

Business plan

Example Corporation Inc.

E-mail Marketing Service Software Development ASP market

All data in this businessplan have been changed. All the figures and year data as well as market locations have been changed. The figures market red in the financials have been changed and do not show any real figures. Example Corporation Inc. does not exist. The market data as well as the source of the market data has also been changed. The competitor analysis has also been changed and do not show the real situation on the market. All the red market figures, text and data are just examples and have to be changed. Please do consider that data, figures and text explanations could be wrong and do not in any case show the reality.

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1 EXECUTIVE SUMMARY

The company *Example Corporation Inc.* is a **US-based** company with its headquarter in _____, _____. It was founded as a corporation under the **US law** from members of the management in **January 2011**. The purpose of the company is the development and commercialization of e-mail marketing software and related services through an ASP-platform.

The management of the company has a good reputation in the market. They have professional track record and combine skills and experience from the software and marketing industry. Already half a year after funding *Example Corporation Inc.* has proven the concept with a good customer base and is recognized as the number one ASP for e-mail marketing services in the **US**.

Industry overview E-mail marketing has become the killer application in the online marketing industry. Because of the global down economy marketing budgets are often the first to be cut. Marketers therefore naturally turn to vehicles with higher, more measurable returns in attempt to make the most of their resources. E-mail is among the most measurable of all media and compared to other marketing activities less expensive. There is a need for precise calculation of response and optimization of marketing programs over time in order to maximize ROI. Therefore e-mail will become a mainstream marketing vehicle in the near future.

There is a definite trend of marketing budgets shifting from traditional media to online marketing. *Jupiter Communication* forecast an increase of the global online advertising budget to a total of 26.5 billion dollars until 2015 which equals an annual growth rate of 30 percent. The e-mail market industry itself will increase to a total volume of 9.3 billion dollars which is more than 15 percent of the worldwide direct mail market.

Business opportunity *Example Corporation* has the chance to become one of the leading ASP's for e-mail marketing services in _____. Through outsourcing their e-mail activities to *Example Corporation* marketers can benefit from a fast implementation of a ready to use and unique software which will satisfy their need for online marketing efficiency, higher customer response rates and for sustainable customer relationship management. Through access to *Example Corporation's* community platform companies can additionally gain new customers and increase their market share.

E-mail as an online communication tool is already well established throughout _____ whereas e-mail marketing services of big companies are still underdeveloped. The objective of the marketers to implement new efficient marketing vehicles in the near future is obvious. This window of opportunity in this market with high potential growth rates in the next few years will help *Example Corporation* to fast penetrate the **US market**.

Business model *Example Corporation Inc.* wants to penetrate the market through an ASP-model. The software will be licensed for the time of usage to the companies. Revenues will come from different sources: fix service fees for implementation and additional consulting provided, fix monthly fees for the usage of the software and variable transaction fees based on number of e-mail transactions of the companies. Further *Example Corporation* will generate revenues through renting high quality e-mail addresses coming from list brokers and other strategic partners.

Target market *Example Corporation* will focus on bigger companies with large customer base and high frequency of interactions with their customers within the financial, media and travel industry. Throughout their expansion they will leverage their experience and brand awareness into other high dense markets in _____. In order to gain reputation in the market and to develop value added services to the customers

Example Corporation Inc. will attract media companies, agencies and list brokers to its platform.

Vision and strategy The vision of **Example Corporation** is to become the leading e-mail marketing service company throughout _____. The generic strategy is to focus on specific industries with same characteristics, provide high quality and to create high entry barriers for competitors in these markets. The market entry and first expansion will take place through direct sales in _____ in order to get reputation and further brand awareness. The expansion strategy is to fast penetrate high dense but according to online marketing underdeveloped markets with high growth rates and speed for invention in _____.

Competitive advantages The competition could come from different industry players:

- online marketing companies or agencies willing to expand their business with e-mail services;
- direct mail companies trying to enter the online marketing service business;
- software companies who try to sell or license their application to different industries;
- list brokers and media companies who will sell their e-mail addresses to companies themselves;
- in-house implementation of e-mail services from companies.

Competitive advantages of **Example Corporation**:

- proprietary, ready to use software;
- combination of skills and knowledge of the software and the online marketing industry;
- clear customer focus, brand recognition, proof of concept in the market;
- offensive strategy into early markets with high growth potential;
- speed to market.

Status today **Example Corporation** is already present in the **US** market and has over fifteen license agreements with existing customers. The phase of implementation and the proof of concept in the market has been completed. The software has been tested and is proven to be successful. The management is now in the process of further establishing the **US** market, getting more reputation among the main marketers and planning the expansion into other markets in _____.

Management team Currently there are three key people in the management team who have all worked together for many years in the marketing industry. They combine experience and skills of the software and online marketing industry, they are aggressive and good in acquisition and willing to bring their business to a success.

Financial summary The management is trying to raise up to a total of **5 million USD**. This amount will help to further establish the home market _____ and to expand into international markets according to defined milestones. Break even for **Example Corporation** is expected to be reached in _____.

Income statement	2011	2012	2013	2014	2015
Sales	427'547	2'774'900	10'879'800	31'812'500	72'119'800
Gross Profit	384'477	2'402'900	8'290'180	20'266'410	41'015'740
EBIT	-706'078	329'439	2'668'577	13'105'627	33'470'277
Net income	-706'078	308'605	2'136'585	10'515'932	26'942'742
Free Cash Flow	-970'378	64'744	1'188'124	9'556'678	26'424'002
Net Asset Value	USD. 33'211'807				

2 COMPANY OVERVIEW

2.1 COMPANY BACKGROUND

Example Corporation Inc. is a **US-based** company with its headquarter in _____, _____. It was incorporated in **January 2011** from members of the management. The total share capital is divided into common shares with a nominal value of **USD 1.-**. The purpose of the company is the development and commercialization of e-mail marketing software and related services through an ASP-platform.

The management of the company have professional track record and combine skills and experience from the software and online marketing industry. They have worked together for many years and have proven success in the market with there past business activities. Already half a year after funding **Example Corporation** has a proof of concept in the market, generates revenues with a good customer base and is recognized as the number one ASP for e-mail marketing services in _____. In its early stage the management have been able to attract investors for a seed round financing which helped to finish the development of the software and to enter the **US market**.

2.2 CURRENT STATUS

Shareholders

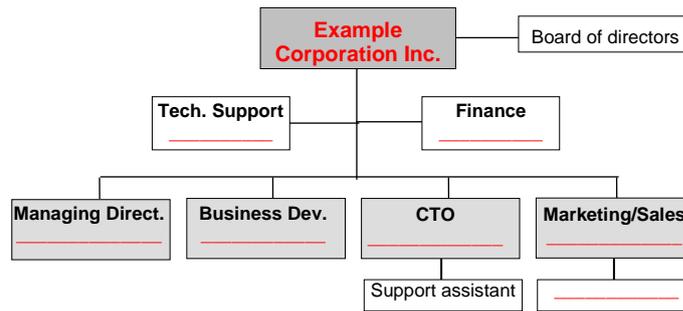
The main founder of the company is _____ who owns **52%** of the share capital. _____ and _____, both member of the management, have a share of each **4%** in the company. The remaining **40%** is owned by two early stage investors. After a capital increase in _____ the share capital today have a total nominal value of **USD _____** and is divided into common shares with a face value of **USD 1.-**.

Shareholders	share capital	agio	in %	base value
The founders total	100'000	0	60%	166'667
_____	86'666	0	52%	166'667
_____	6'667	0	4%	166'667
_____	6'667	0	4%	166'667
Seed investor total	66'667	566'666	40%	1'583'326
_____	56'667	481'666	34%	1'583'326
_____	10'000	85'000	6%	1'583'337
Total	166'667	566'666	100%	

Organization

Example Corporation started its operations in **January 2011**. It now has **5 full-time employees** and several part-time consultants working for the company. The current management team comprises of _____ (the founder), _____ (Managing director) and _____ (CTO). _____ supports sales and marketing activities. All bring a unique expertise, commitment and enthusiasm to the team.

_____, a professional trust company from _____, is in charge of the operational finance and accounting for **Example Corporation**. _____ and _____, both members of the board and early stage investors and **the founder** represent the company in strategic corporate finance and investors relation. The software development company _____ supports **Example Corporation** with technical support and software adaptations.



Executive members

Board of directors	_____, _____ (president) _____, _____, _____ _____, _____, _____
Executive audit	_____, _____
The founder	_____, _____

Product and Services The e-mail marketing software of **Example Corporation** has been developed, tested and is already operating in the market. The IT infrastructure is in place and software and hardware have successfully been tested. **Example Corporation** has already more than fifteen customers under agreement who have been working with **Example Corporation** for several months and have proven the success of the software platform.

Market development The management of **Example Corporation** have successfully introduced there services to the market. To date they have signed several agreements with strategic partners and customers. They are now in the process of further establishing the market in _____ and are planning to expand their business into international markets. For the market expansion strategic partners in different markets have already been selected and first contacts have shown interest for the product and services of **Example Corporation**.

2.3 FUTURE PLANS

Vision and objectives **Example Corporation** wants to become one of the leading e-mail service platforms in the _____ online marketing industry. **Example Corporation** will try to build awareness and confidence among the biggest marketers and will be regarded as a high quality services provider with the highest traffic and volume of quality customers data for e-mail marketing services.

Strategy The overall strategy is to focus on specific industries in underdeveloped market for e-mail marketing services, to provide high quality and to create high entry barriers for competitors in these markets.

As a start-up company it is important for **Example Corporation** to gain acceptance and brand awareness in the home market _____. Therefore fast penetration and strong acquisition focus are the main objectives in the start-up period.

After the proof of concept and break-even in the home market _____ **Example Corporation** want to expand into other selected markets in _____ with a focus on vertical industry segments.

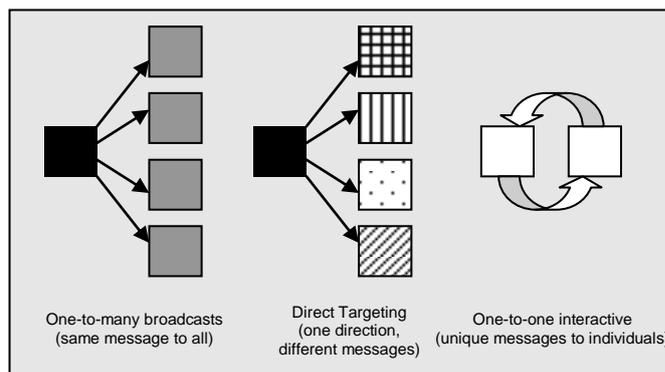
3 BASICS OF E-MAIL MARKETING

3.1 FROM MASS TO ONLINE MARKETING

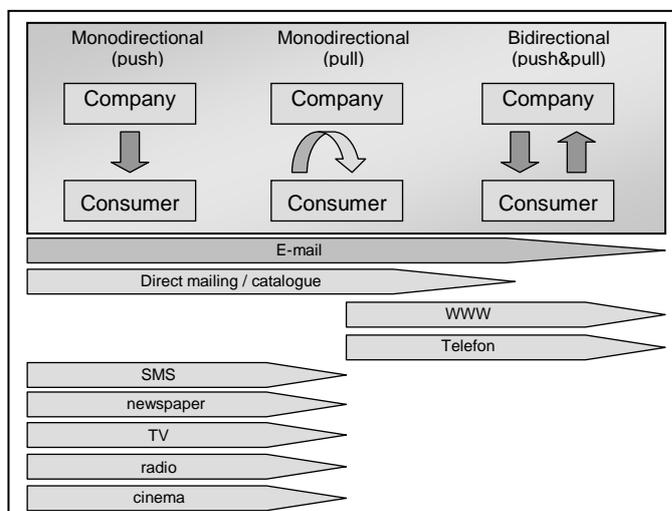
Difference between mass and online marketing

In order to recognize the potential behind the e-mail marketing concept it is essential to first understand the basic differences between mass, one- to-one and online marketing. Mass marketing companies use traditional media methods (like TV, broadcasting, print media) to reach the customer. It is a one-way (push) communication with the same message to all targeted customers without interaction, direct feedback or possibilities of personalization. In the one-to-one marketing (e.g. direct mail, catalogs) different messages is sent to direct targeted individual customers. It is still a one-way (push) communication but with different and customized messages. What is missing in both of these modes is a reverse flow of information from customers back to the marketer. Communication is direct but not interactive.

Online marketing uses the combination of technologies like Internet and e-mail and communication methods to build a one-to-one interactive dialogue with the customer. While most information still flows from the marketer to the customer, feedback and dialogue are possible.

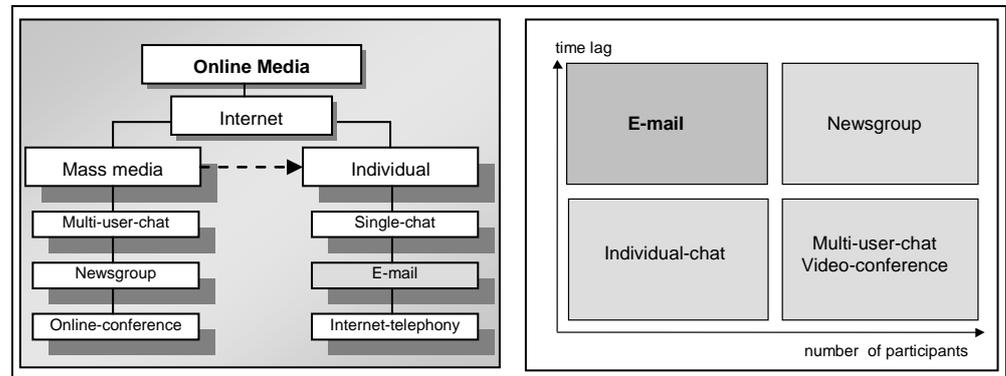


Communication methods and messages (source: Internet Marketing, 2011)



E-mail: the most flexible medium in marketing (source: E-mail marketing, 2011)

Positioning of e-mail The following graphs show the positioning of e-mail to other online communication methods. These new methods can be divided according to the number of participants and the time lag in the communication process.



Positioning of e-mail (source: Internet Marketing, 2011)

3.2 THE ADVANTAGES OF E-MAIL

E-mail is the most flexible and effective communication method for marketing activities. It supports a one-to-one, individual and personalized interactive communication with the client with a lot of advantages over other marketing vehicles. *New data* suggests that because of its efficiency, e-mail can provide greater impact at less cost than other media vehicles.

Cost efficiency

E-mail is very cost efficient. Compared to other marketing activities the cost of using e-mail to reach the customer is very low. Especially when companies want to reach a high amount of recipients the cost per each additional e-mail sent to customers decreases dramatically because of economies of scale. Compared to direct mail for example the cost of reaching additional target customers through e-mail is marginal and makes almost no difference to the marketing budget.

Effective targeting

The amount of the population using Internet and e-mail as communication method is increasing rapidly. Compared to television and radio (99%) Internet has still low household penetration of 54%. Yet it offers unprecedented capabilities for targeting the message, interacting with the customers and measuring results. Therefore e-mail has a great potential of reaching a high amount of target customers. For 96% of all internet user e-mail is the most important application (*eMarketer*). The *International Data Corp.* estimates that the amount of e-mail user will increase to 980 million worldwide until 2015. (for more market data see Appendix 11.2)

Fast, flexible and up-to-date

E-mails are very fast. Also a large amount of e-mail can be sent in no time to the recipients. This makes also updates or changes possible during marketing campaigns.

Interactivity

Through different possibilities of interaction with the clients marketers will get direct feedback and an overall high response rate. This direct response will help to measure the effectiveness and to improve the quality of the marketing campaign.

Trackability

One of the great benefits of smart e-mail is the ability to track it. Companies can tell who opens it, when they open it, what links they click, what polls they answer, and how they answer them. This data can then be saved in a profile of each individual.

With the right creative and the right e-mail list, e-mail can be the most well-targeted, cost-effective marketing vehicle. E-mail marketing far exceeds the effectiveness of other marketing vehicles and is comparable to direct mail. According to a survey of *e-dialog* e-mail is ranked as one of the top three most

effective marketing vehicles. Telemarketing, offline broadcast advertising, and Internet advertising received much lower rankings from the respondents.

Percent of respondents assigning effectiveness rank to vehicle				
	1st	2nd	3rd	Total
E-mail marketing	32%	30%	20%	82%
Direct mail	32%	29%	19%	80%
Other (e.g. events, sponsorships, etc.)	23%	18%	23%	64%
Telemarketing	17%	19%	17%	53%
Offline broadcast advertising (TV, radio, etc.)	17%	16%	16%	49%
Internet advertising (non-e-mail)	8%	17%	17%	42%

(source: e-dialog, 2011)

3.3 THE POTENTIAL USE OF E-MAIL AND OTHER RELATED SERVICES

E-mail

E-mail represents probably the most important new business communication technology since the introduction of the fax machine. It is extremely easy to use, very cost-effective and yet can be applied in a wide range of situations.

In its most basic form, e-mail consists of sending text messages from one point on the Internet to another. Although it is possible to send the same message to several recipients using what is called a cc (carbon copy) option, it is essentially one-to-one; because messages can be sent back by the recipient, it is clearly symmetric.

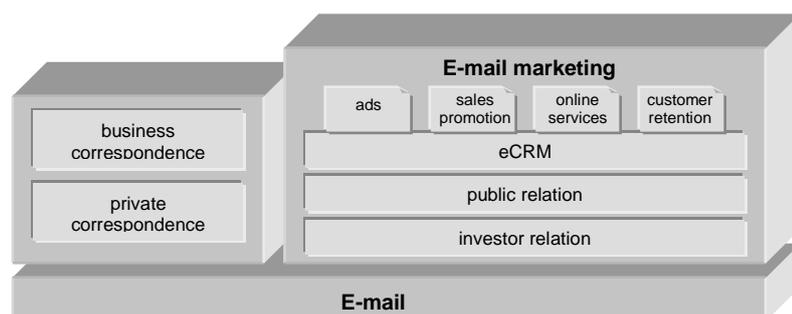
Since there is no inherent difference between bits representing letters and those storing images or a video, for example, it is possible to send illustrated documents, video clips, voice messages and computer files like spreadsheets and databases as e-mail, using what are known as attachments.

In practical terms, this means that an electronic file representing a multi-page, full-color brochure could be sent to the other side of the world for almost no cost and within seconds, even if there is no one there to receive it (because of different in time-zone). The message would simply be stored on an intermediate computer until the next time the recipient retrieved his or her e-mail. And, unlike a fax, reproduction will be perfect since an exact copy of the original electronic file is sent to the recipient. These and other kinds of e-mail messages can also be encrypted so as to prevent third parties from viewing their contents in transit.

Internet: one-to-one customer contact, direct feedback from customers, fast and easy transmission of complex documents for very low cost;

Intranets: direct access to all levels of corporate hierarchy, routine communication without telephone tag, searchable archive of messages;

Extranets: direct contact regardless time-zone, ready translation of messages.



Possible fields of e-mail marketing (source: E-mail marketing, 2011)

Signatures A signature is a standard text which can be attached to outgoing e-mails. The content of the text usually includes name, function and contact address of the sender whereas all different kind of information or hyperlinks could be included. This instrument is mainly used for a one-to-one communication in order to attract recipients to special offers or news about product and services.

Newsletters A newsletter is a special form of e-mail usage where news publications of companies are send periodically to a large amount of recipients. It is common to use this form when sending a marketing campaign to targeted clients. Compared to e-mails the message is normally not personalized and not individual.

Mailing lists The mailing list might seem to be just an extension of the e-mail idea: instead of sending a text message to one recipient, it is sent to many (one-to-many). But the ramifications of this shift are important. For example, the symmetry present in e-mail is lost: it is not generally practical for all of the recipients of mailing lists to respond to the individual sender. Instead, they will tend to reply to the mailing list as a whole: that is, messages are sent not so much to one person, as to the group.

It is this reason that mailing lists are considered here as community rather than conversation services: the members of the list define a group. This is an important point to note, because the Internet's abolition of geography means that workgroups, for example, need no longer be defined by their physical location. Instead, they can be created out of groups of physically distant individuals who are involved in a common task, linked in part by a dedicated mailing list. Similarly, micro-markets may be serviced by a company through a list designed specifically for its members.

Internet: direct mail campaigns, newsletters, regular product window;

Intranets: company updates, project information for teams;

Extranets: updates for partners, project information and status for cross-company teams.

3.4 SPECIAL CHARACTERISTICS OF E-MAIL MARKETING

Permission based Marketing The client base for an e-mail marketing campaign normally comes from existing clients who have given permission to the company to use their e-mail address in order to send further personalized information about products and services. To gain new customers companies often collect or rent ready-to-use e-mail lists from list brokers or media companies. The quality of an e-mail list remains the most important element in a successful e-mail campaign. The so called Spam (Spiced pork and meat) and other flavors of unsolicited commercial e-mail (UCE) or unsolicited bulk e-mails (UBE) threaten e-mail marketing's full development. For many interactive marketers, one solution to that threat is permission-based (also called opt-in) marketing. (for more data about cost per message and cost per sale of Spam e-mails compared to opt-in e-mails see Appendix 11.2)

Permission based marketing gives the customer the opportunity to decide whether to get any information about new campaigns or not. All further marketing activities are based on these permissions coming from the customer.

In order to get permission it exist different methodologies:

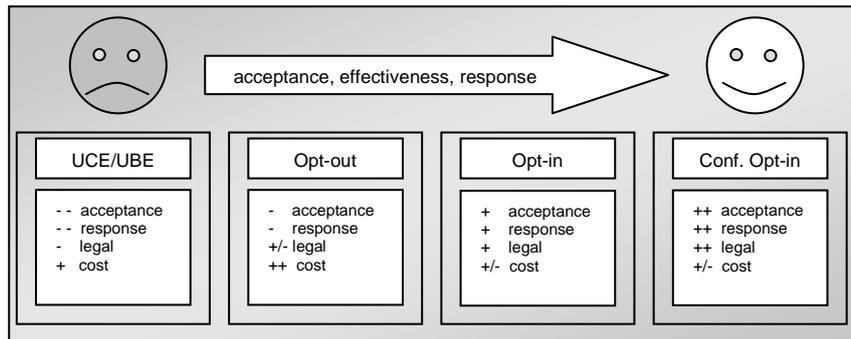
Opt-out: The recipient of an e-mail is automatically on a mailing list until he decides not to get any e-mails anymore.

Single Opt-in: Before sending any marketing information to the customer he has to register himself into a mailing list. Then he will get a confirmation e-mail with the possibility to opt-out again.

Confirmed Opt-in: This methodology is also called “double opt-in” where the user after having registered himself into the mailing list gets a confirmation e-mail which has to be reconfirmed again. This makes sure that the user also is the right owner of the e-mail address.

Confirmed opt-in e-mail lists have the highest quality and generates higher acceptance among customers. The main advantages are:

- high list quality
- less administration cost (less bounce-mails, less complaints)
- legal security because of confirmation
- higher response rates
- lower costs



From Spam to permission based (source: E-mail marketing, 2011)

According to a research study from *IMT* and *eMarketer* permission marketing is far more effective than traditional mailings:

- Information sent out based on permission marketing will be read by 13 times more customers as information from traditional mailings;
- almost half of the internet user (48%) are more curious about the content of permission mails than content from other marketing mails (44%);
- only 2% of the permission mails are deleted before opening whereas Spam mail is deleted in 77% of the cases;
- the average click-through-rates with permission marketing e-mails is ten times higher as with banner ads.

E-mail marketing metrics

One of the biggest advantages of e-mail marketing over traditional direct mail is its measurability. Within just a few days of deploying an e-mail campaign, companies can determine its effectiveness by analyzing a range of different metrics.

Click Through Rate: measures the percentage of the e-mail recipients who clicked on one in the e-mail included hyperlink or mailto-link;

Unsubscribe Rate: measures the percentage of the e-mail recipients who unsubscribe themselves again from the mailing list;

Conversion Rate: measures the percentage of e-mail recipients who actually carried out the desired action of the company (e.g. buy, register, ask for more information, etc.)

The most commonly tracked metrics are total click-through rates and unsubscribe rates. They are both valuable measures but the key measure marketers need in order to calculate campaign ROI is conversion rate – the effectiveness of a campaign at getting recipients to buy, register, or ask for more information.

	Currently measuring	Not currently measuring but want to measure
Total click through rates	64%	19%
Unsubscribe rates	61%	16%
Open rates	47%	25%
Conversion rates – website only	46%	28%
Unique click through rates	43%	29%
Direct revenue	38%	32%
E-mail pass along or forward rates	23%	46%
Conversion rates – other channels	18%	37%
Brand recognition	9%	45%

E-mail marketing benchmarking study (source: e-Dialog, 2011)

Not surprisingly, only 9% of respondents currently measure brand recognition while 45% want to measure it. It appears that marketers recognize the potential of e-mail as a branding vehicle, but are unable or unsure how to measure e-mail’s branding impact. Traditional brand awareness and recall studies are the best way to do this – and e-mail can be an efficient vehicle for the execution of such market research studies.

Personalization methods

Personalization describes the set of techniques and technologies used to vary the content and format of e-mail messages from one recipient to the next, with the goal of making each message as relevant as possible to each individual recipient. Basic techniques include format optimization (sending plain text, HTML, or rich media based on a user’s browser capability), personalized salutations and content targeting based on list segmentation.

A higher level of personalization can be achieved by dynamically assembling entire messages based on knowledge of recipient’s preferences, interests, and past behaviors in an effort to maximize the relevance of the message to each recipient.

4 FINANCIAL OVERVIEW

4.1 FINANCIAL PROJECTIONS

Income statement

Income statement	2011	2012	2013	2014	2015
Sales	427'547	2'774'900	10'879'800	31'812'500	72'119'800
<i>Sales growth</i>	100%	549%	292%	192%	127%
COGS	43'070	372'000	2'589'620	11'546'090	31'104'060
Gross Profit	384'477	2'402'900	8'290'180	20'266'410	41'015'740
<i>in % of sales</i>	90%	87%	76%	64%	57%
Total operating expense	1'035'533	2'011'258	5'259'400	6'678'580	7'003'260
Operating income	-651'057	391'642	3'030'780	13'587'830	34'012'480
<i>in % of sales</i>	-152.3%	14.1%	27.9%	42.7%	47.2%
Other income/expenses	2'818	0	200'000	200'000	200'000
EBITDA	-653'875	391'642	2'830'780	13'387'830	33'812'480
Depreciation	52'203	62'203	162'203	282'203	342'203
EBIT	-706'078	329'439	2'668'577	13'105'627	33'470'277
Interest expense (net)	0	20'833	20'833	20'833	20'833
Income taxes	0	0	511'158	2'568'861	6'506'701
Net income	-706'078	308'605	2'136'585	10'515'932	26'942'742
<i>in % of sales</i>	-165%	11%	20%	33%	37%

Free Cash Flow

FCF	2011	2012	2013	2014	2015
Cash Flow before interest	-653'875	391'642	2'319'622	10'818'969	27'305'779
Investments Working Capital	55'486	276'898	631'498	662'291	581'777
Investments fixed assets	261'017	50'000	500'000	600'000	300'000
Free Cash Flow	-970'378	64'744	1'188'124	9'556'678	26'424'002

Balance sheet

Balance sheet	2011	2012	2013	2014	2015
Cash	179'621	223'532	1'390'822	10'926'667	37'329'836
Total current assets	286'507	917'257	4'110'772	18'879'792	55'359'786
Start-up cost	11'017	11'017	11'017	11'017	11'017
Hard- and software	250'000	300'000	800'000	1'200'000	1'500'000
Intangible assets	0	0	0	200'000	200'000
other non-current assets	0	0	0	0	0
Cumulated depreciation	52'203	114'407	276'610	558'814	901'017
Total fixed assets	208'814	196'610	534'407	852'203	810'000
Total assets	495'321	1'113'867	4'645'179	19'731'996	56'169'786
Current liabilities	51'400	361'341	1'756'068	6'326'952	15'822'000
Long-term liabilities	416'666	416'666	416'666	416'666	416'666
Total Liabilities	468'066	778'007	2'172'734	6'743'618	16'238'666
Share capital	166'667	166'667	166'667	166'667	166'667
Paid-in capital	566'666	566'666	566'666	566'666	566'666
Reserves	0	-706'078	-397'473	1'739'112	12'255'045
Profit/Loss per periode	-706'078	308'605	2'136'585	10'515'932	26'942'742
Total equity capital	27'255	335'860	2'472'445	12'988'378	39'931'120
Total Liabilities and equity	495'321	1'113'867	4'645'179	19'731'996	56'169'786
Control Balance sheet	-	-	-	-	-