks of competitive advantage, the value chain is not a collection of independent activities. Rather, it is a system of interdependent activities that are related by linkages within the value chain. Decisions made in one value activity (e.g., procurement) may affect another value activity (e.g. operations). Since procurement has the responsibility over the quality of the purchased inputs, it will probably affect the production costs (operations), inspections costs (operations) and eventually even the product quality. In addition, a good working automated phone menu for customers (technology development) will allow customers to reach the right support assistant faster (service). Clear communication between and coordination across value chain activities are therefore just as important as the activities itself. Consequently, a company also needs to optimize these linkages in order to achieve competitive advantage. Coral Art will then link all these areas to ensure a sustainable business and create a competitive edge. The concept of value chain analysis helps business managers to better identify useful and wasteful activities. By looking beyond standard means of efficiency analysis while also seeking to integrate and capture value chain analysis in business metrics, stakeholders can make important insights related to operational processes. Overall, value chain analysis can be used to potentially identify value improvement opportunities throughout various steps of a business cycle, also adding to improved margin efficiencies.

5.5. Budget

Under this section, the financial analysis of Coral Art is laid out. Starting an NFT community or online marketplace requires a great deal of effort, dedication, and most importantly passion. Rent costs for the NFT community very much depends on the location. This cost will vary by both region and specific areas of town.

Retail Business Expenses

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Utilities (storefront business)	Optional	0	1000
Building improvements and remodeling	Optional	0	950
Storefront Property Rent	Optional	1250	3500
POS System	Optional	0	1200

Table 1: Retail Business Expenses

There are a few key costs associated with forming the business entity, such as the setting up of an LLC and getting trademarks, copyrights, and patents sorted.

Business Formation Fees

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Set up business: LLC & Corporations	Required	50	500
Small Business Insurance	Recommended	500	2000
Permit and License Fees	Optional	50	700
Lawyer Fees	Optional	0	1500

Table 2: Business Formation Fees

Software and technology can help you grow your business, and save you from expensive personnel costs. The software can help you save time and automate certain parts of the business, so you can focus on the most important matters.

Software Expenses

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Customer Relationship Management	Recommended	12	300
Accounting & Invoicing Software	Recommended	0	50
Email marketing tool	Recommended	0	100
Internal Communication Tool	Recommended	0	20
IT Support	Optional	150	2000
Payroll Software	Optional	0	200
Social Media Management Tools	Optional	0	50

Table 3: Software Expenses

Employer & Freelance Expenses

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Payroll Costs and Fees	Optional	150	250
Employee Hiring Expenses	Optional	1	2

Table 4: Employer & Freelance Expenses

The creation of a website for Coral Art is important for easy access for customers just like any other business. The NFT marketplace website is becoming important platform for artists, painters, designers, art lovers, and auctioneers. It has opened new opportunities especially when the museum and gallery doors are closed from arranging in-house artwork selling and auctioning.

Website Costs

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Domain Name	Required	12	200
Website Hosting Costs	Required	0	300
Website Builder	Recommended	10	500
Business Email Hosting Service	Recommended	1	15
Web Designer	Optional	200	6000

Table 5: Website Costs

Advertising & Marketing Costs

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Business Cards	Optional	0	50
Business Signage	Optional	75	2486
Direct Campaigns, Printing and Mailing	Optional	0	300
Press	Optional	0	500
Google Ads	Optional	0	300
Facebook, Twitter & Instagram Ads	Optional	0	350

Table 6: Advertising & Marketing Costs

Office Space Expenses

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
WIFI & Internet	Optional	0	100

Table 7: Office Space Expenses

Specific Industry/ Miscellaneous Expenses

COST	REQUIREMENT	Estimated MINIMUM COST (USD)	Estimated MAXIMUM COST (USD)
Online Marketplace	Optional	0	500

Table 8: Specific Industry/ Miscellaneous Expenses

Investment Analysis

The business for Coral Art is in its formative years. Hence there is not much of an injection of capital in its startup. Most of the advertisements are by word of mouth and social media tools like Facebook, Instagram and Twitter. For the start, Coral Art is going with a lower budget of about USD 500 in the creation of the online marketplace. With revenue streaming in, the above budget structures would be put in place to meet the growing demand.

Break-even analysis is conducted to determine the viability of the NFT art business by Coral Art. This stage of in-between profit and expense is the stage when revenues equal costs. Once the Break-even Point (BEP) has been identified, assess all the costs are assessed from rent to labor to pricing structure to ensure you're not spending any unnecessary money. Coral Art seeks to dominate globally in the trading of NFT arts on its online market platform. It estimates that for developed economies like Spain, the number of years to reach the break-even point would be much shorter than as compared to developing economies like Iran, where it could take at most three (3) years to achieve BEP and reach profitability.

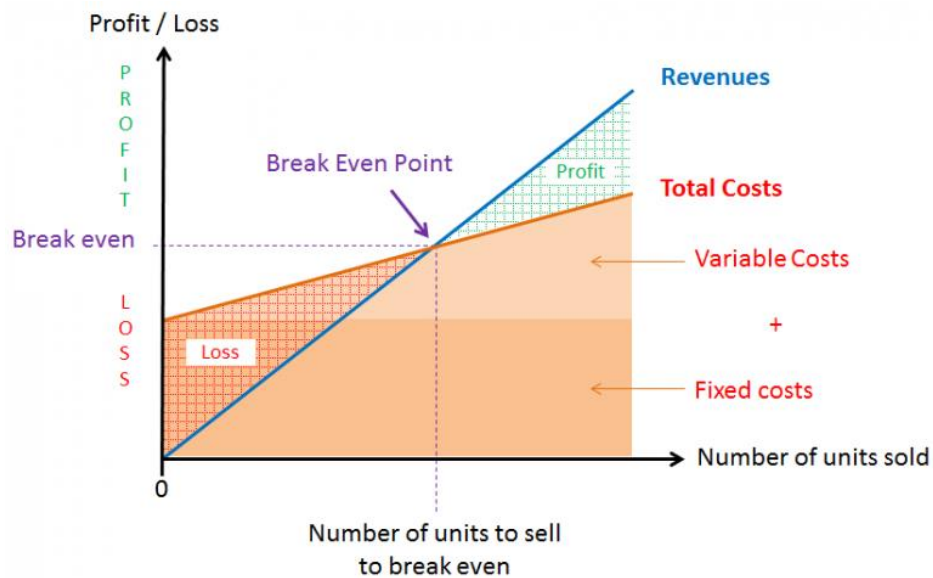


Figure 9: Illustration of Break-Even Point

5.6. Operational Plan

A company's operational plan involves a strategy to establish, expand or improve the day-to-day processes and practices of a business. In most cases, operations include everything that a business does on a repeated basis to deliver products and services. For Coral Art, the operational plan is to adopt optimized operations, expand and improve in order to build competitive advantages as well as cutting costs and generating new revenue. The operational plan of the company involves the following and not limited to:

- The core staff of the Coral Art, even though are well versed in computing will continue to have their skills sharpened to meet market demands.
- The platform for Coral Art will also be protected from cyber threats as well as identify potential cyber fraudsters.
- Coral Art will also organize seminars for potential investors in future to see the need to invest in NFT art and the rewards associated. In this way, the financial strength of the company will grow with time as the company becomes bigger.
- As the company grows in size and revenue, more technical personnel with computing experience and the right expertise would be brought on board.
- The company will also adapt to the different trends in the NFT art space especially with emerging technologies by constantly surveying the market for new technology trends with regards to NFT and related markets.
- Again, the legislature put in place by regulatory bodies concerning NFT art online marketplaces will be closely monitored for new developments to help Coral Art stay in business.
- The core staff of the business will remain as head of the various teams in the event of company expansion. Efforts will also be made to ensure that the website and digital platforms created for Coral Art will be strengthened and made more interactive and easier for use by consumers.
- The startups in Spain and Iran will be maintained and more locations will be added as the company grows. There are over a thousand types of art genres in practice and Coral Art will explore which of these art genres are popular with consumers.
- As a business, Coral Art will constantly be on the lookout for age groups, and countries pursuing digitization agendas to set up businesses. Legal drafts surrounding NFT arts will be assessed way before they are passed to sustain the business.

5.7. Structure and Human Resources Plan

The process of creating an NFT team for Coral Art demands a lot of dreaming and innovation as well as the art of selling and engaging. For any NFT enterprise, the core roles include product marketing managers, community managers, software engineers, and the founder. For Coral Art, the early stages of the business have seen the team comprising of the founder, a blockchain specialist and a digital developer. Smaller teams between 1 and 3 teammates work best when first launching an NFT project due to financial limitations and the necessary communication to deliver on roadmap promises properly. In addition, a flat organization structure allows for quick feedback loops and the ability to pivot or adjust when necessary. However, when the NFT project starts to evolve and grow, it's essential to increase the number of teammates to 4 to 6 and switch to a hierarchical organization when scaling and that is the plan Coral Art seeks to adopt.

Some key roles to fill for Coral Art in the foreseeable future includes the Seller (Product Manager/Strategist/Marketer) who is responsible for promoting the NFT project to new audiences via multiple channels. There is also the Engager (Community Manager/Social Media Manager/Event Coordinator) who is responsible for fostering a growing community that's valuable and welcoming to newcomers while introducing exclusive events both in the physical and digital world.

The third role is the Maker (Artist/Graphic Designer/Illustrator/Animator/Developers) who is responsible for creating, building, and making different artwork assets, both physical or digital, like collectibles, merchandise, NFT websites, etc., worth investing in for the long run. These individuals help make each non-fungible token unique and visually tell a story or capture a message, and lastly the dreamer (Founder/Owner/Investor) who is also responsible for the NFT project providing a clear vision to work towards, leadership both within the team and out. Owners also provide and assist in securing the financial investment necessary for the NFT project and handle the critical decisions necessary to keep the team moving forward.

Coral Art is in its formative stages hence the entire organisational chart and the various internal managing procedures are done by the CEO, the blockchain specialist and the digital developer who make sure that all the necessary tasks are completed successfully. At the start of this business, wearing multiple hats is necessary when working on a small, agile team. Some roles need to be combined since they require similar skill sets. For instance, for Coral Art, the digital developer doubles as a graphic designer and may undertake product marketing manager-

related tasks. The blockchain developer may also serve as a community manager and also undertake social media manager-related tasks. The CEO or founder, is tasked with ensuring that there is financial backing for the business.

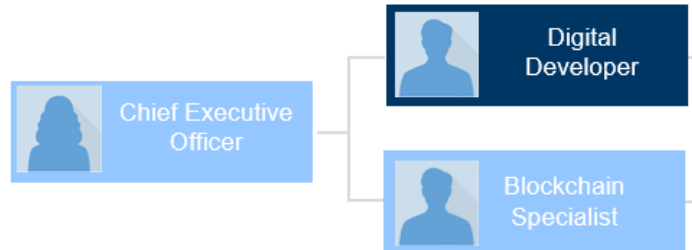


Figure 10: Organisational Chart. Author Representation

Coral Art, as an online NFT art marketplace, is targeting to go through three phases of organisational structure with regards to its operations. The current structure, which is a Lean Start-Up (Starter NFT Team) involves the following three roles: Product manager, Graphic Designer, and Founder/Owner. The second structure, Coral Art hopes to evolve to is the Small Business with Outsourcing (Established NFT Team). In this structure, once Coral Art starts to grow, there is the financial backing, which can expand towards outsourcing necessary additions to the team and includes hiring an NFT development team, NFT marketing team, and hiring NFT influencers.

Table 9: Expected Human Resource Roles for Coral Art as it grows

NFT Team Roles	Responsibilities	When to Hire
Advisor	Helps to prevent mistakes and sets strategic goals for NFT project.	Before Launch
Animator	Makes art with motion and movement combining multiple images.	After Launch
Art Director	Sets creative vision and in charge of overall direction of NFT art work.	After Launch
Artist	Makes physical or digital artwork for sale using many methods.	Before Launch

Blockchain Builder	Codes smart contracts and introduces new features via roadmap.	Before Launch
Business Development	Connects with potential partners and promotes the NFT projects longevity.	After Launch
Community Manager	Manages all communities both physical and digital to engage the followers.	Before Launch
Graphic Designer	Creates all designs from logos, web page wireframes and design tokens.	Before Launch
Developer	Generalist who codes and programming language to accomplish goals.	Before Launch

5.8. Empirical Analysis

The research aim in this study is to design a model for predicting the art cryptocurrency (i.e., NFT_general) based on the most important cryptocurrencies. Since Bitcoin and Ethereum have the significant impacts on cryptocurrency market, therefore the data for three cryptocurrencies (i.e., BITCOIN, Ethereum and, NFT_general), is obtained from yahoo finance’s website in daily time series between 19/08/2020 to 06/04/2022 ($T = 425 \text{ days}$).

According to Figure 11, the first two components contain most of the information (i.e., 98%) of the data and then are used as Cryptocurrency Market Portfolio1 and 2 (i.e., CMP1 and CMP2).

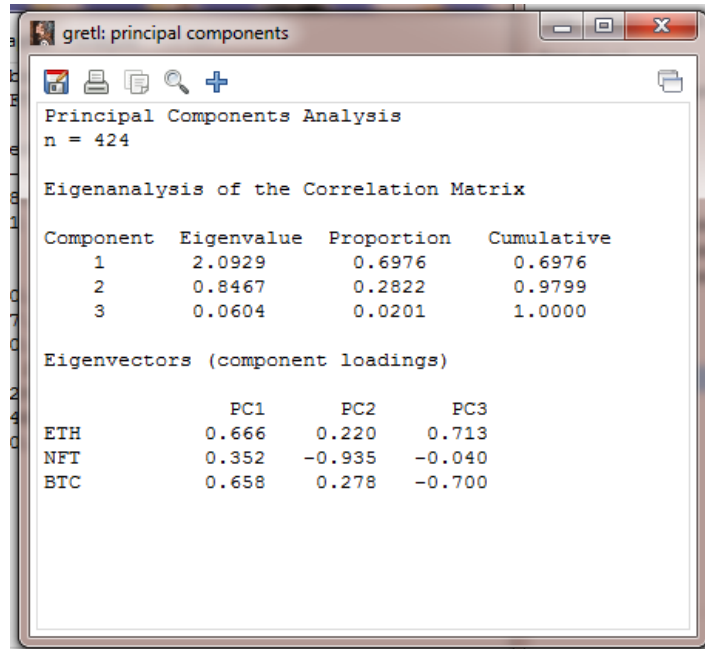


Figure 11: principal component results

The following model is used for linear regression of the NFT.

$$NFT = \beta_1 * CMP1 + \beta_2 * CMP2 + \alpha$$

Figure 12 shows the results obtained by Ordinary Least Squares (OLS) regression method to estimate the betas and constant values. Table 1 shows the results obtained by the OLS method as the linear model.

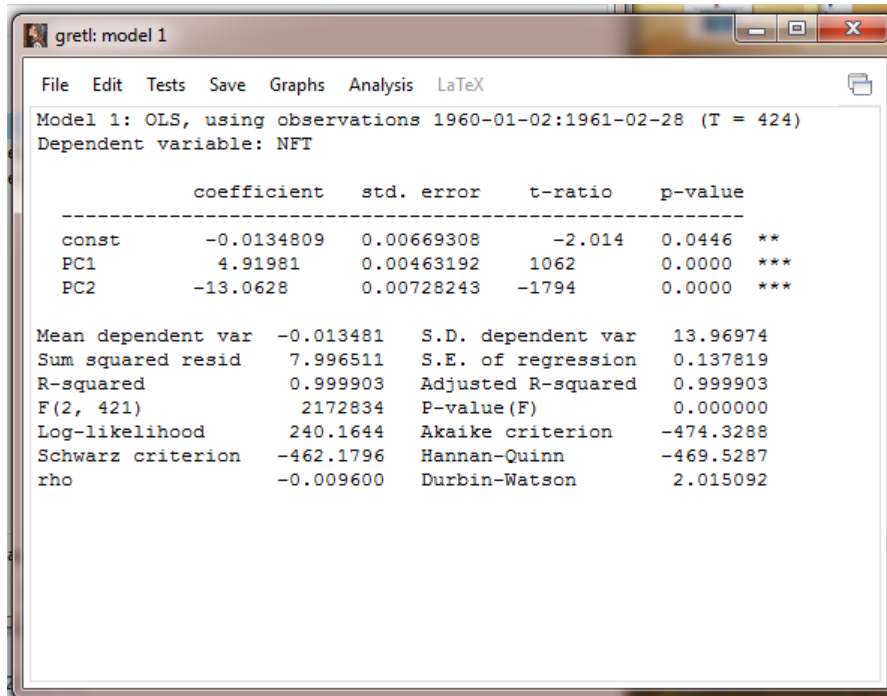


Figure 12 : Estimating the linear regression for NFT

NFT	$NFT = 4.91981 \cdot CMP1 - 13.0628 \cdot CMP2 - 0.0134809$
	S.T.D. (0.00463192) (0.00728243) (0.00669308)

Table 10 : the linear regression for NFT

A) To determine whether the betas equal to zero or not, the following null and alternative hypotheses are used. The betas equal to zero, shows that if independent variables change, their impacts on our dependent variable will not be significant and as a consequence our model is poor to predict the NFT values based on the changes in CMP1 and CMP2.

$$H_0: \beta = 0$$

$$H_1: \beta > 0 \text{ or } \beta < 0$$

The Z_test and critical value are calculated as follows:

$$Z_{test} = \frac{\hat{\beta} - \beta}{se(\hat{\beta})}, \text{ Critical}_{value} = Z_{0.05} = 1.64 \text{ or } -1.64$$

The tests for betas are as follows:

$$Z_{test \text{ for } \beta_1} = 1062 > 1.64 \text{ then reject } H_0$$

$$Z_{test \text{ for } \beta_2} = -1794 < -1.64 \text{ then reject } H_0$$

Conclusion: the results show that all the betas do not equal to zero and consequently it is good for our model.

The same null and alternative hypotheses are assumed for α . Therefore, the test is as follows:

$$Z_{test \text{ for } \alpha} = -2.014 < -1.64 \text{ then reject } H_0$$

B) To test whether our cryptocurrency is more or less volatile than the market, the following tests are considered:

$$H_0: \beta = 1$$

$$H_1: \beta > 1 \text{ or } \beta < 1$$

The Z_test and critical value are calculated as follows:

$$Z_{test} = \frac{\hat{\beta} - \beta}{se(\hat{\beta})}, \text{ Critical}_{value} = Z_{0.05} = 1.64 \text{ or } -1.64$$

The test for betas is as follows:

$$Z_{test \text{ for } \beta_1} = 846.26 > 1.64 \text{ then reject } H_0$$

$$Z_{test \text{ for } \beta_2} = -1656.43 < -1.64 \text{ then reject } H_0$$

C) The confidence interval for the betas can be obtained as follow:

$$\beta = \left[\hat{\beta} - Z_{\frac{\alpha}{2}} \cdot se(\hat{\beta}), \quad \hat{\beta} + Z_{\frac{\alpha}{2}} \cdot se(\hat{\beta}) \right]$$

The significant level (α) is assumed to 0.32, and $\frac{\alpha}{2}$ is equal to 0.16

$$\beta = [\hat{\beta} - Z_{0.16} \cdot se(\hat{\beta}), \quad \hat{\beta} + Z_{0.16} \cdot se(\hat{\beta})]$$

For the Cryptocurrency, we have the following interval for batas ($Z_{0.16}=0.9944$)

$$\beta_1 = [4.915204, \quad 4.924416]$$

$$\beta_2 = [-13.07, -13.0556]$$

D) RESET test (Test for misspecification in the models)

For the RESET test we have the following null and alternative hypotheses:

$$y_t = \beta_1 + \beta_2 \cdot x_{1t} + \beta_3 \cdot x_{2t} + \beta_4 \cdot \hat{y}_t^2 + \beta_5 \cdot \hat{y}_t^3 + \varepsilon_t$$

$$H_0: \beta_4 = \beta_5 = 0$$

$$H_1: \text{at least one } (\beta_4 \text{ or } \beta_5) \neq 0$$

The test is as follows:

$$F_{test} = \frac{RSS_r - RSS_{ur}}{RSS_{ur}} * \frac{T - 5}{2}$$

Where, the Restricted RSSr is obtained from the following regression

$$y_t = \beta_1 + \beta_2 \cdot x_{1t} + \beta_3 \cdot x_{2t}$$

And unrestricted RSSur is obtained from the following regression

$$y_t = \beta_1 + \beta_2 \cdot x_{1t} + \beta_3 \cdot x_{2t} + \beta_4 \cdot \hat{y}_t^2 + \beta_5 \cdot \hat{y}_t^3 + \varepsilon_t$$

The critical value is $F_{0.05,2,T-5} = F_{0.05,2,420} = 3.0172$. For the Cryptocurrency, we have,

$$F_{test} = \frac{RSS_r - RSS_{ur}}{RSS_{ur}} * \frac{T - 5}{2} = \frac{7.996511 - 7.840668}{7.840668} * \frac{425 - 5}{2} = 4.17401 > 3.0172 \quad \text{then reject } H_0$$

In the following, the results obtained by the OLS method for RESET test are as follows:

(Figure 13)

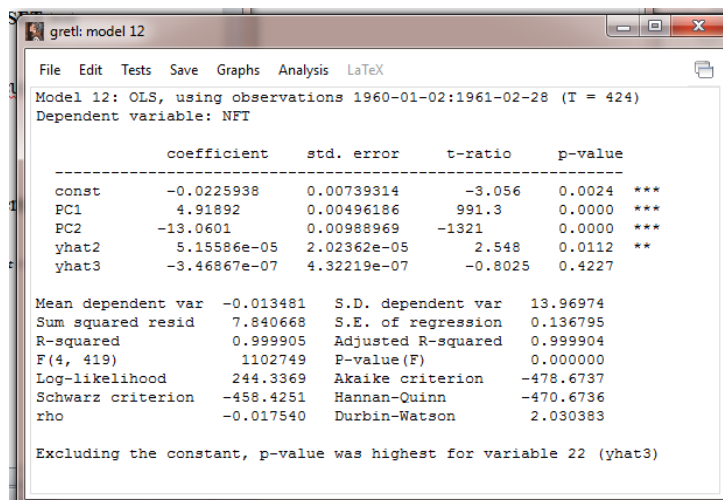


Figure 13 : Estimating linear regression for NFT for RESET test

Conclusion: our Cryptocurrency suffers from Nonlinearity & the linear model is not good for it.

E) Breusch-Godfrey autocorrelation test

For the autocorrelation test we have the following null and alternative hypotheses:

$$y_t = \beta_1 + \beta_2 \cdot x_{1t} + \beta_3 \cdot x_{2t}$$

$$\varepsilon_t = \rho_1 \varepsilon_{t-1} + \rho_2 \varepsilon_{t-2} + \rho_3 \varepsilon_{t-3} + \rho_4 \varepsilon_{t-4} + \rho_5 \varepsilon_{t-5} + \rho_6 \varepsilon_{t-6} + \rho_7 \varepsilon_{t-7} + v_t$$

$$H_0: \rho_1 = \rho_2 = \rho_3 = \rho_4 = \rho_5 = \rho_6 = \rho_7 = 0$$

$$H_1: \text{at least one } (\rho_j, j = 1, \dots, 7) \neq 0$$

The test is as follows:

$$\chi^2_{test} = (T - k) * R^2_{aux}$$

Where R^2_{aux} is R-squared for the auxiliary regression,

$$\hat{\varepsilon}_t = \rho_1 \hat{\varepsilon}_{t-1} + \rho_2 \hat{\varepsilon}_{t-2} + \rho_3 \hat{\varepsilon}_{t-3} + \rho_4 \hat{\varepsilon}_{t-4} + \rho_5 \hat{\varepsilon}_{t-5} + \rho_6 \hat{\varepsilon}_{t-6} + \rho_7 \hat{\varepsilon}_{t-7} + v_t$$

The critical value is $\chi^2_{0.05,k} = \chi^2_{0.05,7} = 14.0671$

$$\chi^2_{test} = (T - k) * R^2_{aux} = (425 - 7) * 0.018087 = 7.560366 < 14.0671 \text{ then accept } H_0$$

In the following, the results obtained by the OLS method for auxiliary regression are as follows: (Figure 14)

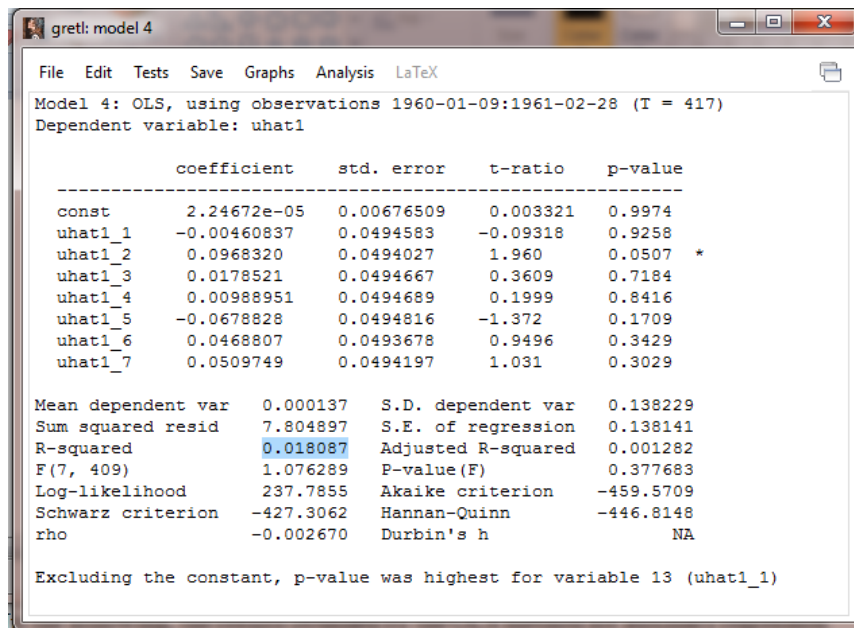


Figure 14 : Autocorelation Test

Conclusion: the test tells us our Cryptocurrency doesn't suffer from autocorrelation.

F) Implement the White heteroskedasticity test:

For the heteroskedasticity test we have the following null and alternative hypotheses:

$$y_t = \beta_1 + \beta_2 \cdot x_{1t} + \beta_3 \cdot x_{2t}$$

$$\hat{\epsilon}_t^2 = a_1 + a_2 x_{1t} + a_3 x_{1t}^2 + a_4 x_{2t} + a_5 x_{2t}^2 + a_6 * x_{1t} * x_{2t} + v_t$$

$$H_0: a_2 = a_3 = a_4 = a_5 = a_6 = 0$$

$$H_1: \text{at least one } (a_2 \text{ or } a_3 \text{ or } a_4 \text{ or } a_5 \text{ or } a_6) \neq 0$$

The test is as follows:

$$\chi^2_{test} = T * R^2_{aux}$$

Where R^2_{aux} is R-squared for the auxiliary regression

$$\hat{\epsilon}_t^2 = a_1 + a_2 x_{1t} + a_3 x_{1t}^2 + a_4 x_{2t} + a_5 x_{2t}^2 + a_6 * x_{1t} * x_{2t} + v_t$$

The critical value is $\chi^2_{0.05,5} = \chi^2_{0.05,5} = 11.0705$

$$\chi^2_{test} = T * R^2_{aux} = 425 * 0.068421 = 29.07893 > 11.0705 \text{ then reject } H_0$$

In the following, the results obtained by the OLS method for auxiliary regression are as follows: (Figure 15) .

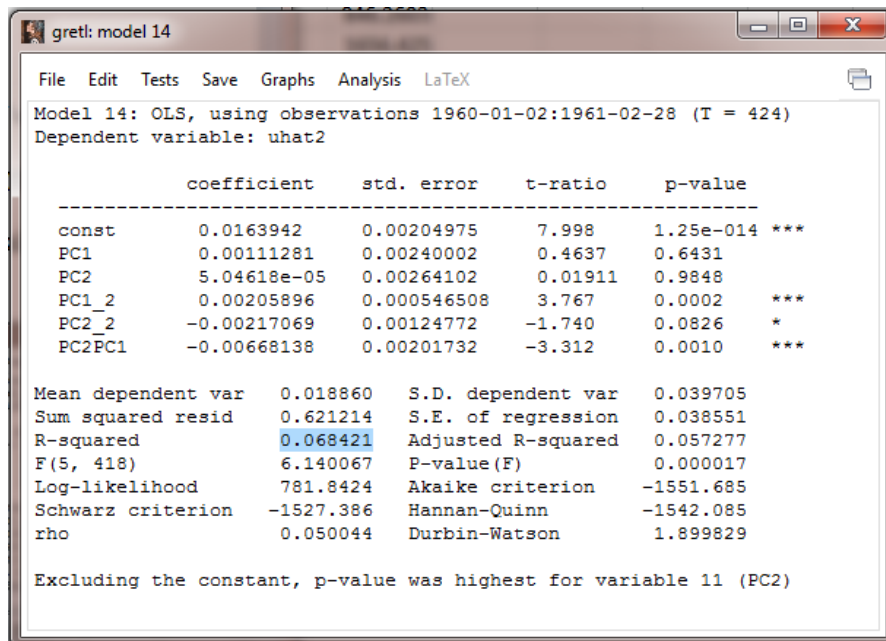


Figure 15 : Estimating the linear regression for auxiliary regression

Conclusion: for the Cryptocurrency we have heteroskedasticity.

6. Financial Analysis

The conduction of financial analysis not only helps to understand a company's financial condition, but also assists in determining its creditworthiness, profitability and ability to generate wealth. A proper financial analysis also provides a more in-depth look at how well the company operates internally. Such insight can help businesses improve their profitability, cash flow, and value. More specifically, financial statements provide a snapshot of a corporation's financial health at a particular point in time, giving insight into its performance, operations, cash flow, and overall conditions. Shareholders need financial statements to make informed decisions about their equity investments, especially when it comes time to vote on corporate matters. In this section, the financial goals of the company are well laid out, with future projections and a break-even analysis simulated.

6.1. Financial Background

The company is in its formative years and is expected that the first set of income generated is by word of mouth. With a starting human strength of just three people, it is expected that salaries and remuneration take a chunk of the company's annual profits. From this staff strength, an initial amount of EUR 1300 has been raised. However, an extra EUR 60000 is needed to obtain a total capital investment of EUR 61500 to commence operations.

6.2. Initial Investments

The biggest initial investment for Coral Art, as an online marketplace, is no further than a robust ICT structure. Thus, it is expected that the bulk of the initial startup funds resides in developing a strong ICT infrastructure and support system. Even though initial businesses are expected to be conducted via word of mouth, funds are expected to be allocated to email marketing, internal communication and social media management tools.

In this early year, payments involving three employees and fewer customers can be easily managed. However, a growing clientele and increase in employee number will demand the addition of an accounting and an invoicing software as well as a payroll software to make operations organized and easier. Even though, this will be implemented not on the onset, it has been factored in the initial startup costs as the management of Coral Art would not want to be overburdened with sudden rising numbers in client participation on the online marketplace resulting in growing employee numbers. Overall, the loan secured from the Bank (in this study, Caixa Bank) amounts to EUR 60000, with an interest rate of 3.90% for a return period of six (6) years (CaixaBank 2020). Annual loan repayment is reflected in Table 12.

Table 11 :Initial Investments

INVESTMENT	PRICE (€)
STARTUP INVESTMENT COSTS	
ICT Support and Infrastructure	2200.00
Email marketing tool	500.00
Internal Communication Tool	160.00
Social Media Management & Adverts	1600.00
DEFERRED COSTS (FIRST YEAR)	
Accounting & Invoicing Software	840.00
Payroll Software	200.00
TOTAL	5500.00

Payment	Beginning Balance	Scheduled Payments(€)	Principal (€)	Interest (€)	Ending Balance (€)
1	60,000.00	11,408.48	9,068.48	2,340.00	50,931.52
2	50,931.52	11,408.48	9,422.15	1,986.33	41,509.37
3	41,509.37	11,408.48	9,789.61	1,618.87	31,719.75
4	31,719.75	11,408.48	10,171.41	1,237.07	21,548.34
5	21,548.34	11,408.48	10,568.09	840.39	10,980.25
6	10,980.25	11,408.48	10,980.25	428.23	0.00

Table 12 :Annual Loan Repayment

6.3. Incomes and Expenses Analysis

The analysis of the income statement involves comparing the different line items within a statement, as well as following trend lines of individual line items over multiple periods. This analysis is used to understand the cost structure of a business and its ability to earn a profit. A proper analysis of the income statement includes the activities noted below. Expense analysis is a vital skill for any business owner. To ensure the longevity of your business, you must know where all your money is disappearing. Keeping an eye on your balance sheet will help to keep your expenses in check overall.

6.3.1. Projected Income Generation

Coral Art projects to accrue income from a number of sources chief among them the online market place transactions where it is expected that for every sale there should be a 2.5% service charge. It is also estimated that the company’s total sales will experience a 15% growth year-on-year till the sixth year. All units displayed in Table 6.3 are projected for the entire fiscal year of Coral Art, although it may change based on supply and demand.

Table 13:Revenue Generation

Product	Cost Price	Selling Price	Profit	Profit (all units)	Profit Margin	Units	TOTAL SALES					
							Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Online Marketplace Transactions	30	1000	970	97000	97	100	100000	130000	170000	190000	230000	270000
NFT art ebook	10	30	20	2000	67	50	1500	1900	2300	2700	3500	4500
NFT art online magazines and newsletters	10	50	40	4000	80	70	3500	4025	4550	5075	6000	7200
NFT art wearables	30	200	170	17000	85	50	10000	30000	45000	60000	73000	80000
NFT art online courses	10	100	90	9000	90	20	2000	3000	2700	4200	5900	7100
NFT art mobile application	10	20	10	1000	50	50	1000	1900	2500	2900	3900	4800
TOTAL	100	1400	1300	130000	469	340	118000	170825	227050	264875	322300	373600

6.3.2. Projected Expenses

For a business such as Coral Art, the expected expenses are quite many involving retail business, the business formation, software, and website costs. First and foremost, the retail expenses are related to costs involving print toners, stationery, and papers concerning the business. Since the business is in its infancy, there is expected to be little or no costs. However, just like business, there must be a proper business address in the place of a property rent. Together, all the auxiliary expenses are in the Tables 13, 14, 15 and 16. amount to EUR 5,500. However, majority of the expenses are used in the payment of the employees (3 in number) which is expected to be well above the Spanish minimum wage.

Table 14 :Retail Business Expenses

COST	Estimated COST (€)
Utilities	100
Property Rent	2000

Another expense considered is the formation of the business which involve key costs associated with forming the business entity, such as the setting up of an LLC and getting trademarks, copyrights, and patents sorted.

Table 15 : Business Formation Fees

COST	Estimated MINIMUM COST (€)
Set up business: LLC & Corporations	50
Small Business Insurance	100
Patent Fees	500
Legal Fees	1000
Taxes	500

Like all other businesses, software and technology is integral in growing any business even regarding online marketplaces. For Coral Art, the use of software is essential in saving time and automating certain parts of the business.

Table 16:Software Expenses

COST	Estimated MINIMUM COST (€)
Customer Relationship Management	50
Accounting & Invoicing Software	50
Email marketing tool	50
Internal Communication Tool	50
IT Support	850
Payroll Software	50
Social Media Management Tools	50

COST	Estimated MINIMUM COST (€)
Domain Name	50
Website Hosting Costs	50

Table 17 :Website Costs

6.3.3. Break-Even Analysis

The Break-even Point (BEP) represents the relationship between cost volume and profits at various levels of activity, with an emphasis placed on the break-even point. This point is where the business receives neither a profit nor a loss, when total money received from sales is equal to total money spent to produce the items for sale.

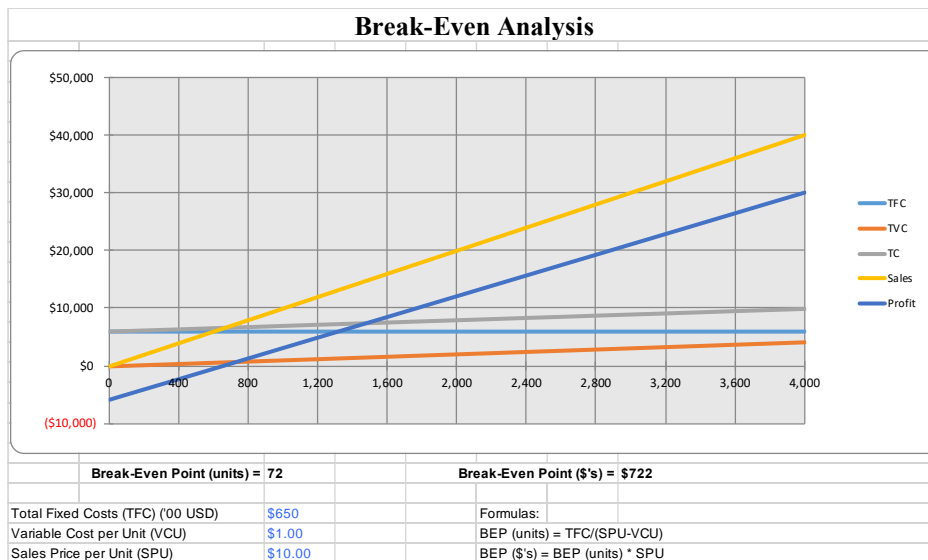


Figure 16 :Break-Even Analysis for Coral Art

Furthermore, BEP provides a more visual way of assessing Coral Art’s revenues, costs, profit and loss at different levels of the company’s output. Simply put, BEP, also termed as the cost volume profit analysis, is a vital financial metric that helps business owners determine what needs to be done to recover the original investment. With a total capital investment of EUR 61,500 (USD 65,000) with EUR 1500 being self-funded and EUR 60,000 being a loan, it is observed that the break-even point units is in the region of USD 7,222 with USD 72,222 being the Break-Even Point.

6.3.4. Profit and Loss and Balance Sheet

A profit and loss, or P&L, forecast projects just how much money by selling products or services, the company obtains and how much profit is made from these sales. In favorable times, the company uses it to ensure that there will be enough money coming in to exceed the costs of providing the goods and services in order to make a solid profit. In tough times, the company’s P&L can play an essential role in showing what kind of a plan is needed to return to break even, so the business is be able to survive.

Employee Expenses		
Number	3	
Monthly	1500	EUR
social Security	465	EUR
Annual	12	months
Annual	70740	EUR

Table 18:Employee Expenses

Table 19: Profit and Loss Estimations for Coral Art

Annual Profit and Loss Statement (€)	Coral Art					
	2022	2023	2024	2025	2026	2027
Gross Sales	118000	170825	227050	264875	322300	373600
Total revenue	118000	170825	227050	264875	322300	373600
Cost of Goods Sold (COGS)	10000	15000	20000	25000	30000	35000
Gross Profit	108000	155825	207050	239875	292300	338600
Expenses						
Employees' expense	70740	102408.1398	136114.6	158790.3178	193216.1186	223970.0339
General Expenses	5500	10000	15000	20000	25000	25000
Total expenses	76240	112408.1398	151114.6	178790.3178	218216.1186	248970.0339
Earnings before Interest, tax and Depreciation and Amortization (EBITDA)	31760	43416.86017	55935.45	61084.6822	74083.88136	89629.9661
Depreciation and Amortization	1000	2000	2500	3000	3500	3500
Earnings before Interest and Tax	30760	41416.86017	53435.45	58084.6822	70583.88136	86129.9661
Interest Expense	2340	1986.329278	1618.865	1237.070426	840.3854508	428.2297613
Earnings before tax	28420	39430.53089	51816.58	56847.61178	69743.49591	85701.73634
Income taxes	7105	9858	12954	14212	17436	21425
Net Earnings	21315	29573	38862	42636	52308	64276

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Table 20 :Balance Sheet for Coral Art

(Placeholder1)[Coral Art]		Balance Sheet	
Assets		2022	2023
Current Assets		EUR	
	Cash	61,500.00	70,725.00
	Accounts receivable		
	Inventory		
	Prepaid expenses		
	Short-term investments		
	Total current assets	61,500.00	70,725.00
	Total assets	61,500.00	70,725.00
Liabilities and Owner's Equity			
Current Liabilities		EUR	
	Accounts payable		
	Short-term loans	9,068.48	9,422.15
	Income taxes payable	-	
	Accrued salaries and wages		
	Unearned revenue		
	Current portion of long-term debt		
	Total current liabilities	9,068.48	9,422.15
Long-Term Liabilities		EUR	
	Long-term debt	50,931.52	41,509.37
	Deferred income tax		
	Other		
	Total long-term liabilities	50,931.52	41,509.37
	Total Liabilities	60,000.00	50,931.52
Owner's Equity		EUR	
	Retained earnings		
	Owner's equity	1,500.00	19,793.48
	Total owner's equity	1,500.00	19,793.48
Total Liabilities and Owner's Equity		61,500.00	70,725.00

In Table 19, the profit and loss margins for Coral Art is depicted. The balance sheet of the company is also illustrated in Table 6.9 and is drafted for the next two years. Balance sheets help current and potential investors better understand where their funding will go and what they can expect to receive in the future. Investors appreciate businesses with high cash assets, as this insinuates a company will grow and prosper.

7. Operational Plan

The foundation of modern businesses is embedded in technology, and Coral Art intends to fully capitalize and make gains. Non-fungible tokens (NFTs) is a burgeoning technology which raked in over \$10 billion transacted in the third quarter of 2021 alone. To ensure that Coral Art gain in on enough revenue, the operational plan is set to put in measures to ensure business sustainability and some of the measures are outline below.

1. The core staff of the Coral Art, even though are well versed in computing will continue to have their skills sharpened to meet market demands.
2. The platform for Coral Art will also be protected from cyber threats as well as identify potential cyber fraudsters.
3. Coral Art will also organize seminars for potential investors in future to see the need to invest in NFT art and the rewards associated. In this way, the financial strength of the company will grow with time as the company becomes bigger. As the company grows in size and revenue, more technical personnel with computing experience and the right expertise would be brought on board.
4. The company will also adapt to the different trends in the NFT art space especially with emerging technologies by constantly surveying the market for new technology trends with regards to NFT and related markets.
5. Again, the legislature put in place by regulatory bodies concerning NFT art online marketplaces will be closely monitored for new developments to help Coral Art stay in business.
6. The core staff of the business will remain as head of the various teams in the event of company expansion.
7. Efforts will also be made to ensure that the website and digital platforms created for Coral Art will be strengthened and made more interactive and easier for use by consumers.

8. The startups in Spain and Iran will be maintained and more locations will be added as the company grows. There are over a thousand types of art genres in practice and Coral Art will explore which of these art genres are popular with consumers.
9. As a business, Coral Art will constantly be on the lookout for age groups, and countries pursuing digitization agendas to set up businesses.
10. Finally, legal drafts and modern legislation surrounding NFT arts will be assessed way before they are passed to sustain the business.

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