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)

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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).

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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

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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	l – S.W.O.T Analysis
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Internet security issues may hinder the credibility of E2E.com Iangu	online	increasing brand awareness.	consumers can be aware of certain	alimin
	 Internet security issues may hinder the credibility of E2E.com 		restaurants	langu

Exhibit 3 – P.E.S.T Analysis

Political/Legal	 As part of the informal and formal industry norm 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.⁵⁹ 	as an or fo
	 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 is te selection, site grading, development of privacy-check tool, etc. 	ad to se de im Ea
Economic	 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 andmore 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 	res res res cu es be str be dif
Social/Cultural	 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. 	dif Ea A1 rol Ea fro
Technological	 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 interact presentation regions and edites moving the test he hangits of the presentation medium 	ini co teo ma

Note: Based on this SWOT sis, we can see that at has encounter tunities and threats oned above. Most tantly, Eat2Eat must t its ability to penetrate gh population markets ts competitive itages as a market (Exhibit 2) As a the company will it from a larger client ser base, that in turn, ng more sales revenue trant reservations, tisement, and strategic ership with credit card anies. However, at must also address sue with capital tion during business sion. In other words, ds must be innovative, ent and effective in cost gs. Additionally, at must contend the with language barriers nposes limitations on any growth. By hiring sales reps and nenting multi-national age interface on their page, the company will e to minimize or ate issues with age barriers.

Note: There are many industry issues involved in Eat2Eat's business model; these include pects such as legal, economic, social/cultural, d techonological. The increasing usage of line review sites is creating new challenges r user privacy. However, such issue can be dressed by implementing various security ols such as incorporating privately owned rvers and more advanced webpage evelopment processes, which Eat2Eat will plement in the future. Despite the fact that at2Eat may face these identified issues earch has indicated that the impact of online ervation system has caused chain taurants to participate in joining these ebsites as it brings the benefit of increasing istomer traffic, publicity as well as tablishing more engaging relationships tween consumers and business partners via ategic alliances. Speaking of consumer haviors in cultural differences, diners with fferent cultural backgrounds may behave fferently in terms of dining habits, and these riations in behaviors impose challenges for t2Eat in approaching consumers. (Exhibit 4) though consumer behaviors play a crucial le in determing the market potential for t2Eat, research has indicated that consumers om specific targeted cities are either novators or early majorities. In other words, nsumers are more willing to adapt to new chnology advancements and trends as the arket grows. (Exhibit 7)

Exhibit 2 - Eat2E	Lat.comvs. Competitor Analysis	
Eat2Eat.com ¹	 Founded in 2000, the company offers online reservation services that coverage 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 & SEMmarketing 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 <u>OpenTable</u>. 	
	however, they are competing on a different scale in terms of regional coverage and market focus.	Not
	Third party operating server	COT
	 Supports both WAP and regular web browsing 	ida
	 Exclusively deal with first-fier restaurants that accept reservations 	Iue
OpenTable [*]	 Founded in 1998, is an online real-time restaurant reservation service website. 	wit
	 Reservations are free of charge for users; however, the company generates its profit from restaurants via 	(Al
	monthly and per-reservation fees for accessing their reservation system.	the
	 Covers over 25,000 restaurants in most U.S. states as well as several major international cities. 	tar
	 Allows users to make reservations based on selected parameters such as time, date, cuisine, and price range. 	Eur
	Additionally, users also received reward points for their reservations, and that, these points can be	0.01
	redeemed for discourts for future reservations at memoer restaurants.	T
	 When the provide the provide the provide the provide the provide provide provide the provided the prov	In
	 Partnerstrange and up white a comprise provide the provide the partnerst and the line of the partnerst and the partnerst and	res
	 Mestarting processes such websites a UK Greenery France Shain Hangement The comment's market 	prir
	for using toward North American European and Arian Countries Honward Arian countries for a for the formation of the second secon	We
	only consist of formas of 2012	tha
	 Websites contain only English content, which limits the usability for non-English speaking users. 	COT
TripAdvisor ³	 "Founded in February 2000, original financing was obtained from flagship ventures – the Bollard Group 	001
	and private investors"* Trip Advisor Media Group operates seventeen travel brands. The company was	
	purch cased by InterActive Corporation in 2004 that later spun off under the Expedia, Inc. According to	Eat
	research, "98% of participants found that TripAdvisor's reviews accurately reflect the travelling	mai
	experience," which has made <u>TripAdvisor</u> to become one of the most reputable travelling brand in North	reg
	America.	con
	 All inclusive travel agency that provides customerreviews and feedbacks on tourism locations across the 	spe
	globe. These include deals range from hotels, flights, vacation rentals, and restaurants.	nac
	 These enable customers to search and selected destinations and to personalize their trips. → was an early 	Pac
	adopter of user-generated content type of traveling website.	res
	 Annual revenue was estimated at \$486 million in 2010. Orac 20 million many barrier 50 million and 2010. 	has
	• Over 20 million members and over 50 million reviews	the
	 Supports both wAP and mobile App access. For the b for the support of the support of	spe
	Cacebook & I witter platforms	spe
7 (3)	• Supports over Solanguages and countries.	Inf
Lagar	 Established since 1999, covers restaurants in Norm American cities, states as well as international locations by Countries and casicar, "A c 52005 the Zacriticaluder 70 attact that have cforce 220 000 	Ga
	individuals canotine over the vase "	00
	 "In 2008 the comment was listed for sale for \$200 million. After these was noteleast the comment desided 	reg
	to seek an organic growth strategy."	to t
	 User - generated content that provides trusted and accurate restaurants ratings and reviews for thousands 	res
	of restaurants across the globe. Internal website search bar allows users to search restaurants based on	ma
	occasions, prices, and so forth. Internal search bar serves as a filtering system for users.	pro
	 Supports both WAP and mobile access, website is mobile-phone friendly in a way that website has its 	the
	special structure for mobile users.	ule
	 Food blog that encourages user engagement via writing restaurants reviews and feedbacks 	aw
	 Categorized website content → alloweasy filtering 	enł
	 Frequently updated deals and events that attracts and encourage frequent visits for existing and new users. 	exp

Integrating updated dears and events that attracts and encourage nequent visits for existing and new
 Numerous social media platforms in keeping users and audiences engaged via online interactions

Exhibit 4 – Market, Customer Assessment & Client, User Base Growth Rate Projection MARKET OBSERVATION & CONSUMER'S BEHAVIOUR

CITY	BEHAVIOR AND LIFESTYLE
Singapore	•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	Upper-middle income country & one of the most developed among developing countries A city with dominance of multimational operators Fast growing industries Spend MYRS05 or approximately \$200 USD on foods per month More Westernized
Bangkok	•Average spending on foods is 34.65% •Many retailers have their own-brand credit cards
Hong Kong	 The move of the Internet adaption appears to be slower in Hong Kong Faing out is part of the culture and lifestyle in Hong Kong with households on average Hong Kong is recognized as the 'Culturary Capital of Asia' Hong Kong is 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	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	 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	 Increasingly frequent need to update what they have.
Taipei	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	+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

*Please 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 SED 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.

te: Based on our research on mpetitor assessment, we have ntified a number of competitors hin the same industry category. bove) According to research, ese competitors are primarily geting the North American and/or ropean market. Although a few mpetitors such as OpenTable and pAdvisor offer restaurant ervations in Asia cities, their nary focus was toward the stem regions. Despite the fact it these are the two major mpetitors within the same industry egory, it is important to note that t2Eat holds its position as the rket leader within the Asia Pacific ion. On the other hand, npetitor such as TripAdvisor ecialized in offering travel ckages that includes restaurant ervations. In other words, Eat2Eat a competitive advantage over ese identified competitors via ecific regional coverage and ecialization in online reservations. fact, search engines such as ogle and Yahoo often provide ional research results according the geographical location of the earcher. Effective SEO and SEM rketing strategies from Eat2Eat vide a significant advantage over ese competitors as Eat2Eat brand areness and recognition can be hanced via more frequent oosures from search engine results

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
	and the second se	

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&g=restaurants+in

Eat2E	at.com	Partic	ipating	Resta	urants	By City, 20	01-2005		
Cumulative						% of	Annual	2006	-
Measure	2001	2002	2003	2004	2005	Total	Growth Rate	(Projected)	4
Bangkok	-	12	32	58	98	11.88%	74%	171	
Hong Kong	18	42	84	97	112	13.58%	49%	166	-
Kuala Lumpu	6	30	54	66	74	8.97%	85%	137	-
Shanghai	-	6	48	60	62	7.52%	147%	153	
Singapore	24	84	102	120	174	21.09%	60%	278	-
Seoul	-	1.0	4	18	72	8.73%	178%	200	
Sydney	30	66	94	98	137	16.61%	39%	191	
Taipei	-	-	-	-	23	2.79%	30%	30	-
Tokyo	-	6	14	44	73	8.85%	100%	146	
Total	78	246	432	561	825	100.00%		1,472	

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. er Registerat 3v City 2001-2005

									-,,, -			
	2006								% of	W. Avg. Annual	2006	2006
e	(Projected)		2001	2002	2003	2004	2005	Total	Total	Growth Rate	(Projected)	(Cumulative)
4%	171	Bangkok	-	30	18	48	100	196	1.65%	141%	141	337
9%	166	Hong Kong	300	324	94	576	804	2,098	17.69%	217%	1,745	3,843
5%	137	Kuala Lumpu	60	126	30	324	509	1,049	8.85%	353%	1,799	2,848
7%	153	Shanghai	30	65	14	54	70	233	1.96%	172%	120	353
0%	278	Singapore	126	204	42	391	778	1,541	12.99%	321%	2,496	4,037
8%	200	Seoul		-	84	204	402	690	5.82%	120%	482	1,172
9%	191	Sydney	48	222	90	120	204	684	5.77%	162%	330	1,014
0%	30	Taipei	-	-	-	-	300	300	2.53%	30%	90	390
0%	146	Tokyo	152	466	694	1,176	2,580	5,068	42.74%	184%	4,746	9,814
	1,472	Total	716	1,437	1,066	2,893	5,747	11,859	100.00%		11,950	23,809

																Overall % Change	107.93%	
						Weighte								Weighte				
						d Mov.								d Mov.				
Annual	Grow	th Rate	For Ea	ch City		Avg.	0.1,0.15,0.2,0.25,0.3	Anr	nual Gro	wth Rate	For Ead	h City		Avg.	0.1,0.15,0	.2,0.25,0.3		
Bangkok			167%	81%	69%	74%		Bangkok			60%	267%	208%	141%				
Hong Kong		133%	100%	15%	15%	49%		Hong Kong		108%	29%	613%	140%	217%				
Kuala Lumpur	r	400%	80%	22%	12%	85%		Kuala Lumpur		210%	24%	1080%	157%	353%				
Shanghai			700%	25%	3%	147%		Shanghai		217%	22%	386%	130%	172%				
Singapore		250%	21%	18%	45%	60%		Singapore		162%	21%	931%	199%	321%				
Seoul				350%	300%	178%		Seoul				243%	197%	120%				
Sydney		120%	42%	4%	40%	39%		Sydney		463%	41%	133%	170%	162%				
Taipei					100%	30%		Taipei					100%	30%				
Tokyo			133%	214%	66%	100%		Tokyo		307%	149%	169%	219%	184%				

Exhibit 5 – Porter's Five Forces	Now Competition: (Low Medium)		Natas David an Nac Dartas's City Course
 Supplier: (High) 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. 	 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 EZE. Current Competitors have low to medium market power due to different geographical target segments. In other words, EZE and these competitors are competitors have competitors are competitors have competitors are competitors. However, these major competitors have competitors are competitors have competitors and vantages over E2E in terms of company resources. As a result, they can easily incorporate the features that E2E has into their existing offerings. Substitutes: (Medium) 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, dimers may choose to make reservations at all. 	Consumer: (High) • 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.	note: Dased on the Police's Prive Polices 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.





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

			2000		2001		2002		2003		2004		2005		Total	% of Total	Option 1 Projection		Option 2 Projection	Option 3 Projection
Bangkok	Revenue	\$		\$		\$		\$	4,000	\$	6,000	\$	8,000	\$	18,000	1.483	\$ 10,667	\$	20,481	\$ 10,667
	Cost	\$		\$		\$	18,000	\$	30,000	\$	17,000	\$	30,000	\$	95,000	3.930	\$ 52,941	\$	43,459	\$ 52,941
	ProfitLoss	\$	-	\$	-	\$	(18,000)	\$	(26,000)	\$	(11,000)	\$	(22,000)	\$	(77,000)	-6.353	\$ (44,000)) \$	(22,978)	\$ (44,000)
Hong Kong	Revenue	\$	-	\$	8,000	\$	24,000	\$	6,000	\$	54,000	\$	66,000	\$	158,000	13.03	\$ 80,667	\$	233,453	\$ 80,667
	Cost	\$	6,000	\$	28,000	\$	41,000	\$	30,000	\$	24,000	\$	32,000	\$	161,000	6.667	\$ 42,667	\$	100,223	\$ 42,667
	ProfitLoss	\$	(6,000)	\$	(20,000)	\$	(17,000)	\$	(24,000)	\$	30,000	\$	34,000	\$	(3,000)	+0.25%	\$ 38,533	\$	133,231	\$ 38,533
Kuala Lumpur	Revenue	\$	-	\$	18,000	\$	31,000	\$	8,000	\$	34,000	\$	56,000	\$	147,000	12.123	\$ 92,235	\$	172,985	\$ 92,235
	Cost	\$	4,000	\$	18,000	\$	30,000	\$	30,000	\$	36,000	\$	37,000	\$	155,000	6.41	\$ 38,028	\$	84,106	\$ 38,028
	ProfitLoss	\$	(4,000)	\$	-	\$	1,000	\$	(22,000)	\$	(2,000)	\$	19,000	\$	(8,000)	-0.667	\$ (180,500)) \$	88,879	\$ (180,500)
Shanghai	Revenue	\$		\$		\$	20,000	\$	2,000	\$	24,000	\$	22,000	\$	68,000	5.60	\$ 20,167	\$	21,472	\$ 20,167
	Cost	\$	-	\$	41,000	\$	66,000	\$	18,000	\$	34,000	\$	44,000	\$	203,000	8.390	\$ 56,941	\$	43,723	\$ 38,000
	ProfitLoss	\$	-	\$	(41,000)	\$	(46,000)	\$	(16,000)	\$	(10,000)	\$	(22,000)	\$	(135,000)	-11.133	\$ (48,400)) \$	(22,251)	\$ (48,400)
Singapore	Revenue	\$		\$	12,000	\$	36,000	\$	18,000	\$	70,000	\$	91,000	\$	227,000	18.71	\$ 118,300	\$	245,229	\$ 118,300
	Cost	\$	162,000	\$	180,000	\$	156,000	\$	114,000	\$	144,000	\$	144,000	\$	900,000	37.20	\$ 144,000	\$	103,361	\$ 38,000
	ProfitLoss	\$	(162,000)	\$	(168,000)	\$	(120,000)	\$	(96,000)	\$	(74,000)	\$	(53,000)	\$	(673,000)	-55.480	\$ (37,959)) \$	141,868	\$ (37,959)
Seoul	Revenue	\$	-	\$		\$	-	\$	-	\$	12,000	\$	42,000	\$	54,000	4.453	\$ 147,000	\$	71,175	\$ 147,000
	Cost	\$	-	\$		\$		\$	18,000	\$	66,000	\$	36,000	\$	120,000	4.967	\$ 19,636	\$	56,970	\$ 19,636
	ProfitLoss	\$		\$		\$		\$	(18,000)	\$	(54,000)	\$	6,000	\$	(66,000)	-5.442	\$ (667) \$	14,205	\$ (667)
Sydney	Revenue	\$		\$	18,000	\$	60,000	\$	48,000	\$	48,000	\$	46,000	\$	220,000	18.143	\$ 44,083	\$	61,601	\$ 44,083
	Cost	\$	12,000	\$	96,000	\$	96,000	\$	42,000	\$	36,000	\$	48,000	\$	330,000	13.643	\$ 64,000	\$	54,419	\$ 64,000
	ProfitLoss	\$	(12,000)	\$	(78,000)	\$	(36,000)	\$	6,000	\$	12,000	\$	(2,000)	\$	(110,000)	-9.073	í \$ 333	\$	7,182	\$ 333
Taipei	Revenue	\$		\$		\$		\$		\$		\$	18,000	\$	18,000	1.482	\$ 25,200	\$	23,690	\$ 25,200
	Cost	\$		\$		\$	-	\$		\$		\$	48,000	\$	48,000	1.980	\$ 67,200	\$	44,314	\$ 67,200
	ProfitLoss	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(30,000)	- \$	(30,000)	-2.473	\$ (42,000)) \$	(20,624)	\$ (42,000)
Tokyo	Revenue	\$	-	\$		\$	30,000	\$	54,000	\$	90,000	\$	128,000	\$	302,000	24.903	\$ 182,044	\$	596,139	\$ 182,044
	Cost	\$	6,000	\$	30,000	\$	70,000	\$	90,000	\$	98,000	\$	114,000	\$	408,000	16.872	\$ 132,612	\$	196,890	\$ 132,612
	Profit/Loss	\$	(6,000)	\$	(30,000)	\$	(40,000)	\$	(36,000)	\$	[8,000]	\$	14,000	\$	(106,000)	-8.743	\$ (24,500	1 \$	399,249	\$ (24,500)
Total	Revenue	\$		\$	56,000	\$	202,000	\$	140,000	\$	337,000	\$	478,000	\$	1,213,000	422	\$ 720,363	\$	1,446,225	\$ 720,363
	Cost	\$	190.000	\$	392,000	\$	476.000	\$	372,000	\$	455,000	\$	534,000	\$	2,419,000		\$ 618.025	\$	727,466	\$ 493,084
	ProfitLoss	\$	(190.000)	\$	(336.000)	\$	(274.000)	\$ [3	232.0001	\$1	(118.000)	\$	(56.000)	ŝ	(1.206.000)		\$ 102.338	1	718,760	\$ 227,279
		-		· ·		-				-	Ć	apit	al Amount	\$	2.000.000	Expected ROI on additi	onal Capital Investment		2.600.000.00	
											Total #	of I	Jsers as of 2005	1	11.859	Estimated Total # of Us	ers by 2006		23.809	
		_		_		-	A		0 0	-	T O(G) I		0 10 0 2000		11,000	Estimated rotar ir or oo	010 07 2000	-	20,000	

					Revenu	e Per									
	20	05	To	tal	Use	r	Avg. Revenue Per User	\$ 60.74	Avg. Revenue Per User	\$	60.74	Avg. Revenue Per User	\$ 60.7	Avg. Revenue Per User	\$ 60.74
Restaurant Commission (40%)	\$	91,200	\$ 4	85,200	\$	24.30	Avg. Cost Per User	\$ 52.1	Avg. Cost Per User	\$	30.55	Avg. Cost Per User	\$ 41.5	Avg. Cost Per User	\$ 52.11
Advertising Revenue (20%)	\$	95,600	\$ 2	42,600	\$	12.15	Estimated Annual FC	\$ 342,000	Revised Annual FC	\$	398,399	Revised Annual FC	\$ 342,00	Revised Annual FC	\$ 918,399.00
CreditCard Negotiations (40%)	\$	91,200	\$ 4	85,200	\$	24.30	Estimated VC (Unit)	\$ 16.19	Revised VC (Unit)	\$	13.82	Revised VC (Unit)	\$ 6.3	Revised VC (Unit)	\$ 13.82
Total	\$ 47	B,000	\$ 1,21	3,000	\$	60.74	Estimated CM (Unit)	\$ 44.55	Revised CM (Unit)	\$	46.92	Revised CM (Unit)	\$ 5	Revised CM (Unit)	\$ 46.92
Sensitivity Analysis on Sa	ales R	ip.		# of S	ales Rep		Estimated BE (# of Users	7,676	Estimated BE (Unit)		8,491	Estimated BE (Unit)	6,28	Estimated BE (Unit)	19,573
Avg. Salary of each Sales Rep	\$	5,500		3		2	Estimated BE (\$)	\$466,278.18	Estimated BE (\$)	\$	515,750	Estimated BE (\$)	\$ 381,89	Estimated BE (\$)	\$ 1,188,920
Monthly Cost for hiring Sales Rep			\$	16,500	\$	11,000	Estimated TR	\$ 720,363	Estimated TR	\$	1,446,225	Estimated TR	\$ 720,36	Estimated TR	\$ 1,446,225
5 yr Cost for hiring Sales Rep			\$9	90,000	\$ 1	660,000	Estimated TFC	\$ 342,000	Estimated TFC	\$	398,399	Estimated TFC	\$ 342,00	Estimated TFC	\$ 918,399
Status Quo VC in 5 yrs	\$ 7	85,000		26.11%		-15.92%	Estimated TVC	\$ 276,025	Estimated TVC	\$	329,067	Estimated TVC	\$ 151,08	Estimated TVC	\$ 329,067
Revised VC (unit)			\$	20.42	\$	13.61	Projected Profit/Loss	\$ 102,338	Projected Profit/Loss	\$	718,760	Projected Profit/Loss	\$ 227,27	Projected Profit/Loss	\$ 198,760
Revised CM (Unit)			\$	40.33	\$	47.13	Breakeven in 20	05	Combined Recomment	datic	n Profit		Assumptions		
Revised CM (Unit) Revised BE (Units)			\$	40.33 9,880	\$	47.13 6,832	Breakeven in 20 Avg. Revenue Per User	05 \$ 40.3	Combined Recommen Avg. Revenue Per User	datic \$	n Profit 60.74	Weighted Annu	Assumptions al FC per City	\$ 38,000	
Revised CM (Unit) Revised BE (Units) Revised BE (\$)			\$ \$ E	40.33 9,880 500,122	\$ <mark>\$ 4</mark>	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User	05 \$ 40.3 \$ 45.03	Combined Recomment Avg. Revenue Per User Avg. Cost Per User	datic \$ \$	n Profit 60.74 36.07	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Revised CM (Unit) Revised BE (Units) Revised BE (\$)			\$ \$ 6	40.33 9,880 500,122	\$ \$ 4	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC	05 \$ 40.3 \$ 45.03 \$ 342,000	Combined Recomment Avg. Revenue Per User Avg. Cost Per User Revised Annual FC	latic \$ \$	n Profit 60.74 36.07 398,399	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Revised CM (Unit) Revised BE (Units) Revised BE (\$)			\$ \$ 6	40.33 9,880 500,122	\$ <mark>\$ 4</mark>	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated VC (Unit)	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.19	Combined Recommen- Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised VC (Unit)	Jatic \$ \$ \$	n Profit 60.74 36.07 398,399 6.35	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Revised CM (Unit) Revised BE (Units) Revised BE (\$)			\$ <u>\$</u>	40.33 9,880 500,122	\$ <mark>\$ 4</mark>	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated VC (Unit) Estimated CM (Unit)	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.19 \$ 24.12	Combined Recommend Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised VC (Unit) Revised CM (Unit)	s \$ \$ \$ \$	n Profit 60.74 36.07 398,399 6.35 54.40	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Revised CM (Unit) Revised BE (Uhits) Revised BE (\$)			\$ \$ (40.33 9,880 500,122	\$ <mark>\$ 4</mark>	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated VC (Unit) Estimated CM (Unit) Estimated BE (# of Users	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.19 \$ 24.12 14,18	Combined Recommen Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised VC (Unit) Revised CM (Unit) Estimated BE (Unit)	Jatic \$ \$ \$ \$	n Profit 60.74 36.07 398.399 6.35 54.40 7,324	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Pervised CM (Unit) Revised BE (Units) Revised BE (\$)			\$ <u>\$</u>	40.33 9,880 500,122	\$ <mark>\$ 4</mark>	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated AVC (Unit) Estimated BE (11 of Users Estimated BE (11 of Users Estimated BE (11 of Users	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.19 \$ 24.12 14,18 \$ 571,594	Combined Recommen Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised VC (Unit) Revised CM (Unit) Estimated BE (Unit) Estimated BE (\$	Jatic \$ \$ \$ \$ \$	n Profit 60.74 36.07 338,399 6.35 54.40 7,324 444,874	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Revised EX (Unit) Revised EX (Units) Revised EE (\$)			\$ <u>\$</u>	40.33 9,880 500,122	\$ <u>\$ 4</u>	47.13 6,832 14,997	Breakeven in 20 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated VC (Unit) Estimated CM (Unit) Estimated BE (1) of Users Estimated BE (1)	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.19 \$ 24.12 14.18 \$ 571,594	Combined Recommen Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised CM (Unit) Revised CM (Unit) Estimated BE (Unit) Estimated BE (\$) Estimated TR	Jatic \$ \$ \$ \$ \$	n Profit 60.74 36.07 398.399 6.35 54.40 7,324 444,874 1,446,225	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Perised CM [Unit] Perised BE (Units) Perised BE (3)			\$ \$ E	40.33 9,880 500,122	\$ \$ 4	47.13 6,832 14,997	Breakeven in 21 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated VC (Unit) Estimated BE (# of Users Estimated BE (# of Users Estimated BE (\$	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.12 \$ 24.12 14.18 \$ 571,594	Combined Recommen, Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised VC (Unit) Betimated BE (Unit) Estimated BE (\$) Estimated TF Estimated TFC	Jatic \$ \$ \$ \$ \$ \$	n Profit 60.74 36.07 398.399 6.35 54.40 7,324 444,874 1,446,225 338.333	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38,000 \$ 1,634,000	
Revised CM (Unit) Revised BE (\$)			\$ <u>\$</u>	40.33 9,880 500,122	\$ \$ 4	47.13 6,832 14,997	Breakeven in 21 Avg. Revenue Per User Avg. Cost Per User Estimated Annual FC Estimated Annual FC Estimated CM (Unit) Estimated BE (1) of Users Estimated BE (1)	05 \$ 40.3 \$ 45.03 \$ 342,000 \$ 16.15 \$ 24.12 14.18 \$ 571,594	Combined Recommen Avg. Revenue Per User Avg. Cost Per User Revised Annual FC Revised VC (Unit) Estimated BE (Unit) Estimated BE (\$) Estimated TR Estimated TFC Estimated TVC	Jatic \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	n Profit 60.74 36.07 398.399 6.35 54.40 7,324 444.874 1,446,225 393.339 151,034	Weighted Annu Status Quo TF	Assumptions al FC per City C Over 5 Yrs	\$ 38.000 \$ 1.634.000	

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 deem 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 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 the 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 = $\$342,000^\circ$ cities = $\$342,000^\circ$ Estimated VC = (TC(2005) \$534,000 - FC \$324,000/11,859 users as of 2005 = \$16.19; CM (unit) = \$40.31 - \$16.19 = \$24.12; BE (units, users) = FC/CM = 14,181 users. BE (\$5 = BE (units) \$40.31 - \$571,594.

Projected Profit Model based on Sales/Cost Projections:

Projected Truth Water based on Sales Cost Frigerounds. 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 options.

Combined Recommendation Profit Model: Avg. Cost per User: = average(option 2 \$30.55, option 3 \$41.58) = \$36.07; Revised FC: FC will 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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