

KWANTLEN POLYTECHNIC UNIVERSITY

Eat2Eat.com Case Analysis

Team 7 Group Case

This report is consistent with our signed Academic Integrity Form on file with instructor.

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Critical Issues

Based on our in-depth analysis of the current situation, we have identified the following critical issues and critical opportunities for Eat2Eat.com:

- Marketing strategy needs to be multi-national, is not focused per culture
- Ahead of the customer market trend, market is not mature (opportunity)

Situational Analysis

Vikram Aggarwal (CEO) of Eat2Eat was contemplating a new marketing strategy that would allow the company to generate more subscribers. Within 5 years the company has positioned itself in nine geographical markets. The company has experienced sales increases of 42% from 2004 - 2005, but they continue to operate at a loss as of 2005 (Exhibit 6).

Eat2Eat has established brand recognition in the Asia Pacific region by being the first to offer this unique value proposition (Exhibits 1 & 3). Presently, Eat2Eat provides value propositions by connecting diners, both corporate and personal with popular Asian Pacific restaurants (Exhibits 1, 2 & 4). Eat2Eat's users can be divided into two categories: Personal Use (43%) and Corporate Use (57%) (Eat2Eat.com, pg.6). The average revenue per user is calculated to be \$40.31 as of 2005; however, the average cost in acquiring each user was calculated at \$45.03 (Exhibit 6). This implies inefficiencies within the current business model. Although Eat2Eat has no recognizable debts (given) and they face a low degree of direct competition, the company was not able to continue to establish its client base due to various consumer behaviors in selected markets. (Exhibits 1, 2, 4, 5 &7)

Given its current market establishment, Singapore ranks highest in restaurant participation, yet, constitutes 37.21% of total cost, which generates 55.48% of total lost as of 2005. (Exhibits 4 & 6). Although Eat2Eat has positioned itself in numerous geographical markets, consumer adoption rates vary due to differences in consumer behaviors (Exhibits 4 & 7). In turn, many geographical locations have not yet adapted to the technological shift, resulting in low sales revenues and stunted client base growth. This implies that Eat2Eat's current business model has jumped ahead of the market demand and consumers' use of technology, requiring the need for immediate strategic reform to cater and adapt to different markets (Exhibit 4). Research has indicated that certain markets have not been fully penetrated due to reluctance in online transactions (Exhibits 3 & 4). Overall, Eat2Eat's users are transitioning from innovators to early adopters, which imply an opportunity for market growth (Exhibit 7).

Presently, Eat2Eat's online service content is limited to English alone in numerous regions; that in turn, creates language barriers for both the company and its targeted markets to access its service (Exhibit 4). Despite the strong value proposition, Eat2Eat was not able to penetrate its selected markets due to slow consumer adoption of technological trends and consumer behavior within these regions (Exhibits 3, 4 & 7). The critical threat exists where marketing strategies were not effectively tailored to each market, limiting the company's growth in client base and sales potential. (Exhibits 1, 3, 4 & 5). On the other hand, an opportunity exists as Eat2Eat is ahead of the market trend with its given value propositions and regional coverage. (Exhibits 1, 3, 4 & 7).

Decision Criteria

The options that Eat2Eat implements must:

- Increase subscriber base by 25% by the year-end 2006.
- Produce a 5% (\$50,000) annual return of the initial investment (\$1M) within 2 years.
- Break even by the year-end 2006.

Options

Option 1: Status Quo with Projected “Natural Sales Growth”

Based on our analysis with status quo, “natural” annual sales have increased at an overall average rate of 42% from 2004 to 2005 (Exhibit 6). Projecting in to the next year with status quo; forecasts of annual sales are \$720,363 and profit is \$102,338 (Exhibit 6).

Break-even users are calculated to be 7,676, which also shows that these projections are able to generate revenues (Exhibit 6). Additionally, expenses have shown variation during the five years of operation (Exhibit 6). This option also possesses risk as the natural level of growth may not match our expectations for growth based on slow technology adaption in some cities (Exhibits 4 & 6). This option is feasible, as it meets all outlined decision criteria.

Option 2: Official Language Interfaces & Hiring New Sales Staffs

This option focuses on hiring new sales staff for selected cities and additional on-line languages to target multi-national cultures. Hiring local sales representatives in highly profitable regions (Exhibit 6) not only ensure the profitability in these cities, but also eliminate language barriers (1 Salesman for Hong Kong (HK) and 1 Salesman for Tokyo).

From our analysis, we have identified that HK and Tokyo have the biggest potential for growth and expansion. Tokyo has shown the fastest growth over a 5-year period (Exhibit 6); as well HK is the closest to generating profits which is why implementing salesmen in these regions is favorable (Exhibit 6). A local sales rep in HK and Tokyo will cost an average \$5,500 per month or \$66,000 per year plus additional expenses (Exhibit 6). The overall decrease in Aggarwal's traveling expenses (variable cost) by having local sales staff will generate a profit of \$718,760 (Exhibit 6). Moreover, with local sales staff, multiple language interfaces will allow users to be able to use the service. As a result, additional language interfaces not only stimulate sales in primary cities such as Tokyo and HK but, also, increase user accessibility in five currently targeted cities, that in turn, creating more sales opportunities. Research indicates traditional Chinese is one of the most recognized languages in the Asian Pacific region (Pearson Education, 2007). Adding standard Chinese will benefit five currently targeted cities (Hong Kong, Shanghai, Singapore, Kuala Lumpur and Taipei) (Pearson Education, 2007). The cost for adding additional languages is minimal, for example, the cost for Adobe software is \$399 for the unlimited version (Adobe, 2012). This option also meets all decision criteria, but is more favorable from a qualitative & quantitative perspective than solely status quo.

Option 3: Probationary Period on Selected Cities – Shanghai & Singapore

Although Eat2Eat was initially founded in Singapore, financial performance in Singapore and Shanghai has indicated that these cities have been operating at a loss significantly larger than the other regions (Exhibit 6). By putting less emphasis on marketing towards Singapore and Shanghai, Eat2Eat can save \$124,941 in total annual variable cost (Exhibit 6). This will, also, enable Eat2Eat to meet the outlined decision criteria as costs are

lowered for the year. However, a critical risk lies with this option, as Singapore has high registered users and restaurant participation out of the regions and Shanghai, also, has high restaurant participation. This option may impose financial impact to the company. Based on additional research, it typically takes certain regions time to become accustomed to technological trends (Exhibits 3 & 4). Therefore, these regions that are not currently profitable should not be dismissed. Eat2Eat can still strategically position itself within Singapore and Shanghai. Establishing a positive base in Singapore and Shanghai allows for greater profits and market share in the long run, but in the short run Eat2Eat will not be able to sustain profits within these regions (Exhibit 6).

Option 4: Venture Capital Funding

Going with this option we must consider that \$2 million is a necessary investment to sustain long-term growth. Eat2Eat is operating at a net loss as of 2005. A huge risk lies within this factor; the venture capitalist would imply strict rules of how the company is run because the company is currently not profitable. This leads Aggarwal to have less control of his company. Additionally, it would also be difficult to obtain funding from traditional methods (i.e. Bank loans) based on the negative profits over the past 5 years despite annual income increases (Exhibit 6). This is, also, a risky commitment for a company with such technological advances as the future is questionable (Paap J., Katz R., 2004, p.1). However, the positive outcome for this option is that the possible investors also share a certain risk with Aggarwal. Furthermore, the venture capitalists would like a 30% return on their initial investment in 5 years (\$2.6 million), which is not feasible

based on current sales increases (Exhibit 6). Going with this option outlines many risks and does not meet the decision criteria outlined.

Recommendation

Based on our analysis and unique calculations, we recommend Eat2Eat go with options 1, 2 and 3. The combination of the three options brings in an \$896,742 increase in profits (Exhibit 6). Furthermore, a combination of these options allows Eat2Eat to fulfill all of the decision criteria outlined previously. It is also important to note that this suggested combination of options requires a second lowest breakeven unit, yet generating the highest profit among all options (Exhibit 6). Lastly, these combined methods are cost effective and takes advantage of the critical opportunity and overcomes the critical threat that Eat2Eat faces.

Action Plan

Hire additional salesman and put specified regions on probation immediately. Launch the new language interface in the high growth regions by beginning of 2006.

Exhibit 1 – S.W.O.T Analysis

Eat2Eat.com must...		
	<p>Strengths</p> <ul style="list-style-type: none"> Most highly rated internet-based restaurant reservation service Regional coverage Firmly established technology (well-designed webpage), business model, client base, and industry relationships Relatively strong and large registered user base (1,200 users as of Jan, 2006) and covering more than 800 restaurants across the Asia Pacific region Considerable recognition within the same industry category Effective SEO & SEM marketing (Google & Yahoo) Established market observations on population density, dining habits, the presence of first-tier restaurants, broadband internet penetration and so forth → Market and consumer information No obligated debt 	<p>Weaknesses</p> <ul style="list-style-type: none"> Limited resources in expansion. Language barriers Time-consumption sales approach considering the time taken to travel across cities and meeting with restaurant managers Does not have a credible research result regarding the different consumer behaviors in various markets → results were solely based on personal perceptions toward various markets Language barriers → only available in English Dealt exclusively with first-tier restaurants (chained or individually owned) → limited sales opportunities for second-tier restaurants Lacking customer reviews → reviews are neither convincing nor credible
<p>Opportunities</p> <ul style="list-style-type: none"> Value proposition in connecting diners – both corporate and personal – with restaurants Potential business expansion via additional capital investment, or merger Internet was becoming an increasingly popular medium for online reservations of all kinds Ability to establish a larger client base in existing markets Mutually beneficial relationships encourages different parties to engage in establishing E2E's business model as everyone can benefit from its service → strategic alliances 	<p>Exploits: (Attack/Aggressive)</p> <ul style="list-style-type: none"> Ability to penetrate the high population density and high internet penetration markets with its given WAP mobile accessibility Owner has in-depth knowledge about the technological industry given his previous career background; therefore, the company's value proposition can be enhanced via technological improvements on web development or any infrastructure for the company The business can be expanded via market penetration with a larger client base. This can be done by attracting additional capital investment 	<p>Develops: (Turnaround)</p> <ul style="list-style-type: none"> Advertisement revenues has not been a major focus for the company → this implies a limitation on Ad revenues that could be generated Inefficient follow-up process in verifying attendances of reservations → time and cost consumption process → should be automated Expand its business via either capital investment, debt financing, IPO, business merger, or venture capital → these methods should be analyzed and compared in order to identify the most appropriate option available E2E can establish a larger client base on focusing on approaching independently owned restaurants
<p>Threats</p> <ul style="list-style-type: none"> Language barriers may lead to misunderstanding and inefficient sales agreement approaches Cultural variances may result in different consumer behaviors in terms of how they choose to dine out → lead to unattractive value proposition in certain markets Uneven internet establishments in various markets → limited access to E2E.com Refusals to placing transactions online Internet security issues may hinder the credibility of E2E.com 	<p>Contends: (Finesse)</p> <ul style="list-style-type: none"> E2E should utilize its well-established recognition in addressing consumer concerns in security, cultural variances, and language barriers. With a rich data base of current users, E2E can come up with a couple more frequently used languages and develop the website in these languages. E2E should also utilize its effective SEO and SEM marketing tactics in increasing brand awareness. 	<p>Addresses/Avoids: (Defensive)</p> <ul style="list-style-type: none"> Create methods that would help expand the client base while being innovative, efficient and effective in cost savings To address the issue with credibility of the website and reviews of these restaurants, E2E need to incorporate user reviews that allows users to leave feedbacks (both positive and negative) because certain degree of negative feedbacks actually improve the credibility of the website knowing consumers can be aware of certain restaurants

Note: Based on this SWOT analysis, we can see that Eat2Eat has encounter opportunities and threats mentioned above. Most importantly, Eat2Eat must exploit its ability to penetrate the high population markets with its competitive advantages as a market leader (Exhibit 2) As a result, the company will benefit from a larger client and user base, that in turn, creating more sales revenue restaurant reservations, advertisement, and strategic partnership with credit card companies. However, Eat2Eat must also address the issue with capital limitation during business expansion. In other words, methods must be innovative, efficient and effective in cost savings. Additionally, Eat2Eat must contend the issue with language barriers that imposes limitations on company growth. By hiring local sales reps and implementing multi-national language interface on their homepage, the company will be able to minimize or eliminate issues with language barriers.

Exhibit 3 – P.E.S.T Analysis

<p>Political/Legal</p>	<ul style="list-style-type: none"> As part of the informal and formal industry norms and standards, online reservation website often state out the terms and conditions regarding privacy policy as this personal client information may be sensitive in certain ways. In addition, these reservation websites clearly state out the usage of information and rights of both parties. These terms and conditions serve as legal protections for these websites for potential lawsuits in breach of personal information.⁹ On the other hand, it is important to state out the terms and conditions of certain comments posted by users or corporate writers due to the fact that these comments may be negative in a way that restaurant that received bad comments may file defamation lawsuit against the company or the commentator. "The increasing use of online review sites is creating new challenges for user privacy."¹⁰ The disclosure of personal information has led to privacy concerns. Credibility in ensuring the security of these information can be improved via online review site selection, site grading, development of privacy-check tool, etc.
<p>Economic</p>	<ul style="list-style-type: none"> According to research, the impact of online reservation system has caused chain restaurants to participate in joining these online reservation websites. The benefits of being part of this raising trend were not only to increase customer traffic and publicity, but also to establish a stronger and more successful strategic partnership, that in turn, creating more sales revenue for both parties.¹¹ Generally speaking, every person performs some sort of information search prior to a purchase, and this also includes choosing a restaurant. Online reservation mediums enable users and diners to review the given restaurants based on various variables such as price, quality, atmosphere, etc. In a way, these reviews and feedbacks serve as guidelines in keeping businesses acknowledged about their strengths and weaknesses. As a result, restaurants can then improve their service or food quality based on these reviews. Together, the benefit of these reservation medium goes beyond economic aspect and also touch base on how these businesses can be improved.¹²
<p>Social/Cultural</p>	<ul style="list-style-type: none"> Speaking of social and culture issues in online reservations and dining habits, customers from different regions and cultural background may behave differently in regards to these issues. For instance, customers from certain Asian cities/countries may prefer not to make reservations as part of their social norms. This has caused major impact on businesses such as E2E in terms of implementing and launching their business model in these regions. Given the fast-paced living style in most Asian countries, diners have numerous amount of options in choosing which restaurants they should go to, and that, they can easily find substitutes within minutes of walking distance.
<p>Technological</p>	<ul style="list-style-type: none"> Legal issues such as personal information leak leads to technological issues in how to improve the security level of these websites. Various security tools can be implemented such as the utilization of privately own servers and webpage development.¹³ Low internet penetration regions and cities may not see the benefits of using an online reservation medium.

Note: There are many industry issues involved in Eat2Eat's business model; these include aspects such as legal, economic, social/cultural, and technological. The increasing usage of online review sites is creating new challenges for user privacy. However, such issue can be addressed by implementing various security tools such as incorporating privately owned servers and more advanced webpage development processes, which Eat2Eat will implement in the future. Despite the fact that Eat2Eat may face these identified issues, research has indicated that the impact of online reservation system has caused chain restaurants to participate in joining these websites as it brings the benefit of increasing customer traffic, publicity as well as establishing more engaging relationships between consumers and business partners via strategic alliances. Speaking of consumer behaviors in cultural differences, diners with different cultural backgrounds may behave differently in terms of dining habits, and these variations in behaviors impose challenges for Eat2Eat in approaching consumers. (Exhibit 4) Although consumer behaviors play a crucial role in determining the market potential for Eat2Eat, research has indicated that consumers from specific targeted cities are either innovators or early majorities. In other words, consumers are more willing to adapt to new technology advancements and trends as the market grows. (Exhibit 7)

Exhibit 2 – Eat2Eat.com vs. Competitor Analysis

Eat2Eat.com¹	<ul style="list-style-type: none"> Founded in 2000, the company offers online reservation services that cover the Asian Pacific regions with more than 800 restaurants. Considerable recognition within the same industry category 1,200 user base as of Jan 2006. Value proposition in connecting both corporate and personal diners with restaurants English content was launched in July 2001. Offers a reward point system that allows users to redeem their points at a future reservation Effective SEO & SEM marketing tactics Corporate-generated review system Market focus was toward the Asian Pacific region. Established contacts and credibility Relatively low brand awareness and recognition compared to other larger competitors such as OpenTable however, they are competing on a different scale in terms of regional coverage and market focus. Third party operating server Supports both WAP and regular web browsing Exclusively deal with first-tier restaurants that accept reservations
OpenTable²	<ul style="list-style-type: none"> Founded in 1998, is an online real-time restaurant reservation service website. Reservations are free of charge for users; however, the company generates its profit from restaurants via monthly and per-reservation fees for accessing their reservation system. Covers over 25,000 restaurants in most U.S. states as well as several major international cities. Allows users to make reservations based on selected parameters such as time, date, cuisine, and price range. Additionally, users also received reward points for their reservations, and that, these points can be redeemed for discounts for future reservations at member restaurants. OpenTable has mobile App platforms for Blackberries, iPhones, Android phones, Window Phones and Palm's App. Restaurants perceived such website as a comprehensive reservation management tool. Markets include US, Canada, Mexico, UK, Germany, France, Spain, Japan, etc. The company's market focus was toward North American, European, and Asian Countries. However, Asian countries/locations only consist of four as of 2012. Websites contain only English content, which limits the usability for non-English speaking users.
TripAdvisor³	<ul style="list-style-type: none"> Founded in February 2000, original financing was obtained from flagship ventures – the Bollard Group and private investors³⁴. TripAdvisor Media Group operates seventeen travel brands. The company was purchased by InterActive Corporation in 2004 that later spun off under the Expedia, Inc. According to research, "98% of participants found that TripAdvisor's reviews ... accurately reflect the travelling experience," which has made TripAdvisor to become one of the most reputable travelling brand in North America. All inclusive travel agency that provides customer reviews and feedbacks on tourism locations across the globe. These include deals range from hotels, flights, vacation rentals, and restaurants. These enable customers to search and selected destinations and to personalize their trips. → was an early adopter of user-generated content type of travelling website. Annual revenue was estimated at \$486 million in 2010. Over 20 million members and over 50 million reviews Supports both WAP and mobile App access. Facebook & Twitter platforms Supports over 30 languages and countries.
Zagat⁴	<ul style="list-style-type: none"> Established since 1999, covers restaurants in North American cities, states as well as international locations by Countries and regions. "As of 2005, the Zagat includes 70 cities with a client base of over 250,000 individuals reporting over the year."⁴ "In 2008, the company was listed for sale for \$200 million. After there were no takers, the company decided to seek an organic growth strategy."⁴ User-generated content that provides trusted and accurate restaurants ratings and reviews for thousands of restaurants across the globe. Internal website search bar allows users to search restaurants based on occasions, prices, and so forth. Internal search bar serves as a filtering system for users. Supports both WAP and mobile access, website is mobile-phones friendly in a way that website has its special structure for mobile users. Food blog that encourages user engagement via writing restaurants reviews and feedbacks Categorized website content → allow easy filtering Frequently updated deals and events that attracts and encourage frequent visits for existing and new users. Numerous social media platforms in keeping users and audiences engaged via online interactions

Note: Based on our research on competitor assessment, we have identified a number of competitors within the same industry category. (Above) According to research, these competitors are primarily targeting the North American and/or European market. Although a few competitors such as OpenTable and TripAdvisor offer restaurant reservations in Asia cities, their primary focus was toward the Western regions. Despite the fact that these are the two major competitors within the same industry category, it is important to note that Eat2Eat holds its position as the market leader within the Asia Pacific region. On the other hand, competitor such as TripAdvisor specialized in offering travel packages that includes restaurant reservations. In other words, Eat2Eat has a competitive advantage over these identified competitors via specific regional coverage and specialization in online reservations. In fact, search engines such as Google and Yahoo often provide regional research results according to the geographical location of the researcher. Effective SEO and SEM marketing strategies from Eat2Eat provide a significant advantage over these competitors as Eat2Eat brand awareness and recognition can be enhanced via more frequent exposures from search engine results.

Exhibit 4 – Market, Customer Assessment & Client, User Base Growth Rate Projection

MARKET OBSERVATION & CONSUMER'S BEHAVIOUR

CITY	BEHAVIOR AND LIFESTYLE
Singapore	<ul style="list-style-type: none"> Working adult always skip dinner at home because of working environment Singaporeans enjoy dining out (even though restaurants' foods price is quite high) Willing to pay for luxuries Love to eat out and always look for better alternatives
Kuala Lumpur	<ul style="list-style-type: none"> Upper-middle income country & one of the most developed among developing countries A city with dominance of multinational operators Fast growing industries Spend MYR505 or approximately \$200 USD on foods per month More Westernized
Bangkok	<ul style="list-style-type: none"> Average spending on foods is 34.65% Many retailers have their own-brand credit cards
Hong Kong	<ul style="list-style-type: none"> The move of the Internet adaption appears to be slower in Hong Kong Eating out is part of the culture and lifestyle in Hong Kong with households on average spending about 62% of their food budget on eating out. Hong Kong is recognized as the 'Culinary Capital of Asia' Hong Kong has approximately 10,340 restaurants, as well as over 1,000 bars and other eating and drinking places. Chinese restaurants dominate the Hong Kong restaurant sector, accounting for 45% of the industry
Shanghai	<ul style="list-style-type: none"> Categorized as tier-one city Urban Chinese consumers appear to be brand loyal Shanghai consumers exhibit more conservative consumption behaviors Shanghai consumers are willing to pay a higher price for better customer service
Tokyo	<ul style="list-style-type: none"> Japanese consumers demand and will pay a premium for high-quality food products Population in Tokyo: 8,483,050 Food purchases are the second largest expenditure for a Japanese family, after housing
Sydney	<ul style="list-style-type: none"> Increasingly frequent need to update what they have.
Taipei	<ul style="list-style-type: none"> Prefer not to voice their opinions directly because of a cultural emphasis on personal kindness and relationships Higher consumers' incomes more likely to see time as money, and the more likely to become impatient if restaurants take a long time to serve them.
Seoul	<ul style="list-style-type: none"> 49.5% of total food expenditures are spent at various eating out establishments, such as restaurants, foodservice outlets, and chain food stores Remarkable growth in sales of ready-to-eat foods

¹Please See Works Cited for all References.

Note: Based on the market and consumer assessment, population and number of restaurants in these cities imply a huge market potential for Eat2Eat as it complies with different consumer behaviors and lifestyles of these cities. Given Eat2Eat's value proposition, consumers from these markets are more likely to adapt to new technological advancement such as online restaurant reservations as the market grows and technology becomes standardized in the future. As a result, Eat2Eat, as a market leader within the Asia Pacific region, can benefit from establishing its client base. On the other hand, effective SEO and SEM marketing strategies from Eat2Eat also play an important role in establishing stronger brand identity and brand awareness within these regions. Lastly, it is interesting to note that consumers from Tokyo, Singapore, and HongKong perceive dine outs as a daily activity, and that, it becomes part of their lifestyle in these cities.

Exhibit - Market Size

City	Population*	Number of restaurants**
Singapore	3,044,000	11,997
Hong Kong	6,940,432	31,059
Kuala Lumpur	1,479,388	10,982
Shanghai	18,670,000	20,161
Bangkok	8,160,522	13,858
Seoul	23,000,000	48,595
Sydney	4,284,379	23,193
Taipei	2,630,872	20,547
Tokyo	12,790,000	43,691

* Population data is from year 2005-2007, data retrieved from: www.nationmaster.com
 ** Number of restaurants data retrieved from: <https://maps.google.ca/maps?ie=UTF-8&q=restaurants+in>

Note: Based on the previous growth in participating restaurants (client base) and subscriptions (user base), we anticipated that the overall growth rate in these cities was estimated at 107.93% for user base. This was calculated based on the individual annual growth rate for each city in the previous years. By taking the weighted moving avg. of these growth rates (weighted based on 0.1, 0.15, 0.2, 0.25, 0.3), we were able to calculate the weighted moving avg. growth rate for both client base and user base. Reason for picking this weighted distribution was that such weights will provide an even weight of 0.05 from year to year. It is important to note that such high growth rate may be affected by significant increases occurred in 2003. (Outliers) As a result, an overall estimated growth rate of 107.93% was apply to Option 2 as it provides higher cost efficiency and consumer value, that in turn, comply with such high growth in these aspects.

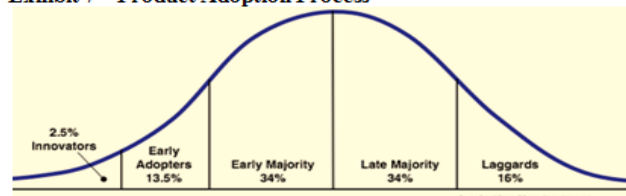
Eat2Eat.com Participating Restaurants By City, 2001-2005								Eat2Eat.com New Customer Registrations By City, 2001-2005										
Cumulative Measure	2001	2002	2003	2004	2005	% of Total	Annual Growth Rate	2006 (Projected)	2001	2002	2003	2004	2005	Total	% of Total	W. Avg. Annual Growth Rate	2006 (Projected)	2006 (Cumulative)
Bangkok	-	12	32	58	98	11.88%	74%	171	-	30	18	48	100	196	1.65%	141%	141	337
Hong Kong	18	42	84	97	112	13.58%	49%	166	300	324	94	576	804	2,098	17.69%	217%	1,745	3,843
Kuala Lumpur	6	30	54	66	74	8.97%	85%	137	60	126	30	324	509	1,049	8.85%	353%	1,799	2,848
Shanghai	-	6	48	60	62	7.52%	147%	153	30	65	14	54	70	233	1.96%	172%	120	353
Singapore	24	84	102	120	174	21.09%	60%	278	126	204	42	391	778	1,541	12.99%	321%	2,496	4,037
Seoul	-	-	4	18	72	8.73%	178%	200	-	-	84	204	402	690	5.82%	120%	482	1,172
Sydney	30	66	94	98	137	16.61%	39%	191	48	222	90	120	204	684	5.77%	162%	330	1,014
Taipei	-	-	-	-	23	2.79%	30%	30	-	-	-	-	300	300	2.53%	30%	90	390
Tokyo	-	6	14	44	73	8.85%	100%	146	152	466	694	1,176	2,580	5,068	42.74%	184%	4,746	9,814
Total	78	246	432	561	825	100.00%		1,472	716	1,437	1,066	2,893	5,747	11,859	100.00%		11,950	23,809
Overall % Change:																	107.93%	

Annual Growth Rate For Each City				Weighted Mov.	Annual Growth Rate For Each City				Weighted Mov.
				Avg. 0.1,0.15,0.2,0.25,0.3					Avg. 0.1,0.15,0.2,0.25,0.3
Bangkok	167%	81%	69%	74%	60%	267%	208%	141%	141%
Hong Kong	133%	100%	15%	49%	108%	29%	613%	217%	217%
Kuala Lumpur	400%	80%	22%	85%	210%	24%	1080%	353%	353%
Shanghai	-	700%	25%	147%	217%	22%	386%	172%	172%
Singapore	250%	21%	18%	60%	162%	21%	931%	321%	321%
Seoul	-	-	350%	178%	-	-	243%	120%	120%
Sydney	120%	42%	4%	39%	463%	41%	133%	162%	162%
Taipei	-	-	100%	30%	-	-	100%	30%	30%
Tokyo	-	133%	214%	100%	307%	149%	169%	184%	184%

Exhibit 5 – Porter's Five Forces

<p>Supplier: (High)</p> <ul style="list-style-type: none"> Suppliers (restaurants) have high market power because they serve as basis of E2E's business model. Without a wide range of restaurants to choose from, consumers are less likely to participate in reserving their tables via E2E. Additionally, food and service quality of these restaurants also served as determinants in quantifying the number of diners hoping to reserve their tables via E2E. 	<p>New Competition: (Low - Medium)</p> <ul style="list-style-type: none"> New competitions have low to medium market power, because establishment of client base, business relationships, webpage development and so forth, may take months or even years to establish. However, current indirect competitors may choose to incorporate similar features to their current offerings, which in turn, creating more competition for E2E. 	<p>Consumer: (High)</p> <ul style="list-style-type: none"> Consumers within this unique market have extremely high market power due to the fact that they may choose to make reservations via other mediums. Additionally, consumer behaviors serve as major determinants in quantifying the number of online reservations E2E can potentially get. 	<p>Note: Based on the Porter's Five Forces analysis discussed above, we can conclude that Eat2Eat has relatively low market power due to the fact that suppliers (restaurants) and consumers has high power under the current market situation. Restaurants, being the supplier in this case, have high power because they serve as "products" or "inventories" in providing more dine out options for consumers. As a result, these suppliers hold high market power as they remain control over whether they would choose to be part of Eat2Eat's value proposition. On the other hand, consumers have extremely high market power due to the fact that they have many options/alternatives besides making a reservation via Eat2Eat. More importantly, consumer behaviors in certain Asian markets played a crucial role in determining the likelihood of making reservation via internet or Eat2Eat as a service provider in this regard.</p>
<p>Current Competition: (Medium - High)</p> <ul style="list-style-type: none"> Current competitors have low to medium market power due to different geographical target segments. In other words, E2E and these competitors are competing on a different scale in terms of geographical locations. However, these major competitors have competitive advantages over E2E in terms of company resources. As a result, they can easily incorporate the features that E2E has into their existing offerings. 	<p>Substitutes: (Medium)</p> <ul style="list-style-type: none"> There are many close substitutes for making dining reservations. Additionally, there are many close substitutes within the dining industry that allow consumers to change their preferences easily. As a result, diners may choose to make reservations via phones or not make reservations at all. 		

Exhibit 7 – Product Adoption Process



Note: Based on the Market, Customer Analysis & Supplier and Consumer Growth Rate Projection (Exhibit 4), we can conclude that consumers from different markets behave differently in terms of adopting to new technology and innovative products. It is obvious that consumers from cities such as Tokyo, HongKong, and Singapore are more adaptive to new technologies; therefore, we can say that these consumers are considered to be innovators. On the other hand, consumers from Kuala Lumpur, Sydney, and Seoul are less adaptive to new technologic innovations. As a result, we can categorize these consumers as early majority.

Exhibit 6 – Breakeven Analysis & Sales Rep Sensitivity Analysis

Eat2Eat Revenue, Profit and Loss By City, 2000 - 2005											
	2000	2001	2002	2003	2004	2005	Total	% of Total	Option 1 Projection	Option 2 Projection	Option 3 Projection
Bangkok	Revenue \$	-	-	-	4,000	5,000	9,000	18.0%	18,000	10,867	20,481
	Cost \$	-	-	-	18,000	17,000	35,000	70.0%	35,000	19,941	43,469
	Profit/Loss \$	-	-	-	(18,000)	(12,000)	(26,000)	(52.0%)	(17,000)	(4,000)	(22,988)
Hong Kong	Revenue \$	8,000	24,000	24,000	24,000	54,000	108,000	21.6%	108,000	23,453	80,867
	Cost \$	6,000	29,000	41,000	39,000	24,000	139,000	27.8%	139,000	42,867	130,223
	Profit/Loss \$	(6,000)	(20,000)	(17,000)	(24,000)	30,000	(34,000)	(6.8%)	(34,000)	(38,533)	(13,321)
Kuala Lumpur	Revenue \$	18,000	30,000	30,000	34,000	34,000	146,000	29.2%	146,000	92,235	92,235
	Cost \$	4,000	18,000	20,000	20,000	36,000	98,000	19.6%	98,000	58,025	58,025
	Profit/Loss \$	(4,000)	(12,000)	(10,000)	(14,000)	(2,000)	(48,000)	(9.6%)	(48,000)	(33,750)	(33,750)
Shanghai	Revenue \$	-	-	20,000	2,000	24,000	46,000	9.2%	46,000	20,877	21,472
	Cost \$	-	-	41,000	18,000	34,000	93,000	18.6%	93,000	56,941	43,723
	Profit/Loss \$	-	-	(21,000)	(16,000)	(10,000)	(47,000)	(9.4%)	(47,000)	(36,064)	(22,251)
Singapore	Revenue \$	12,000	36,000	36,000	70,000	70,000	224,000	44.8%	224,000	116,300	116,300
	Cost \$	162,000	180,000	186,000	144,000	144,000	616,000	123.2%	616,000	444,000	444,000
	Profit/Loss \$	(150,000)	(144,000)	(150,000)	(74,000)	(74,000)	(392,000)	(78.4%)	(392,000)	(287,700)	(287,700)
Seoul	Revenue \$	-	-	-	12,000	12,000	24,000	4.8%	24,000	14,800	17,195
	Cost \$	-	-	-	18,000	18,000	36,000	7.2%	36,000	19,536	22,500
	Profit/Loss \$	-	-	-	(6,000)	(6,000)	(12,000)	(2.4%)	(12,000)	(5,736)	(5,305)
Sydney	Revenue \$	12,000	60,000	60,000	48,000	48,000	276,000	55.2%	276,000	144,000	144,000
	Cost \$	12,000	96,000	96,000	48,000	48,000	300,000	60.0%	300,000	153,360	153,360
	Profit/Loss \$	(12,000)	(36,000)	(36,000)	0	0	(24,000)	(4.8%)	(24,000)	(9,360)	(9,360)
Taipei	Revenue \$	-	-	-	-	18,000	18,000	3.6%	18,000	25,200	25,200
	Cost \$	-	-	-	-	18,000	18,000	3.6%	18,000	25,200	25,200
	Profit/Loss \$	-	-	-	-	0	0	0.0%	0	0	0
Tokyo	Revenue \$	6,000	30,000	30,000	54,000	90,000	210,000	42.0%	210,000	58,188	82,044
	Cost \$	6,000	30,000	30,000	90,000	90,000	246,000	49.2%	246,000	64,000	64,000
	Profit/Loss \$	(6,000)	(30,000)	(30,000)	(66,000)	(13.2%)	(66,000)	(6,000)	(81,956)		
Total	Revenue \$	478,000	1,213,000	1,213,000	1,213,000	1,213,000	5,157,000	100.0%	5,157,000	2,600,000	2,600,000
	Cost \$	190,000	382,000	374,000	372,000	450,000	1,778,000	34.5%	1,778,000	1,112,289	1,112,289
	Profit/Loss \$	(142,000)	(830,000)	(831,000)	(839,000)	(760,000)	(3,327,000)	(64.5%)	(3,327,000)	(1,487,711)	(1,487,711)

Note: Numbers with same color indicate direct relationship and/or share same calculations.
Assumptions: Without any given details on the current cost structure, our major assumption on cost was simply derived from total cost of \$190,000 incurred in year 2000. Due to the fact that no sales have been made in this year, the total cost is, therefore, the "fixed cost". Theoretically, variable costs incur in correlation to unit sold. In 2000, there were no unit sales; therefore, \$190,000 can then be deemed to be "estimated Total FC". Base on this assumption, **weighted annual FC per city** was calculated as follows: \$190,000/5 cities in operation (yr 2000) = \$38,000. **Status quo TFC over 5 years:** Weighted Annual FC per city \$38,000 * 5 cities in 2000 + \$38,000 * 6 cities in 2001 + \$38,000 * 7 cities in 2002 + \$38,000 * 8 cities in 2003 + \$38,000 * 8 cities in 2004 + \$38,000 * 9 cities in 2004 = \$1,634,000.

Risks in Assumptions: Although moving averages has been known and widely used by many professionals in identifying trends, moving averages are lagging indicators that do not predict new trends. Overall, moving averages provide important insights in predicting future sales trends based on previous sales momentum. In order to minimize the potential risks in outliers, a weighted moving average has been used in predicting future sales growth for Eat2Eat.com. By putting an increasingly consistent weight throughout the previous sales data, 2004 and 2005 constitute a total weight of 55% to minimize the risk of lagging. Weighted Moving Averages were calculated based on the following weights: 10%, 15%, 20%, 25%, 30%.

Sales Projections: Option 1 – (yr 2005 – 2004)/2004 = growth rate, (growth rate + 1)*2005 = projection for 2006. ("overall average "natural" growth rate of 42% from 2004 – 2005 Yellow highlight) **Option 2** – Sales projection was primarily derived from the weighted moving avg. calculation discussed in (Exhibit 4). **Option 3** – sales projection is same as option 1's "calculated natural growth rate", because option 3 alone does not bring in additional sales as its primary focus was to reduce cost via putting underperforming cities on probation. **Option 4** – does not require sales projection as its primary focus was to evaluate and compare the profit model of various options. In other words, sales projections are same as option 2 because option 4 provides additional capital investment for the company.

Sensitivity Analysis of Sales Rep: By taking the avg. salary (\$5,500) of each sales rep, the monthly cost for hiring sales rep (3 or 2) are \$16,500 and \$11,000, respectively. Presently, the owner has been doing almost all the selling, that in turn, causing the VC to be significantly high due to travel expenses and so forth. By hiring two sales reps in selected cities, the company will be able to reduce Status Quo VC (unit) from \$16.19 to \$13.61, that in turn, resulting in a decrease of 15.92% in total Status Quo VC in 5 yrs: TC in 5 yrs \$2,419,000 – Status Quo TFC in 5 yrs \$1,634,000 = \$785,000. The analysis indicates that hiring two sales rep will reduce overall VC and require a lower status quo BE (Unit & \$). Therefore, the company is better off by hiring two sales reps as opposed to three. Lastly, these sales reps will be hired locally in cities such as Hong Kong and Tokyo due to the fact that these two cities constitute a total of 23.52% of total cost yet generating top sales among all cities.

Breakeven in 2005 (Without sales projection): At current stage, the company requires a total # of 14,181 users to breakeven, assuming each user has at least purchased once. Estimated FC: \$38,000 * 9 cities as of 2005 = \$342,000; **Avg. Revenue per user** (a.k.a price): Revenue (2005) \$478,000/11,859 users as of 2005 = \$40.31 per user; **Avg. Cost per user:** TC (2005) \$534,000/11,859 users = \$45.03; **Estimated FC** = \$38,000*9 cities = \$342,000; **Estimated VC** = (TC(2005) \$534,000 – FC \$342,000)/11,859 users as of 2005 = \$16.19; **CM (unit)** = \$40.31 - \$16.19 = \$24.12; **BE (units, users)** = FC/CM = 14,181 users. **BE (\$)** = BE (units) * \$40.31 = \$571,594.

Projected Profit Model based on Sales/Cost Projections:
Option 1: Status Quo BE with projected sales growth: **Avg. Revenue per user:** projected sales revenue (2006) \$720,363/11,859 users as of 2005 = \$60.74; **Avg. Cost per user:** Projected TC (2006) \$618,025/11,859 users = \$52.11; **Estimated VC:** TC (2005) – estimated FC \$342,000/11,859 users = \$16.19;
Option 2: Revised annual FC: Weighted Annual FC per city \$38,000* 7 cities + monthly salary of 2 sales \$11,000*12 months + \$399 language software cost = \$398,399; **Note:** by hiring two sales rep, FC for Sydney and Tokyo will be replaced by sales rep salary. **Revised VC:** (TC option2 – FC)/ 23,809 estimated total # of users by 2006=\$13.82; **Estimated TVC:** VC(unit)*23,809 users as of 2006=\$329,067;
Option 3: **Note:** By putting shanghai and Singapore on probation, there will be no VC incurred; therefore, weighted annual FC per City of \$38,000 (Red in cost projection) is "total cost" for that city. Probation means no additional sales/marketing effort and resources will be contributed to these two cities. **Revised VC (Unit):** (TC option 3 – FC)/ 23,809 users as of 2006 = \$6.35 **Estimated TVC:** VC(unit)*23,809 users = \$151,084; **Reason why put Shanghai and Singapore on probation:** Together, these two cities generate lowest sales return while constituting a significant portion of total cost among all cities. In other words, ROIs in these two cities are considered lowest among all targeted cities.
Option 4: Additional Capital Investment Amount of \$2,000,000 * 30% expected ROI = Expected ROI on additional Capital Investment \$2,600,000 (Light yellow shaded); **Expected ROI per year:** Expected ROI Total of \$2.6 million/5 years period = \$520,000 per yr; **Revised "FC + expected ROI on capital"** = \$520,000+FC per city \$38,000*7cities + \$132,000 annual salary of two sales rep + \$399 language interface software cost = \$918,399; **This option shares a same projected TR due to the fact that additional capital investment will be contributed in the same way as option 2.** For that reason, they share a same sales projection. **It is important to note that profit model for Option 4 is used to compare and evaluate investment risks and return between internal financing and external financing options.**

Combined Recommendation Profit Model: **Avg. Cost per User:** = average(option 2 \$30.55, option 3 \$41.58) = \$36.07; **Revised FC:** FC will be the same as option 2 because FC will be the same regardless of probations on selected cities. **Revised VC(unit):** VC will be the same as option 3 because there will be no VC incurred in cities that are on probations. **Estimated TR:** projected TR will be the same as option 2 because sales projection will remain the same as option 2 with its suggested option details in hiring 2 sales rep and implementing multi-national language interfaces. As a result, sales projection for combined option and option 2 are most likely to share a similar or same sales projection based on the assumptions discussed above.

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