

Directors Education Program *March 15/11*

Build a Big Model for EventBots.com

(1) Value Propositions?

EventBots is a system to record events while they are happening & upload them to the Internet in close to real time. Event Bots engages its audience with a robot that allows either self-served or hosted Q&A. Humans relate & convey human-like qualities to EventBots. EB also develops a valuable library & record of events.

(2) ECQ Test Score

(3) GM Score

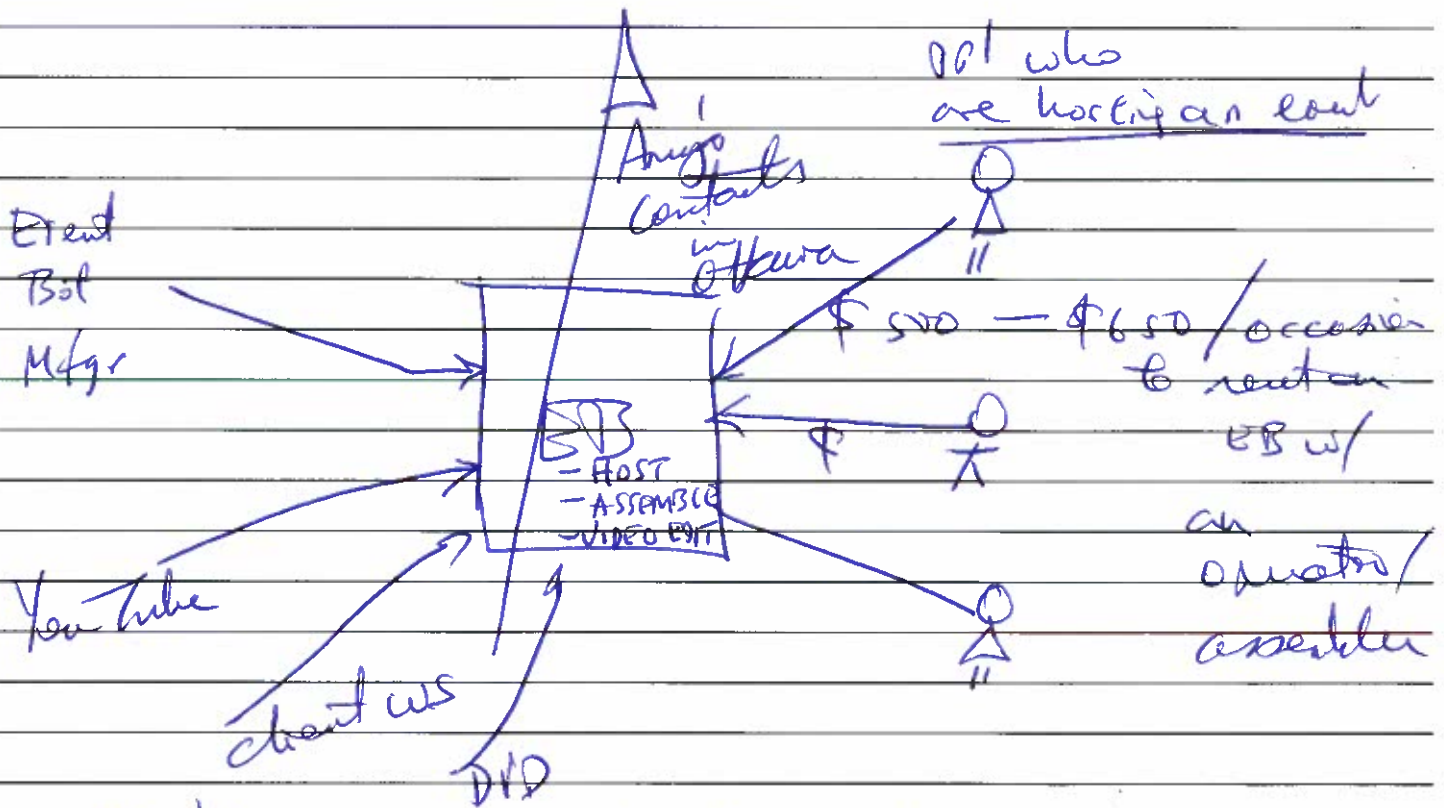
(4) Big Model Score

Old Biz Model: See below



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Any Yee's B.g Model



Problems — local contacts

— Each event bot is costing her \$15000!

— Any is an ~~an~~ engineer, new mother & basically gets \$ to cover her cost of blds, 2x BB. That's all

Every person with hair at least has event to be cool!
 ← Their wedding

Any is a boxer

→ 1 to 7 billion problem



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(5) Value prop for customer

"Gee, it's pretty cool."

"Buy \$650 for a few hrs."

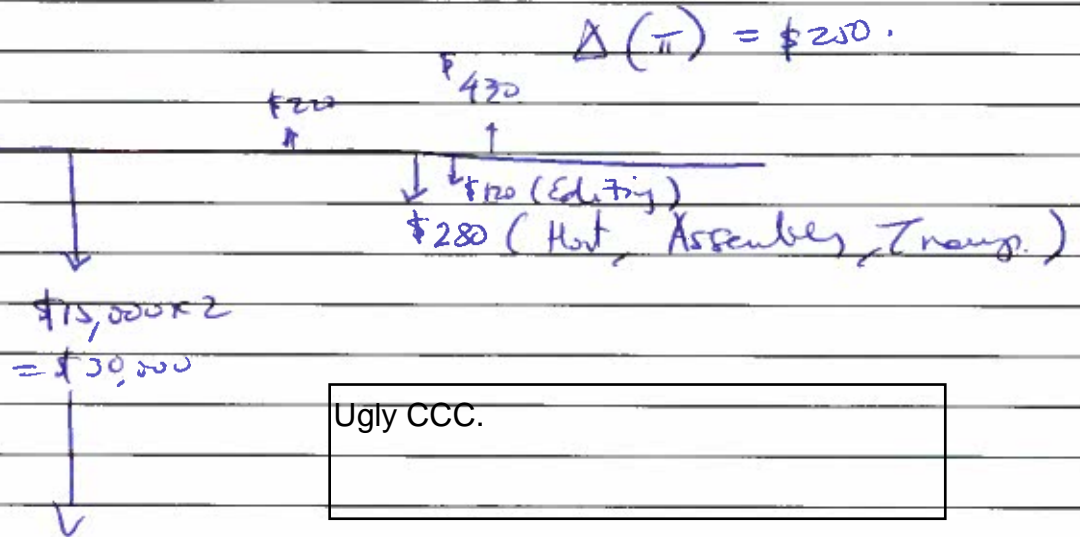
"It's fun."

"Need to have a record of yr event."

This is the way most ppl sell:
as if it was a beauty contest.
They need to use Negative
Cost Selling instead.

(6) CCC =

\$650 — deposit 1/3 \$220
bal due \$430
≤ 30 days



Ugly CCC.



9-Mar-11 CASH CONVERSION CYCLE (CCC) MEASUREMENT

CCC Measurement-EventBots**	Number	Units	
Accounts Receivable at Year End (AR)		\$430	
Days Per Year		365.25 Days	
AR x Days Per year		\$157,057.50	Dollar-Days/Annum
Annual Sales		\$650	Dollars/Annum
AR x Days Per year/Annual Sales		241.6269231	Days ART
Inventory at Year End (INV)	\$	300.00	\$15,000
Days Per Year		365.25 Days	50 events per yr
INV x Days Per Year		\$109,575.00	Dollar-Days/Annum
Cost of Goods Sold (COGS)		\$400	Dollars/Annum
INV x Days Per Year/COGS		273.9375	Days INVT
Accounts Payable at Year End (AP)		\$120	
Days Per Year		365.25 Days	
AP x Days Per year		\$43,830.00	Dollar-Days/Annum
Cost of Goods Sold (COGS)		\$400	Dollars/Annum
AP x Days Per year/COGS		109.575	Days APT
CCC*		405.9894231	Days

* CCC = ART + INVT - APT

** Guesstimated numbers- for demonstration purposes only.

COGS

0.45 of retail sales

E&OE

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A CCC that is +ve means that the faster EB grows, the more cash it will consume. This is not the condition that makes sense for a Bootstrap Startup.

(3)

Capitalization! ^{maximize} Bootstrap A.

↳ Dragon's Den? Sell off 300 flights to crowd? ~~No~~ Social Commerce

Mkts. Agency

+ every Tweet/Retweet/Favorite

$$\$499 / \text{tweet} + 0.45 \$ / \text{view} + (5\$ / \text{Lk})$$

NCS (Net Cost Selling)

house fee/like new 15¢/Lk

10 events / tweet, 10,000 views \$100 likes
\$499/event setup.

$$\text{COS} = -4990 + 499 - (1.5 \times 10,000 \times 10 + 0.45 \times 10,000 \times 10) / 100 - (15 \times 100 \times 10 + 5 \times 100 \times 10) / 100$$

Put caps on

\$15 - 1,000
\$15,000 - 1,000,000
\$30,000 - 2,000,000

EB nets

$$= -5,641 / \text{tweet}$$

$$499 + (.45 \times 10,000 \times 10) / 100 + (5 \times 100 \times 10) / 100 =$$

$$999 / \text{tweet}$$

OPM

cap.

Social Commerce

It was fun, Amy.

Had another thought 4 u:

Price of Service (EventBots) = \$499 mthly fee + 0.45 cents per view + 5 cents per Like

For some1 who does say 10 events per mth, gets 10,000 views per event and 100 Likes per event and charges \$499 for setup per event, 1.5 cents per view and 15 cents per Like

Cost of Service (EventBots) = $-\$4,990 + \$499 - [1.5 \times 10,000 \times 10 + .45 \times 10,000 \times 10]/100 - [15 \times 100 \times 10 + 5 \times 100 \times 10]/100 = -\$5,641$ mthly

The additional metric I threw in is the 'Like' button.

I think clients will pay for views and Likes.

What this shows is that the cost of a marketing agency licensing 1 EventBot is a -ve number.

EventBots wld make:

$\$499 + [.45 \times 10,000 \times 10]/100 + [5 \times 100 \times 10]/100 = \999 mthly.

By throwing in the FB Like button, u have added a new dimension to yr model:

It is called social commerce or collaborative commerce.

That's a new term that Amazon and Shopify and others coined and are working to develop further.

For example, LooseButton.com lowers its prices by ~15 cents per Like for every Like the consumer can get for its products.

Comprehendo?

BMF

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"Making Each Day Count"

CPM

\$4.50 / 1,000

Bus TSDs

\$15.00 / 1,000

Cost Per Thousand

N = \$5,000.00
next gen.

\$30 - \$60 / 1,000

\$120 / 1,000

Gary Baker of SC.
Sacred Innovations, CA
~~mechanical engineer~~

\$4.50 / 1,000

.450 \$ / view.

cap #.

1,000

\$4.50

10,000,000

\$45,000.00

100,000

\$450

1,000,000

\$4500

HSBC

Mktg Ann * \$ 999 / unit x 36 units.
 = 360.

Each EB is now costing \$ 5k.
 + firm 1 yr \$ 12k.
\$ 17k.

N=10 Agreements.

get \$ 170k less 10 EB @ \$ 5k each

=> \$ 110k working capital.

Wld rather give up \$ 200k equity for \$ 200k or get N=12 @ \$ 200k w/ \$ equity?
 Dragon's Den \$ 200k x 18 probability of success = \$ 3,600!

old case SBL - 90% suggested by GOC
 WZ by Amy

Leverage

great HA — Hire Jennifer Clark.

OCM — Mtg Agency + HSBC

forced savings — yes. payoff cost
costs of £8.

Innovation — yes. 1 to 7 bn known
1 to 10,000.

capital equip — Yes. £ itself.

location — Yes. Place @ Academy
Awards.

branding — Yes.

Inflation Protection — Yes. → You take puts &
puts from utility
operates with
constant breakeven
— it's an amount

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Your Complete Business Model should include:

1. A one page Business Model Flow Chart. Start by using our online Business Model Generator, BMG (<http://www.dramatispersonae.org/bmg/>) to get a sense of what your final model might look like. Then improve it and let it evolve to describe using a pictogram the entire ecosystem that your new enterprise will live within. Your Business Model will show your ECQ Test Score, your 'Pixie Dust', source of Bootstrap Capital and Guerrilla Marketing/Social Marketing ideas, your Guerrilla Marketing Test Score and your Business Model Test Score. The BMG will lead you through this process. Try to select the right idea for your next startup (read Ten Things Startups Forget to Do: <http://www.eqjournal.org/?p=335>). Create a business model for the 21st Century that will produce great results so that the harder you work, the more money you make and so you can compete effectively with hard charging entrepreneurs from China, India and other Tigers by having a business model that can not be easily duplicated or dislodged and gives you a lasting, sustainable competitive advantage and concession or franchise. Understand not only your clients and suppliers but the whole network or ecosystem: clients of your clients and suppliers to your suppliers. Becoming part of your business ecosystem is one of the keys to longterm sustainability for your enterprise. Add some differentiated value, innovation and 'pixie dust' to your business model. Self-capitalize (bootstrap) your new enterprise so that you end up owning it and not a VC firm or other investors or partners (please see Bootstrap Capital, the Last Word: <http://www.eqjournal.org/?p=1162>). And use some smart marketing (guerrilla marketing and social marketing) so you can acquire customers and clients cost effectively (please read Guerrilla Marketing Basics: <http://www.eqjournal.org/?p=643>).

2. You will also need to develop a one page spreadsheet showing how value is created for one individual client or customer. Here are some examples of how to demonstrate your Value Proposition: Value Proposition of a Residential Realtor, the spreadsheet, Value Proposition for a HR Professional, the spreadsheet. You are demonstrating in a clear and concise way how your new enterprise/product/service/division creates either lower costs or higher revenues (or hopefully some combination of both) for one customer.

3. A second spreadsheet is required that provides you with a Financial Model of your enterprise. Having done quite a bit of work in the field of urban economics, it has always amazed me that most cities, for example, don't have a financial model that can tell them what the fiscal implications are of one more resident or, for that matter, one more firm locating in their town. Most cities have budget processes that are a mess. I produced a financial model for a backorder domain name service that you can use online: <http://public.sheet.zoho.com/public/profbruce/backorderdomainincorpfinancialmodel>. From this model, the firm can see what impact each additional client has on the top line of the firm. The firm is also able to test the sensitivity of its top line to changes in the success rate of backorder capture, changes in its COGS (Cost of Goods Sold) and other variables.

Your value proposition for your clients and their impact on your business (which is measured in your financial model) are mirror images of each other. We complete the business ecosystem when your suppliers provide you with their value proposition and you also insist that they have a financial model of how your business impacts them. Why should you care if your supplier's have a workable financial model? Well, the long term viability of your firm depends in part of a stable supply chain and it won't be stable if your suppliers are failing on a frequent basis.

4. Make sure you also understand what a Cash Conversion Cycle is and how to calculate it for your enterprise. Please read Cash Conversion Cycle, CCC: How the CCC Affects Your Internal Rate of Return, The Power of Leverage to Work for You and Against You, and Effectively Manage your Enterprise by Measuring your Cash Position. Here is a spreadsheet example for calculating the CCC: <http://www.dramatispersonae.org/BusinessModels/CashConversionCycleMeasurement.xls>.

5. You will produce and record a 2-minute video of your Elevator Pitch and load it

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to YouTube (public or private) for viewing in class. See:
<http://dramatispersonae.org/HowToMakeAGreatElevatorPitch.doc> and
<http://dramatispersonae.org/ElevatorPitchworkshop.doc>. Here is a sample elevator pitch given by student entrepreneur, Daniel Beachamp:
<http://blog.avitu.com/2010/07/30/elevator-pitch-time/>. Sean Wise has a humorous but useful take on what makes a good elevator pitch:
<http://www.youtube.com/watch?v=Tq0tan49rmc&feature=related>.

6. If you can build leverage into your business model, a means to multiply the force exerted by your own efforts, time and brains, you will have a greater opportunity to succeed. Leverage in your business model comes primarily from eight principal sources:

- i. great HR,
- ii. using OPM,
- iii. forced savings,
- iv. innovation,
- v. capital equipment,
- vi. location,
- vii. branding &
- viii. inflation.

Test your biz model: ask yourself do you have great HR, are you using OPM, benefiting from forced savings, innovating, do you have a great location or brand, is your capital equipment top notch/best-of-breed & do you benefit from inflation? If so, you are probably maximizing your leverage.

Leverage using OPM is increased when the project's or business' rate of return is higher than money you borrowed. Or when you use bootstrap capital, say, trade credit, where a supplier gives you credit at low interest or no interest to buy from them or a customer gives you a deposit on an order on which you pay no interest, you are then leveraging your own efforts and capital with theirs.

You also get leverage when other people are paying off your debts. This happens when, for example, you own rental property. Every time a tenant pays their monthly rent and you pay off some of the principal using their rent, you experience a form of forced savings and a wealth effect.

I have spoken to the need to have some type of innovation in your business model; as we saw above, Steve Jobs proved that you can think your way to wealth a lot faster than you can work your way there. That's big-time leverage...from ideas.

It would also appear self-evident that having top notch capital equipment provides greater leverage for your employees and means higher productivity. You also get leverage from your location and your brand. In real estate terms, if you occupy a particular location, it obviously means that no one else can, so make it a good one.

Some people think that having a great brand is nice, actually it's essential. A strong brand creates trust and trust creates the opportunity to sell. Think about it? Ever bought anything from someone you didn't like and didn't trust? If you did, it was only once.

But a brand does other things for you. For example, Apple's incredible brand, its reputation for building insanely great products, allowed Steve Jobs to cajole out of AT&T a share of their monthly subscriber revenues for the launch of the iPhone, something that no other telecom had ever granted to a cell phone manufacturer before.

Cell phone manufacturers went from selling a 'shrink wrapped' gadget for a one-time payment in a brutally competitive market that was racing to the bottom to an industry with multiple sources of revenues, some of which are recurring: the holy grail of techdom.

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Imagine how much harder Steve Jobs and Apple would have to work and how much lower their productivity as measured in revenue per employee would be without recurring revenues from iPhone app sales and revenues, advertising revenues on their mobile platform, downloads of paid content from iTunes and a share of their carriers' subscriber fees.

From a simple question, asked by Steve Jobs, and a tweaking of his business model flowed great benefits. The harder they work, the more money they make and, in Apple's case, this relationship has become geometric.

(Jobs has created radical change in industry after industry: personal computing (the Mac), animation (Pixar), music (iPod), cell phones (iPhone) and now book/newspaper/magazine publishing (iPad) plus perhaps television and film (Apple TV). It is truly a remarkable record of achievement.)

Lastly, if you are in an industry that is experiencing price inflation, you are benefiting from asset value increases without putting in any effort of your own, i.e., more 'free' positive leverage for you. That is why it is almost always better to enter into buoyant sectors where 'all boats are rising'.

7. Lastly, you will need to write a Summary of your Business Model that is 2-pages or less that summarizes:

- a. Your value proposition including its 'pixie dust' (<http://www.eqjournalblog.com/?p=9>) or differentiated value and how you can create a sustainable competitive advantage. Make sure that you are abundantly clear about the costs and benefits that you are creating for each customer.
- b. How you can acquire customers and clients, including pre-launch clients, in a cost effective manner through guerrilla marketing, social marketing or direct marketing. Explain how you might use negative cost selling to achieve this: <http://www.eqjournalblog.com/?p=425>.
- c. How you integrated the Internet into your business model. (See: <http://www.eqjournalblog.com/?p=1609>).
- d. How you can bootstrap your business and self-capitalize it (<http://www.eqjournalblog.com/?p=1162>).
- e. How you will build cashflow and create a cash conversion cycle that is workable (<http://www.eqjournal.org/?p=2257>).
- f. Why you and your team are the right people to execute this model.

Prof Bruce

Big Dev. ED

JC.

N = \$10m/yr.

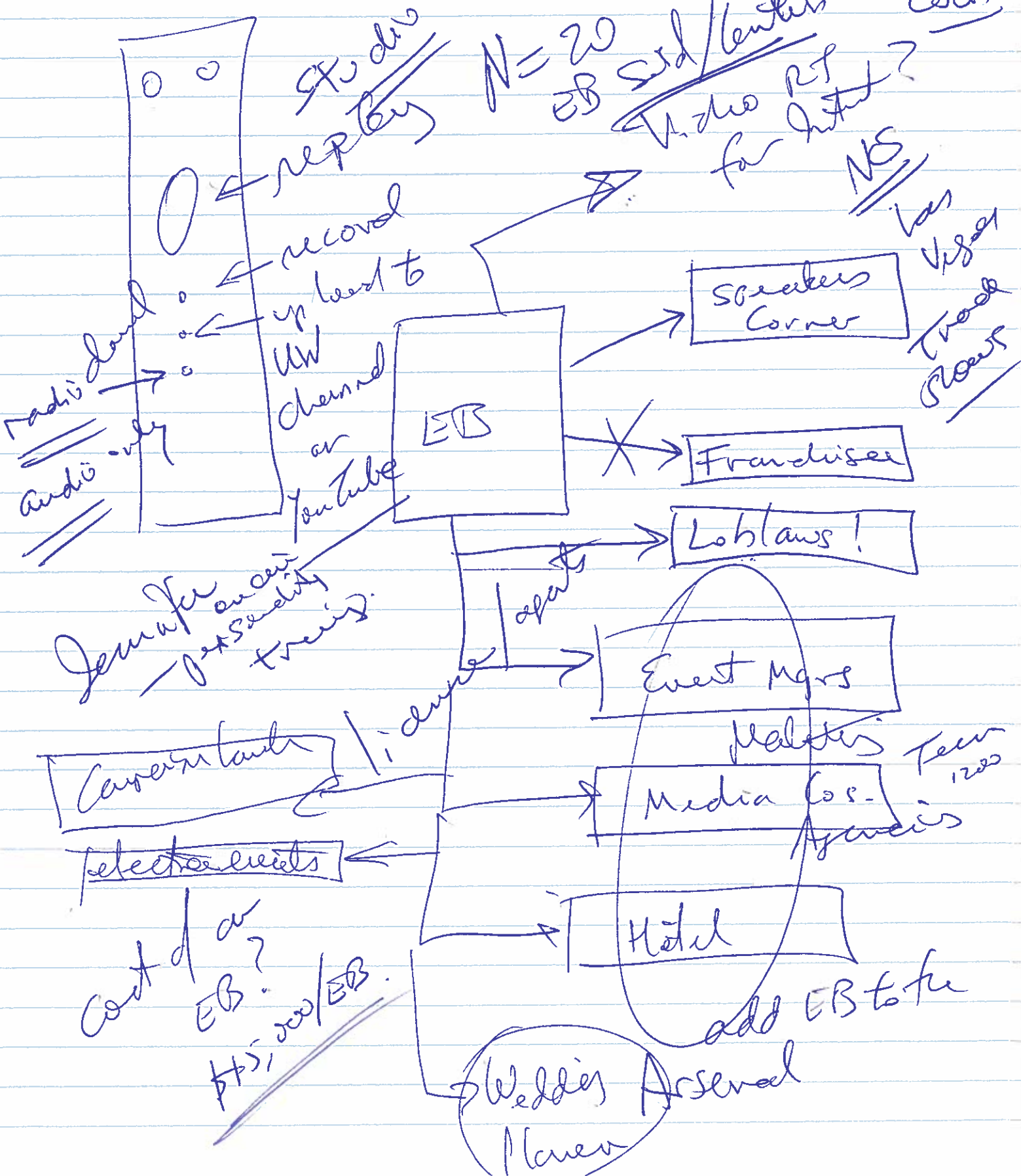
4-7 yrs

Hollywood Studios

1 Jennifer Clark / Any Joe / PM

Feb 28/11

CFDA



OUT
OUT
OUT.

license
\$500/wh
\$499/wh

with → YouTube
or guest ups

+ fee base on
bety

Dragon's Day?

Arlene.

intake
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Feds |
Computer
Event Sets

Directors Education Program

○ (7) 2-minute EP video.

CSA TV
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