



www.cpetz.com



VICTORIA JUNIOR COLLEGE
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VJC WAP Team

Cpetz.com Executive Summary

The Product:

Cpetz, is about a mobile or electronic-community integrated with group virtual pet rearing. It brings a group of people, with common interests, together to raise an online virtual pet. Each time a new user signs up with Cpetz, he/she either creates a new community or joins an existing one. As a member of a community, he/she has a stake in their pet's health and happiness. When members 'visit' their pets on their WAP devices, they can feed, play or heal it. A credit system allows members to buy toys or food for their pets. When members respond to advertisements on the WAP/web pages, extra credits are earned.

Customer Benefits and Key Features:

- 🌐 Free of charge
- 🌐 Actions (E.g., feed, play, heal etc)
- 🌐 Online interactive discussion forum
- 🌐 A tip a day message board
- 🌐 Members' own e-mail address (e.g. john@cpetz.com)
- 🌐 Pet statistics (include health, happiness and age)
- 🌐 Credit System
- 🌐 Library of over 100 selectable pets
- 🌐 Easily accessible from PC, PDA and Mobile Phone
- 🌐 Unlimited messaging

The Market:

Based on a combination of quantitative questionnaires, market figures and regression analysis of these data against economic variables, we have estimated the following:

Potential Demand for Cpetz (2001—2003)

	2001	2002	2003
Potential Membership	1,500,000	2,500,000	5,500,000

Potential Visitors for Cpetz (2001—2003)

	2001	2002	2003
Potential Visitors	2,000,000	4,400,000	6,500,000

Research:

A survey was carried out among youths aged between 12—19 years old. Results show that 82% of the 250 youths surveyed have 100% level of definite intention to become Cpetz members. Also, the first leg of R&D is already in process, with the aim of finding out popular and feasible features for future enhancement. So far, the data collected were as followed:



Note: Sampling Size: 250 Teenagers Aged between 12 to 19 Years Old (Male—36% Female—64%

Student—94% NS Man—2% Working Class—4%

Features	Number of Teens	Number of Teens In %
Chatting, Talking Abilities	100	40%
Emotions	50	20%
Artificial Intelligence	10	4%
E-Shopping, Mail Delivery	40	16%
Evolution Abilities	5	2%
Others	45	18%

Competition:

There is no known direct competition to Cpetz, but indirect competitors will include:

- 🌐 E-communities like E-groups which do not have virtual pet rearing AND
- 🌐 Virtual pets sites like petz.com which are lacking in features

International Opportunities

Cpetz's initial opportunities lie mainly inside Singapore. However, every advanced economy represents an opportunity, as do some of the more transparently managed developing countries. Our licensing system will let us expand with extraordinary rapidity in the future, which will be essential to delaying the appearance of direct competition.

Marketing Strategy

To achieve the membership target of 5,810,000 by year 2003, the company will:

- 🌐 Target group aged 12—19 years old
- 🌐 Release new product within 1½ years
- 🌐 Set up 24/7 helpdesk
- 🌐 Advertise through media like magazines, TV commercials and top web sites
- 🌐 Associate with influential internet companies and organizations

Financial Information Summary:

Year	2001	2002	2003
Total Revenue	80,000	264,000	390,000
Total Operating Expenses	219,200	221,750	239,950
Income Taxes	8,000	26,400	39,000
Net Income	-147,200	15,850	111,050
Net Income Gain In %	-184%	6%	28%
Total Liabilities & Equity	996,745	1,121,565	1,202,105

VJC WAP Team

cpetz.com Business Plan

1. Introduction

1.1 Product



Our startup product, **cpetz**, is about a mobile or electronic-community integrated with group virtual pet rearing. It brings a group of people, with common interests, together to raise an online virtual pet. Each time a new user signs up with **cpetz**, he/she either creates a new community or joins an existing one. As a member of a community, he/she has a stake in their pet's health and happiness. By accessing their pet on the WAP devices, they 'visit' their pet, and can play, feed or heal it. A regularly visited and fed pet is a happy and healthy pet. Through the **cpetz** web-site, members have more options. They can use credits instead of cash to exchange for items for their pet. Every new member will be given a certain number of credits upon successful sign-up at **cpetz**. Subsequent credits can be earned by click-through of advertisements on the web/WAP site. The credits accumulated can be used for the upkeep of the pets, like buying pet food, toys and so on. Besides looking after their pet, community members can interact with members of other communities, exchange tips and mass-message one another via the message board and discussion forum facilities.

Our initial **cpetz** will come with a library of over 100 different lovable pets. All pets are available for 'adoption' on the **cpetz** website. Adoption and all services of **cpetz** will be free of charge.

The main source of revenue will be through the integrated and customized advertising opportunities in the Web/WAP pages. There will be the common 468x60 banner ads, editorial integration, splash pages, customized e-commerce boutiques, site-integrated catalog ads, sponsorships, dynamic text ads, buttons, newsletter ads, integrated channel sponsorships, co-branded contests/sweepstakes, anchor tenancies and polls.

Other features of **cpetz** will be elaborated further under Section 3.2.2.



Some options for a **cpetz**.



What **cpetz** will look like on a WAP phone.



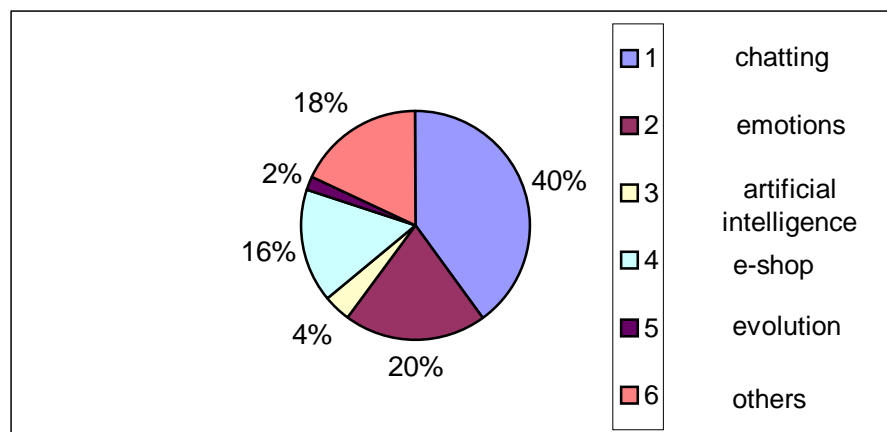
Screenshots of cpetz from <http://ntujc2001.ntu.edu.sg/team/vjc/cpetz/index.asp>

1.2 Future Product

Our first leg of R&D is already in process. We conducted a survey among 250 teenagers to gather information on the popular and feasible features for future enhancements. The desired features for future cpetz are represented in the pie chart below.

Sample Size: 250 Teenagers aged 12 to 19 Years Old

Male—36% Female—64%
 Student—94% NS Man—2% Working Class—4%



Interesting features in 'others' include auction of pets, creation of pets, trading of pets, and pet-fighting.

2. Market

2.1 Market research

The teen market is lucrative. As electronic cash alternatives proliferate, eMarketer predicts that 53 percent of teen Internet users will buy online before the year is over. And in a recent subscriber survey, *Seventeen* magazine found that the average amount spent by girls who made online purchases during the last year topped US\$200. Our most important market research data group are the teenagers, aged between 12—19 years old, majority of them are mobile phone users who indulge in SMS messaging. Their opinions shape how our product should look like and function. Their suggestions on the company's promotion strategy are being taken into consideration as well. A survey was carried out, and results show that 82% of the 250 youths surveyed are keen to become cpetz members.

<i>Results of some of the survey questions:</i>	<i>Y</i>	<i>N</i>
1. Are you comfortable with the idea of keeping an online virtual pet instead of a real pet?	74%	26%
2. Do you like the idea of communicating with other groups?	96%	4%
3. Would you want to keep an online virtual pet?	82%	18%
4. Would you like to look after a virtual pet together with other people?	88%	12%

2.2 Market Overview

The uniqueness of **cpetz** allows us to carve our own niche in the Internet market. We first look at the penetration of mobile phones and the Internet in the local and regional markets.

Statistics —Number of Internet & Mobile phone users in Singapore. (Source: IDA Singapore)

<i>CATEGORY</i>	<i>JAN 2000</i>	<i>FEB 2000</i>	<i>MAR 2000</i>	<i>APR 2000</i>	<i>MAY 2000</i>	<i>JUN 2000</i>	<i>JULY 2000</i>	<i>AUG 2000</i>	<i>SEPT 2000</i>	<i>OCT 2000</i>
<i>Total Mobile subscribers</i>	1,531,700	1,578,400	1,630,800	1,735,100	1,812,200	1,882,500	1,969,600	2,062,200	2,162,600	2,248,000
<i>% Mobile Phone Penetration</i>	47.6	49.1	50.7	53.9	56.3	57.7	60.4	63.2	66.3	68.9
<i>Total Internet subscribers</i>	956,300	1,692,40	1,711,300	1,729,800	1,743,600	1,757,700	1,847,900	1,860,200	1,870,300	1,879,000
<i>% Internet Penetration</i>	29.7	52.6	53.2	53.8	54.2	54.6	57.4	57.8	57.3	58.2

All figures are rounded up to the nearest thousand.

Number of WAP phone users in Asia (Source: www.emarketer.com)

<i>Wireless Phone Subscribers & Penetration in Asian Countries, June 2000</i>		
	<i>Subscribers</i>	<i>Penetration (%)</i>
<i>Hong Kong</i>	4.80	67.4
<i>Taiwan</i>	14.69	66.2
<i>South Korea</i>	26.57	56.0
<i>Singapore</i>	2.25	54.1
<i>Japan</i>	59.42	47.0
<i>Australia</i>	8.56	44.7
<i>China</i>	51.61	4.1
<i>India</i>	2.18	0.2

Potential of Advertisement Revenue (Source: www.emarketer.com)

Internet Advertising Revenue Growth in US, Q1 1999–Q3 2000 (In millions)

Q1 1999	\$693.00
Q2 1999	\$934.00
Q3 1999	\$1,217.00
Q4 1999	\$1,777.00
Q1 2000	\$1,953.00
Q2 2000	\$2,124.00
Q3 2000	\$1,986.00

Source: Internet Advertising Bureau/Price WaterhouseCoopers, 2000

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www.eMarketer.com

Internet Advertising Revenue Comparison in US, Q2-Q3 2000 (In millions)

Q@ 2000	\$2,124.00
Q3 2000	\$1,986.00

Source: Internet Advertising Bureau/Price WaterhouseCoopers, 2000

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www.eMarketer.com

Unique Visitors & CPM For Top Teen Sites (Source: Revolution magazine Nov 2000)

Sites	Unique Visitors per mth	CPM (\$)
www.alloy.com	850,000	15
www.bolt.com	1,400,000	45
www.chickclick.com	1,000,000	25
www.cosmogirl.com	500,000	Not disclosed
www.ecrush.com	500,000	15
www.fandom.com	1,000,000	25
www.gurl.com	1,500,000	15
www.mtv.com	2,900,000	Not disclosed
www.teen.com	900,000	15
www.teenmag.com	900,000	40

Given the above statistics, we predict the potential demand for petz. Based on a combination of quantitative questionnaires, market figures and some calculations, we have estimated the following:
 ***(Note that all figures are rounded up to the nearest thousand)*

Potential Demand for petz in Singapore

General Calculations:

(Note: There are 1.5 million people in the 12-19 years old age group in Singapore in 2001. Source: MITA, Singapore)

Year 2001: 0.82 x 1.5 million + 0.18 x 1.5 million

	2001	2002	2003
Potential Membership	1,500,000	2,500,000	5,500,000

Potential Unique Visitors for petz.com

General Calculations:

Year 2001: 0.5 x (1.9 + 2.25) million

	2001	2002	2003
Potential Unique Visitors	2,075,000	4,400,000	6,500,000

In general, demand for petz increases with the quality of the product and the complexity of the design. Pricing is discussed under heading 3.4.2 below.

2.3 Competition

There is no known direct or immediate competition to petz. Current e-communities available on the Internet include E-groups, E-circles and even Yahoo Clubs, which provide similar services to ours, but none of them has incorporated virtual pet rearing into their communities. Further more, even if they do, virtual pet rearing would be secondary to the virtual community idea.

A search using popular search engines for 'virtual pet sites' produces on average, 40 results. The closest competitor, www.petz.com, is highlighted here for comparison.



- PC enabled only
- Choose either a cat or a dog
- Online purchases of pets
- Actions (play and feed)
- Online support
- Diary
- Pet tips
- Both WAP and PC-Enabled
- Library of pets , users can also create pets online
- Free of Charge
- Actions (play, feed, heal)
- Pet statistics
- E-Communities
- 24/7 helpdesk
- Email Unlimited messaging

2.4 Social considerations

There is no known political, economic, social impact that could be caused by Cpetz, unless the public gets too obsessed with the product. Product demand should be as projected unless similar or better products surface within the first year of release.

2.5 International Opportunities

As indicated in the tables above, Cpetz's initial opportunities lie mainly inside Singapore. However, every advanced economy represents an opportunity, as do some of the more transparently managed developing countries. Our licensing system** will let us expand with extraordinary rapidity in the future, which will be essential to delaying the appearance of direct competition.

** The Licensing System will refer to the company selling a portion of Cpetz marketing rights to other foreign Internet companies.

3. Marketing Strategy

3.1 Marketing Objectives

We aim to attract a growing community of loyal teens and drive traffic through offline components and/or partnerships. On the whole, Cpetz will offer integrated and customized advertising opportunities. Rich media ads will be the norm. Besides the normal banners, the other options we will also explore include editorial integration, splash pages, customized e-commerce boutiques, site-integrated catalog ads, sponsorships, dynamic text ads, buttons, newsletter ads, integrated channel sponsorships, co-branded contests/sweepstakes, anchor tenancies and polls. Cpetz's objective is to become Singapore's largest e-community virtual pet rearing provider where quality is critical, achieving 5 percent of the total market share in 2 years time. Specific membership targets for next 3 years are:

	2001	2002	2003
Membership	1,605,000	2,675,000	5,885,000

** Figures are stepped up from potential values (from 2.2) by 7%

3.2 Product and Service positioning

To achieve the membership target of 5,810,000 by year 2003, the company will step up Cpetz's enhancement process and strive to come up with even faster and more realistic product within a period of 1½ years. Meanwhile, the company will also set up a 24-Hours service helpdesk via the Cpetz website to provide assistance to any existing member in need of help.

3.2.1 Key Member Benefit

Cpetz gives its members the only opportunity in town to not only communicate with their loved ones but at the same time raise a virtual pet for free. It also allows intra-community bonding among members. Furthermore, members are entitled to future Cpetz upgrades and enhancements.

3.2.2 Features

The outstanding characteristics of Cpetz - some covered in the section 1.1 above - are

- 🌐 Online interactive discussion forum
- 🌐 A tip a day message board
- 🌐 Personal Email Account (john@Cpetz.com)
- 🌐 Actions (E.g, feed, play, heal etc)
- 🌐 Pet statistics (include health, happiness and age)
- 🌐 Credit System
- 🌐 A Library of over 100 selectable pets
- 🌐 Easily accessible from PC, PDA and Mobile Phone
- 🌐 Unlimited messaging

The pointers in red will be visible as links on both the WAP and web version of Cpetz.

3.3 Target group

Our primary target group will be the teenagers, aged between 12 to 19 years old. We will not, however, overlook the 20-somethings working force who are the largest WAP phone users segment. We do, however, expect this group to form the minority.

3.4 Price

As mentioned in section 3.2.1 and 3.2.2, adoption of pets and all services of petz will be free of charge.

3.5 Promotion

Our primary means of acquainting the target group with petz will be by word-of-mouth. We will support this channel with a budget of \$500,000 in the first year, creating strong awareness through:

3.5.1 Advertising

The eAdvertising Report indicates that newspapers (\$47 billion), television (\$42 billion), and direct mail (\$41 billion), which ranked one-two-three in advertising dollars spent during 1999, dwarfed the \$3.6 billion distributed on the web during that same period. It also reports that newspapers, television and direct mail will continue to dominate throughout 2003, at \$48 billion, \$48 billion and \$40 billion projected levels, respectively. *(Extracted from www.emarketer.com)*

US Traditional and Online Advertising Spending, 1997-2005 (in billions)

	1997	1999	2001	2003	2005
Newspapers	\$43.7	\$46.7	\$48.9	\$47.9	\$45.5
Broadcast TV	\$37.6	\$42.2	\$45.9	\$48.0	\$50.6
Radio	\$14.3	\$16.4	\$18.8	\$20.0	\$21.2
Yellow Pages	\$11.7	\$12.5	\$12.6	\$12.0	\$11.8
Magazines	\$9.5	\$11.2	\$12.7	\$14.3	\$15.6
Cable TV	\$7.5	\$10.9	\$15.4	\$22.5	\$34.5
Outdoor	\$1.7	\$1.8	\$2.7	\$4.1	\$5.7
Direct Mail	\$38.1	\$41.3	\$43.0	\$40.0	\$34.2
Other	\$39.2	\$40.8	\$41.0	\$41.8	\$42.6
Traditional Media Subtotal	\$203.3	\$223.8	\$240.9	\$250.5	\$261.7
Online	\$0.7	\$3.6	\$10.4	\$19.0	\$30.0
Total	\$204.0	\$227.4	\$251.3	\$269.5	\$291.7

Source: eMarketer, 2001; various, as noted.

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B2C eCommerce and Web Advertising Spending, US vs. Europe, 2000-2001 (in millions)

Region	2000	2001
B2C eCommerce		
United States	\$42,129	\$65,879
Europe	\$8,062	\$16,441
Ratio	5.23	4.01

eCommerce dollars generated by each dollar of web ad spending

United States	\$5.93	\$6.33
Europe	\$8.42	\$10.77
Ratio	0.70	0.59

Source: eMarketer, 2000

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Hence for best effect, our main advertising effort will be attention-grabbing TV commercials that will portray Cpetz as the latest must-haves for teenagers. Besides this, we will be staging exciting advertising campaigns in local media. We will also run periodic direct-mail campaigns, get top teen sites to put up our ads on their sites, and maintain a dynamic site.

SOME SAMPLES OF ADVERTISEMENTS:

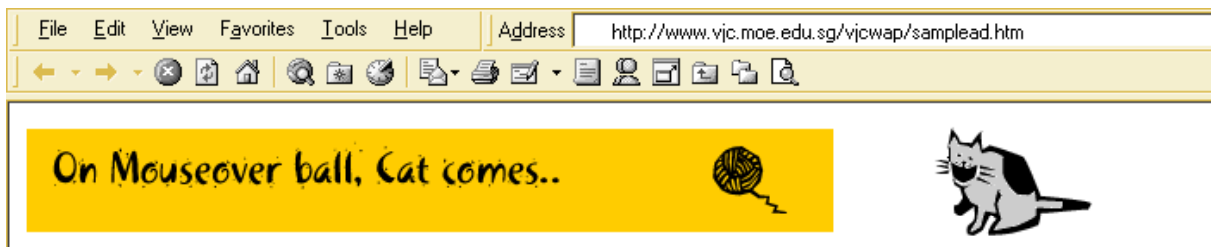


468x60



125x60

Another kind of banner advertisement we have works beyond the normal constraints of a 468x60 banner. The example below activates upon rollover, attracting a Cpetz from beyond the screen to the banner itself. By re-examining the parameters of a normal banner, we can lean upon HTML to draw attention to ourselves. This ensures that users can have a compelling brand experience. For a test drive of this ad, please go to <http://www.vjc.moe.edu.sg/vjcwap/samplead.htm>



3.5.2 Publicity and Public relations

We will associate with all possible influential internet companies like Creative Technology, local ISPs like SingTel and portals like Lycos Asia and contribute in whenever possible.

4. Financial Plan

4.1 Highlights of results

4.1.1. Income statement (\$)

Year	2001	2002	2003
Revenue			
Advertisement	80,000	264,000	390,000
TOTAL REVENUE	80,000	264,000	390,000
Operating Expenses			
Programming	48,900	52,650	52,650
R & D	69,000	63,700	81,900
Sales & Marketing	49,000	49,500	49,500
General Administration	52,300	55,900	55,900
Total Operating Expenses	219,200	221,750	239,950
Income Taxes	8,000	26,400	39,000
Net Income	-147,200	15,850	111,050
Net Income Gain In %	-184%	6%	28%

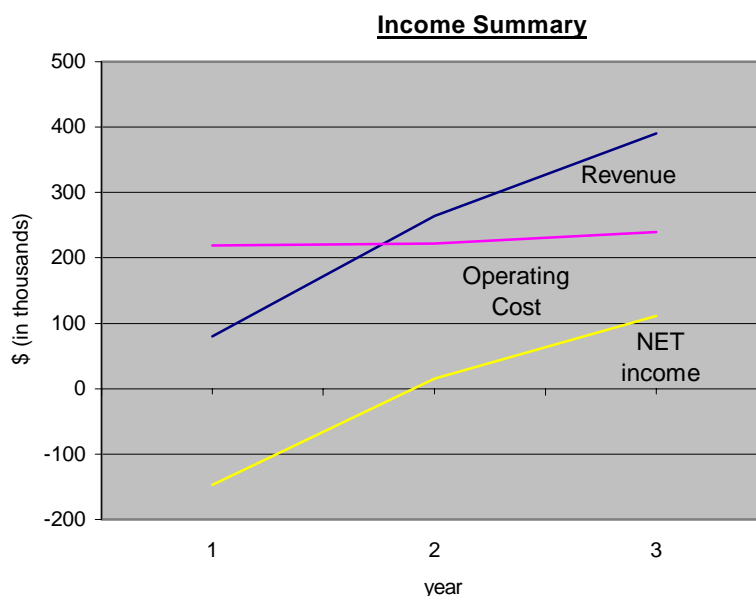
4.1.2. Balance Sheet (\$)

Year	2001	2002	2003
ASSETS			
Current Assets	2,000	4,000	4,000
Cash	2,000	5,000	7,000
Total Current Assets	4,000	9,000	11,000
Gross Fixed Assets	2,500	2,500	2,500
Net Fixed Assets	6,500	11,500	13,500
Other Assets	0	100	500
TOTAL ASSETS	6,500	11,600	14,000
LIABILITIES			
Short Term Liabilities			
Salaries Payable	678,950	899,150	972,550
Taxes Payable	67,895	89,915	97,255
Total Short Term Liabilities	746,845	989,065	1,069,805
Long Term Debt	49,900	132,500	132,300
TOTAL LIABILITIES	796,745	1,121,565	1,202,105
Equity			
Preferred Stock	200,000	0	0
Total Equity	200,000	0	0
LIABILITIES & EQUITY	996,745	1,121,565	1,202,105

4.1.3. Cash Flow (\$)

Year	2001	2002	2003
BEGINNING CASH	1,000	611,900	1,538,652
Sources of Cash			
Net Income	-147,200	15,850	111,050
Issuance of Stock	200,000	0	0
<i>Plus Changes In:</i>			
Salaries Payable	678,950	899,150	972,550
Taxes Payable	67,895	89,915	97,255
Additions to Long Term Debt	49,900	132,500	132,300
Total Sources of Cash	649,545	1,137,415	1,313,155
Uses of Cash			
<i>Less Changes In:</i>			
Gross Fixed Assets	2,500	2,500	2,500
Reductions To Long Term Debt	36,145	208,163	217,414
Total Uses	38,645	210,663	219,914
CHANGES IN CASH	610,900	926,752	1,093,241
ENDING CASH	611,900	1,538,652	2,631,893

4.2 Performance Analysis



4.3 Key Assumptions

As US market directly influences Asia markets, all Singapore Internet advertisements revenue figures will follow the same trend as US's.

UNIQUE VISITORS

	2001	2002	2003
Unique Visitors	2,000,000	4,400,000	6,500,000

ADVERTISEMENT REVENUES

	2001	2002	2003
No. of Advertisements	2	3	3
Ad Revenue***	80,000	264,000	390,000

***CPM rate for 468x60 banners: US\$20

RETURNS

Returns (as % of Cpetz revenue)	5%
Returns (as % of revenue)	0%

BALANCE SHEET

Accounts Receivable (adjustable up to 360 days)	(in days)	60 days
Accounts Payable (fixed at 30 days)	(in days)	30 days
Salaries Payable (fixed at 15 days)	(in days)	15 days
Taxes Payable (fixed at 90 days)	(in days)	90 days
Capital Equipment Lease Term (1 year minimum)	(in years)	3 years
Long Term Borrowings Term (1 year minimum)	(in years)	5 years

DEPRECIATION	Hardware	Software	Furniture & Fixtures
Intense Programming & Research	5 years		
Programming	5 years	3 years	5 years
R&D	3 years	3 years	5 years
Sales & Marketing	3 years	3 years	5 years
Administration	5 years	3 years	5 years

EXPENSES

HEADCOUNT	2001	2002	2003
Programming	8	13	13
R&D	10	14	18
Sales & Marketing	8	9	9
Administration	11	13	13
TOTAL	37	49	53

PER PERSON EXPENSES	Monthly Salary	Supplies	Travel & Meals	Others
Programming	3000	500	300	250
R&D	3000	1,000	300	250
Sales & Marketing	3000	500	1,000	1,000
Administration	3000	300	500	500

EQUIPMENT PURCHASES	Hardware	Software	Furniture & Fixtures
Programming	10,000	5,000	1,500
R&D	20,000	2,000	1,500
Sales & Marketing	2,500	1,000	1,500
Administration	2,500	1,000	1,500

Benefits & Taxes	(as a percentage of salaries)	10%
Salary Increases	(as an annual percentage)	5%
Advertisement Commissions	(% of payable ads fee to us)	100%
Total Advertisement Fee through Commissions	(% of total revenue)	100%
Business Insurance	(% of total revenue)	1%
Anticipated Bad Debt	(% of collections)	1%
Office Rent	(per square foot)	\$1.00
Minimum Office Space	(square footage per person)	100 sq ft
Term of Office Lease	(in months)	72 mths
Minimum Programming Space	(square footage per person)	100 sq ft
Term of Facilities Lease	(in months)	72 mths
Utilities Expense	(per square foot)	\$0.20
Maintenance Expense	(per square foot)	\$0.05

Currency

Our working financial plans were produced in US dollars, the currency in which most revenues will occur and many costs will occur.

Personnel Costs

All personnel costs show a real increase of 8% per year, reflecting our need to reward our workers exceptionally well in order to keep their performance at levels that will hold waste and defects to absolute minimums. This again is the highest expense that can reasonably be projected.

Key Equipment Costs






Key equipment costs will show a standstill by 2003 with upgrading of computer system having taken into consideration.

Plan Projection

With reference to previous cases, for example *Tamagotchi*, virtual pet would not last beyond 3 years. Hence, the financial plan is projected up to Year 2003 only.

5. Acknowledgement

5.1 Web Based Sources

-  <http://www.gov.sg/mcit/pr/>
-  <http://www.ida.gov.sg/Website/IDAhome.nsf/Home?OpenForm>
-  http://ntujc2001.ntu.edu.sg/ntujc/Business_Plan/Additional_Resources/main.asp
-  <http://www.businessplans.org/MootCorp.html>
-  <http://www.emarketer.com>

5.2 Books

1. Marketing: An Introduction (5th Edition), Prentice Hall; 1999, *Gary Armstrong & Philip Kotler*.

5.3 People

To all the 250 teenagers who had spared part of their precious time to do the survey, and everyone else who had helped in one way or another.