

Software Agents and Electronic Commerce

CS486-21

Business Plans

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21-0: Value Proposition

- The value proposition defines how a business will meet customers' needs.
- Why should/will customers buy from your business?
- Do you provide a new service, a better deal, or a new combination of services?
- Difficulty answering this indicates that it may be tough to find business.

21-1: Revenue Model

- Revenue is income - cash coming into your business.
- This should explain how your business will make money.
- Things to think about:
 - You need to make more than you spend, which means estimating expenses
 - You need to make enough to compensate for capital loans.

21-2: Types of Revenue Models

- Advertising. You offer free content/services, and charge advertisers for placement.
 - Returns depend upon traffic
 - Need to show that customers will have loyalty
- Subscription, You charge users a fee to access your content
 - Content must be worth paying for and hard to get elsewhere.
 - Example: Consumer Reports, stock quotes

21-3: Types of Revenue Models

- Transaction Fees. You create or enable a marketplace and take a percentage.
 - Examples: eBay, monster.com, eTrade.
 - Percentage taken must be small enough to not impact customer, but large enough to turn a profit.
- Sales Revenue. You sell directly to consumers or businesses.
 - Amazon, Doubleclick, consulting services.
- Affiliate Model. You steer business to a partner and are compensated by the partner. e.g. Travelocity.

21-4: Market Opportunity

- The market opportunity is your expected customers.
- Who will be interested in your product/service?
- Is the market segmented into niches?
- How large do you expect the market to be (both buyers and \$\$)?

21-5: Competitive Environment

- Competitive Environment is an assessment of your potential competitors.
- Things to consider:
 - How large are they?
 - How will you differentiate yourself?
 - How is the market currently divided? (One large player or many small players?)

21-6: Competitive Environment

- You should consider *direct competitors* (people selling the same thing) and *indirect competitors* (competing for a fixed resource)
 - An online bookstore's direct competitors are Barnes & Noble, Border's, etc.
 - A bookstore's indirect competitors are CDNow, movie theaters, amusement parks, and other businesses that compete for a consumer's entertainment dollar.

21-7: Competitive Advantage

- What will allow your business to succeed over the competition?
- Low costs, large resources
- Specialized Knowledge
- First Mover Advantage
- Access to specialized resources

21-8: Market Strategy

- How will you attract customers?
- Spam, advertising, word of mouth, bundling, partners
- Will you target a broad or a narrow customer base?
- How quickly do you want/need to grow?

21-9: Organizational Development

- How will your business be set up?
- Do you need layers of management, or will things be more informal?
- How many employees will you have?
- Will you have separate divisions for shipping, marketing, engineering, customer support, etc?
- Will employees be generalists, able to do many tasks, or specialists, who only have one job?

21-10: Management Team

- What sorts of skills will you want your managers to have?
- Finance, marketing, operations, etc.
- Do you want a strong outside presence, or do you plan to guide the business “in-house”? Size will play a role here.

21-11: Executive Summary

- This is the 'abstract' of your business plan
- Summarizes your ideas in a couple of pages
- Easy to read; lists, bullet points, tables are useful here.

21-12: Categorizing E-commerce Models by Sector

- B2C - Business to Consumer
- Most familiar - Amazon, Yahoo, NYT, etc.
- Business try to reach individual consumers
- Models include:
 - Portals (Yahoo, AOL, MSN, Slashdot)
 - Online retail (Amazon, Circuit City, etc)
 - Content Provider (Salon, NYT, ESPN)

21-13: Categorizing E-commerce Models by Sector

- B2C - Business to Consumer
- Models include:
 - Service Providers (Hotmail, AOL)
 - Transaction Broker (eTrade, Orbitz)
 - Market Creator (eBay, Priceline)
 - Community Creator (Well, AOL, Blogger)

21-14: Categorizing E-commerce Models by Sector

- B2B - Business to Business
- Businesses reach other businesses.
- Large, growing sector.
- Models include:
 - Marketplace/exchange (e-Steel.com)
 - Distribution/supply chains (Grainger)
 - Service Providers (Manpower)
 - Information Services (DoubleClick, NetNielsen)

21-15: Categorizing E-commerce Models by Sector

- C2C - Customer to Customer
- Connect Individuals Directly
- Nascent market - potential still being explored
- Models include:
 - Individual Buying/Selling (eBay, half.com)
 - File Sharing (Napster, KaZaa)
 - Community Formation (Well, Match.com, Everquest)

21-16: Mobile Commerce

- Mobile Commerce (M-commerce) is a hot new buzzword.
- Provide services over PDAs, cell phones.
- Challenge: how to make money?
 - Ads are difficult
 - Consumers are already paying for network access, so services must provide significant value.

21-17: Mobile Commerce

- Challenge: Heterogeneous technology
 - Have to manage different types of devices, displays.
 - Manage intermittent connections
 - low-power/computation applications.

21-18: Technological Issues

- Does your business have significant technological problems it must overcome?
- For example, preventing piracy, reliable delivery of content, usage tracking.
- If so, you should identify whether you plan to address these problems yourself, or use a third-party solution.
- You should also estimate the effectiveness of this solution.

21-19: Other Issues

- Be sure to consider real-world costs
 - Shipping, Delivery
 - Copyright, Royalties
 - System Maintenance
- Have a vision for your intended growth. 2 year, 5 year, 10 year.
- Enabling technology - what will you need to make your business succeed?
- Define your goals

21-20: Other Issues

- Exit Strategy.
- Potential investors may want to know how they will recoup their money. Some possibilities include:
 - Profit-sharing
 - IPO with buy options
 - Potential buyout by a larger firm.