

**BUSINESS PLAN FOR AN EARLY STAGE WEB STARTUP**

by

Colin Fraser

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# Approval

**Name:** Colin Fraser

**Degree:** Master of Business Administration

**Title of Project:** BUSINESS PLAN FOR AN EARLY STAGE  
WEB STARTUP

**Supervisory Committee:**

---

**Dr. Michael Parent**  
Senior Supervisor  
Associate Professor

---

**Pek-Hooi Soh**  
Second Reader  
Assistant Professor

**Date Approved:**

## **Abstract**

This document is a business plan framework for a web start up in the advertising space. The venture is based on exploiting a new way to bring those with a venue to rent and those looking for a venue for a function, a wedding for instance, together in a much more effective way than previously possible. The entity, called VenueMenu, is currently in the research stage.

This project investigates the product concept and conducts an industry analysis. It further looks at key competitors and identifies three areas of comparative advantage on which to compete. Discourse then moves on to a market analysis where we refine our target market to include two groups, users and venue owners. The paper then provides guidance with regard to the recommended strategy to win in our selected markets.

In the next sections, we investigate financial aspects such as sources of revenue, cost structure, breakeven analysis, and funding, and provide an operations plan. We follow this up with a discussion of the risk and assumptions and close with a summary of the more salient points and some conclusions gained through analysis.

## **Executive Summary**

VenueMenu is a professionally developed comprehensive online directory where users can connect with venues by searching detailed, up-to-date criteria that includes the venue's current availability information. Unlike existing web directory services that have incomplete listings and no availability data, we provide a convenient way for users to search for venues based on accurate availability information. VenueMenu delivers benefits to two different groups, i.e. venue owners and venue users. While wedding reception venues get a return on their advertising spend while reducing their administrative overhead, users get access to complete availability information in an easy-to-use format. VenueMenu is currently an early stage start-up looking for funding.

The wedding industry in North America is a \$71.8 billion (Bridal Association of America, 2009). As is the case in other markets, customers are continuing to migrate to online research as a part of their purchase decision. This trend is gathering momentum and as consumers become busier, the convenience of booking a venue online becomes even more attractive for our potential users.

Our analysis shows that competition is fierce in this advertising market. There are many advertising vectors available including wedding specific magazines, wedding specific web sites, wedding fairs & shows, and click-through ads on search engines. Most competitors are small, independently hosted sites, with membership subscription models ranging from free to \$1000 per year with an appropriately scaled level of support and features. VenueMenu will price its service in line with the rest of the competitors, but offer greater value.

Research indicates that there are at least 250,000 (WeddingWire Inc., 2011) wedding reception venues in North America, many of which already have a web site and may also be listed in online directories. Online directories to assist couples locate wedding products and services exist, however they are usually very incomplete and of

poor quality. The wedding venue market has not yet effectively converted to electronic directories and none of the existing competitors in the wedding venue space currently hold significant market share. A fragmented market could potentially coalesce around a solution like VenueMenu.

For VenueMenu to be successful, it needs to provide value to both a user segment and a venue segment. The important things for the users are the inclusion of as many venues as possible and the availability information of the venues so that the users can easily choose which venue is right for them. The Venue owners are hotels, wineries, golf courses, or destination restaurant venues in the US and Canada that rent their facilities for weddings and want to see a better return on investment on their advertising dollars while reducing administrative overhead. VenueMenu will have to leverage its advantages in “availability”, “comparability”, and “completeness” by targeting markets that value the ability to search on availability information and compare that information for as many venues as possible.

Using Vancouver as the test market, this concept will be tested and refined such that in the future the model can be repeated at low cost in additional cities. The expected launch for this city is at the end of Q2 2011. As revenue increases, the sales team will scale up to tackle other cities.

Financial analysis indicates that we will incur losses in the first and second year before turning to positive cash flow in the third year. Founder and angel financing will initially fund the venture.

There are risks associated with any product launch, and VenueMenu is no exception. There is immense competition in the marketplace from many advertisers, several wedding centric web sites that could move into this market with minimal effort, and an unproven business plan that depends on changing the way users behave in terms of finding a venue.

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## **Glossary**

IaaS Hosted IT infrastructure provided as a service by a third party

PaaS Hosted runtime platform provided as a service by a third party

EBITDA Earnings before interest tax depreciation and amortization

EC2 A service from Amazon.com called Elastic Compute 2. This is a marketing name for their cloud service.

PPE Property, plant, and equipment

# **1: Introduction**

On a flight back from his wedding in Cancun Mexico, one of the founders of the VenueMenu was pondering the decision to have a destination wedding instead of a wedding at home. There was some regret at not having most of the family present, but this was offset by the complete lack of stress that a small destination wedding provided. In this case, a destination wedding was chosen to avoid the hassle that comes with the highly stressful job of planning and executing a modern wedding. Specifically, the founder was thinking about solving the primary pain point that he and his wife had avoided by having a destination wedding; easily finding a wedding venue that met all of their diverse needs. In the end, they did not want to deal with the stress of selecting a venue, which resulted in some venue somewhere missing a revenue opportunity. As the flight landed at Vancouver international airport, it was clear to the founder that an opportunity existed to streamline the process of connecting venues to their customers. Thus, a company was born to bring together those looking for a venue, with those who own a venue.

This paper presents a business plan for the VenueMenu company. We start with an introduction to the concept, discuss the industry, market, strategy, economics, operations, and close with an analysis of the most prominent risks to the business.

## **1.1 Opportunity Statement**

Thorough investigation has shown that while many web sites have either general venue listings or wedding specific venue listings, the industry is very fragmented and none had a mechanism that makes it easy for customers to determine which venue is right for them.

Additional research has led to financial projections that show that in the most likely scenario a business could be established that generates approximately \$1.5 million in revenue per year at an EBITDA of nearly 60%.

## **1.2 Business Concept and Product**

This web-based service is for wedding reception venues that are looking for a return on their advertising spend while reducing their administrative overhead. VenueMenu is a professionally developed comprehensive online directory where customers can connect with venues by searching detailed, up-to-date criteria that include the venue's current availability information. Unlike existing web directory services that have incomplete listings and no availability data, we provide a convenient way for wedding couples to search for venues based on accurate availability information.

Benefits accrue to two different groups, those with facilities for rent and those looking for a venue for a wedding event. The problem most people face in finding a venue is that you cannot set your wedding date until you find a venue, and to find a venue you need a date. The process then is to call many potential venues and simultaneously determine if they meet the requirements of the wedding in terms of capacity, seating layout, food, and drinks, along with the dates the venue has availability. As the wedding couple checks around for pricing and compares that with the other venues that have current open availability, they narrow down the venue choices and pick one that suits their needs. Then they set the date according to the venue's availability.

The value proposition for the venue owners is different. Their challenge is to get the word out that they have a venue for rent when it is available. Currently they advertise via traditional print and digital media purchasing based on advertising contract length, regardless of whether they have availability or not. This leads to both wasted advertising spend and administrative overhead in terms of fielding enquiries for popular dates that are already booked. In fact, the more advertising they do the bigger headache they create as they need to field more calls for the same unavailable dates. VenueMenu aims to address this problem by providing up to date availability information so venue owners can target their advertising to prospective couples looking for venues on the day still available instead of at all times. Through leveraging the data-rich and interactive medium of the internet, VenueMenu will provide targeted, relevant information to users in an easy-to-use format.

### **1.3 Competitive Advantage**

There are currently many online directories and advertising options available which is indicative of a fragmented marketplace that could potentially coalesce around the right solution. Once that happens, producer lock-in effects kick in and it becomes undesirable for venues to utilize more than one service because it is difficult to keep many services up to date with current advertising and contact information. Following the same logic, once a beachhead is established and the venue is using the service, it becomes nearly impossible to keep calendaring information in sync across multiple services. For this reason, once VenueMenu is chosen and integrated into the venues business processes, the switching costs become significant in terms of the time commitment required of the venue to switch services. It then follows that a significant competitive advantage is gained by being first mover, creating a barrier to entry through customer lock in for other directories attempting to move into the availability feature area.

### **1.4 Description of the Target Market**

Our target market consists of venues with facilities available to rent for wedding reception events, and users who will come to visit our web site to find a venue. We briefly describe each segment here.

Within the venue segment, for the purposes of segment size estimation, VenueMenu considers hotels, wineries, golf courses, and destination restaurants as primary target market segments. Based on research (see section 3.2 for details), it is estimated that approximately 126,000 venues within the target segments exist in the US and Canada that could be potential customers of VenueMenu.

The users segment consists of couples who have self-selected themselves into our correct market segment as a result of deciding to get married. The users are engaged couples searching for wedding venues on the internet based on a number of criteria.

### **1.5 Essence of Marketing Approach**

To win in this market we need to target two groups, the venues and their customers. We will win over the venues initially with a direct sales approach to signing

up venues over the phone to the service. To create value for the venues there must be traffic coming to the site; the more traffic the greater the value created for the venues and VenueMenu. For the most part social media campaigns will be used to create buzz along with limited conventional print and digital media.

The service launch will include 3 months of free usage after which time the vendor is asked to sign on as paid member. The pricing is set at \$39.99 per month and reflects a price point slightly below what paid membership on existing directory advertising sites cost; in effect, they get more value than they are receiving now for similar or less money.

## **1.6 Technology and Operational Issues**

As VenueMenu is an online information content provider, management forecasts extremely low operating costs, which in part are facilitated by very low technology costs because of service hosting on Amazon's EC2 IaaS (infrastructure as a service) offering. We estimate that the company will meet its five-year revenue growth projections while keeping hosting costs for the offering under \$1000 per month.

The website mock-up has been created and is ready to be developed. The company will outsource the creation of the web site to a qualified third party developer. Initial quotations from several developers indicate that development estimates for the first version of the site are in the 45-day duration range. With that in mind, we expect the first version of the site to be operational within 60 days of receiving funding.

## **1.7 Financial Highlights**

VenueMenu management projects that the business will reach \$1.5 million in revenues and \$881,000 in net income by the fifth year of operation. Revenue is derived from two sources: a premium subscription fee revenue and advertising. Additional details can be found in the financial section of this paper.

## **1.8 Current Status and Development Plan**

The schedule to take VenueMenu to market is outlined in the table below:

Table 1: Go to market timeline

ID	Task Name	Q1 11			Q2 11			Q3 11			Q4 11			Q1 12			Q2 12			Q3 12			Q4 12		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Web Development																								
2	Hire First 2 Sales Employees																								
3	Web Launch																								
4	Hire Web Maintenance Employee																								
5	Start Sales																								
6	Free Trial																								
7	Grand Opening																								
8	Hire extra 2 Sales Employees																								

**Highlights:**

- **Financing** – it is expected that expansion financing will be secured by the end of Q1 2011
- **Beta development** – development of the existing Beta product into a final product will take one quarter. This phase includes development and testing and will be complete by the end of Q2 2011.
- **Launch** – the product launch will take place at the beginning of Q3 2011
- **Operational expansion** – two sales staff will be hired prior to the product launch in order to enter the market. Additional sales staff will be hired into the organization annually to facilitate aggressive growth and the ongoing development of the market. Additional support staff such as web support will be hired as needed.

With our overview completed, we now move on to section two to discuss the “Industry.”



## **2: The Industry**

### **2.1 Background**

Forrester estimates that \$1,115 billion (Forrester Research Inc., 2009) worth of retail sales in 2009 were influenced by research done online and only about 17% of that number actually converted to a sale online. Customers are increasingly researching purchases via the Internet before buying offline, a fact that bricks and mortar businesses are becoming more aware of.

The wedding industry in North America is a \$71.8 billion (Bridal Association of America, 2009) business annually with an additional indirect market of \$81.3 billion per year. As is the case in other markets, customers are continuing to migrate to online research as a part of their purchase decision. For example, according to statistics published by the Bridal Association of America, some 55% of people research wedding dresses online before making a purchase.

According to surveys undertaken by Google (Google Inc., 2008) on consumer buyer behavior and the Internet, 56% of consumers utilize the web to gather information in order to purchase in person, or to actually make a purchase online. This trend is gathering momentum and as consumers become busier the convenience of shopping online becomes even more attractive. Over 80% of survey respondents state that the convenience of a central information source is their main motivation.

There are at least 250,000 (WeddingWire Inc., 2011) wedding reception venues in North America (golf courses, hotels, destination restaurants, wineries, parks, boats, bars, etc). Usually the owner's primary goal is to increase revenue from their venue by maximizing the amount of time it is rented while also driving additional revenues through value added services such as catering, photography, decorating, etc. Many venues already have a web site and may also be listed in online directories.

Online directories to aid buyer decision-making exist in many markets. Online directories to assist couples locate wedding products and services exist, however they are usually very incomplete and of poor quality. The wedding venue market has not yet effectively converted to electronic directories. The ones that have suffer from incomplete or incorrect data, and low user uptake due to a wide variety of undifferentiated competitors in the market. None of the existing competitors in the wedding venue space currently hold significant market share; the market is extremely fragmented.

## **2.2 What business are we in?**

While VenueMenu provides an online directory service for its customers, it is selling venues a mechanism to increase the revenue to their facility. Much like the yellow pages online service, VenueMenu lists everyone, but makes its money through upselling to a premium product level that has the added benefit of reducing the scheduling overhead for the venue. In general, VenueMenu is in the advertising industry, and more specifically in the wedding advertising subset.

## **2.3 Industry analysis**

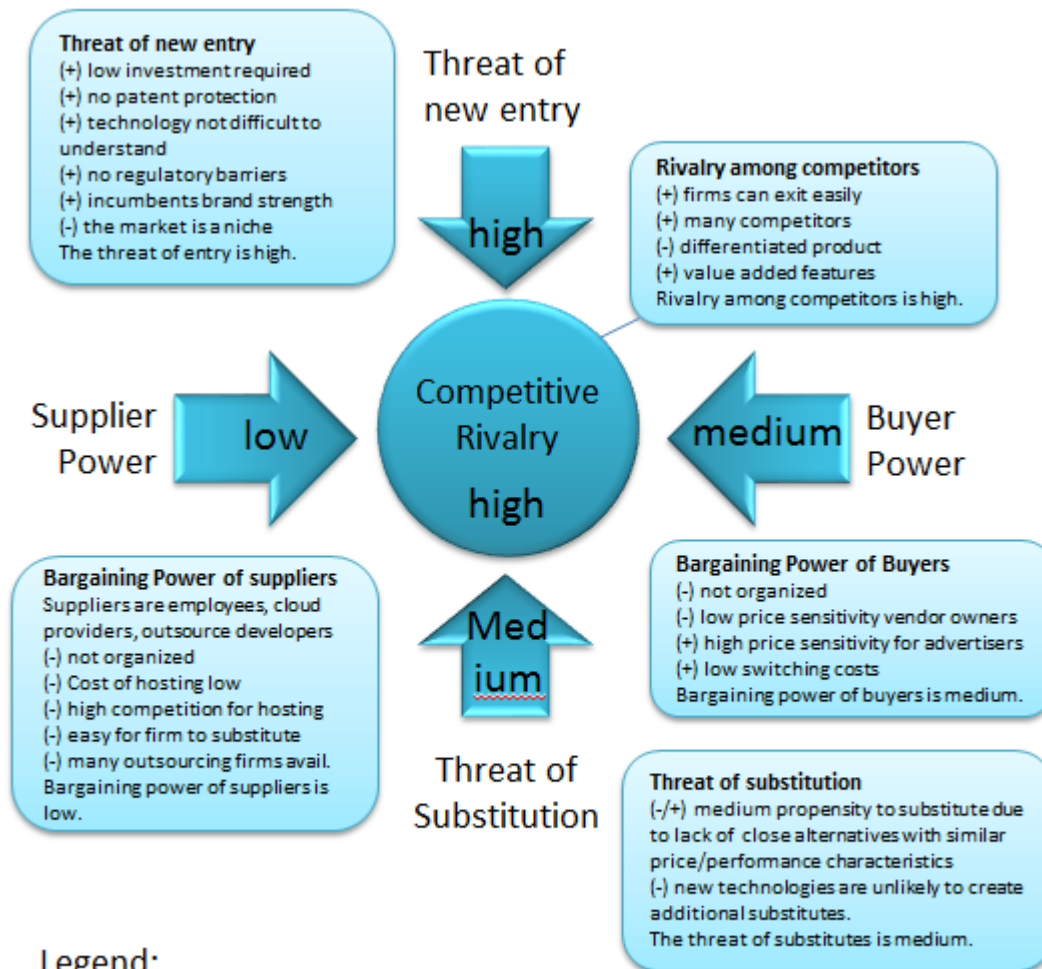
Michael Porter established a framework for communicating and analysing the amount of competition and potential level of profitability of an industry, and thus its level of attractiveness to potential entrants. This framework is called Porters' five forces and views the profitability of an industry through five different dimensions of competition.

These dimensions are:

- Bargaining power of suppliers
- Bargaining power of buyers
- Threat of new entry
- Threat of substitution
- Rivalry among existing competitors

This paper will use Porters framework to help analyse the competitive environment through the lens of each of the five forces. A completed analysis is shown in Figure 1 below.

Figure 1: Porters Five Forces Analysis



Legend:

(-) = lower impact on competitive forces (better for the firm)

(+) = higher impact on competitive forces (worse for the firm)

In the sections that follow, each of these five competitive forces is analysed. Following the five forces discourse, a competitive analysis is conducted to help refine the company's strategy.

### **2.3.1 Bargaining power of suppliers**

In this context, suppliers are those that supply inputs to the firm. It is important to consider the bargaining power of suppliers because if they have too much power they can drive up the price of inputs, which in turn drives down profitability. A market with many suppliers is of course more desirable than a market with few suppliers because it provides the firm with opportunity to switch easily between input suppliers should a particular supplier start acting opportunistically.

In the case of VenueMenu, the inputs are venues, employees, hosting services, and outsourced development. Venues are suppliers because they comprise the primary input of the business; the venue listing. Without this input there can be no directory from which to upsell. Employees are suppliers because, without the staff our direct sales model cannot be undertaken and we will be unable to convert free listings into premium paid listing. Hosting services, in the form of Amazon's EC2 infrastructure service is an input because our web site must run on a technology platform to be accessible to both the venues and the users; Amazon supplies this platform. Finally, the software development consultant that creates the web site is considered a supplier because they are supplying the actual web site code.

A process is defined as a series of steps or procedures, with one or more inputs, that create some amount of value as its output. The suppliers above comprise all of the product specific inputs needed to deliver the value outlined in this paper to the customers and users.

In terms of the bargaining power of the employees, this is low because they are not organized in any type of collective such as a union. Further to this, since VenueMenu is a sales driven organization (the firm is not competing for staff in the lucrative high tech market) it has a greater advantage as it is hiring from a larger non-competitive entry level sales pool of potential job candidates. In fact, with the significant shift to both outsourcing and offshoring, most companies have an advantage as a result of the many options they have available to them with regard to labour inputs.

With the proliferation of "cloud" computing options available in the marketplace at this time, there are many options for web hosting for firms of virtually any size.

Options range from Microsoft's Azure service which is a platform as a service (PaaS), to Rackspace which is considered infrastructure as a service (IaaS), to Amazon's EC2, to myriad small web hosting providers. While these examples highlight one vendor in each vertical, there are many choices available in each of the segments represented by these examples, each with their own differentiated (albeit minor) offering. Since the needs of VenueMenu are generic, most of the vendors available could easily host the VenueMenu web site. As a result of this overwhelming amount of choice, this service is approaching commodity status and therefore cannot exercise supplier power.

The final supplier in this discussion is the outsourced developer. In the Vancouver market there are literally thousands of individuals and companies that could be contracted to perform this work. Because of the selection of development shops available, there is little ability for this supplier to obtain an initial advantageous bargaining position with the firm provided an open standard or Microsoft based development platform is chosen. There is opportunity for this entity to behave opportunistically once a contract is signed and development begins but the risk can be mitigated via several strategies discussed in the Risks section of this document.

In summary, for the reasons stated above, the bargaining power of suppliers is low.

### **2.3.2 Bargaining power of buyers**

In this context, buyers are those that purchase goods or services from the firm. It is important to consider the bargaining power of buyers because if they have too much buying power firms will need to compete more fiercely for this business which drives down prices, and therefore profitability. According to Grant, (Grant, 2007, p. 78) "The strength of buying power that firms face from their customers depends on two sets of factors; buyers' price sensitivity and relative bargaining power". Since revenue will be derived from two distinct groups, advertisers and vendor owners, both must be looked at in turn to understand sensitivity to price and their relative bargaining power.

Advertisers: this group places adds on the site, uses a combination of click-through and targeted ads, and is not formally organized. Where click through ads are the

case, buyer price sensitivity is expected to be high as a result of the commoditized nature of the click through ad industry in contrast with the localized focus of the VenueMenu. The volume simply will not be as high as a targeted search engine so the perceived value will be reduced. With targeted ads the price sensitivity of the buyer is expected to be medium as the transaction is less of a commodity based buy, and more of a community purchase in a local market. That is to say, they are less price sensitive because there are fewer options in the local community to specifically target those looking for a specific type of venue and they therefore have less bargaining power. Both types of advertisers then are fairly price sensitive due to the many different opportunities they have to spend their ad budgets among products that are undifferentiated from an ad perspective. Finally, both groups of advertisers have low switching costs if they want to change where their advertising budget is spent.

Vendor owners: this group uses the site to advertise their venue and track availability. This group is not organized and therefore has no collective leverage with sellers. The \$39.95 monthly fee for the VenueMenu service is tiny in comparison to the revenue gained by renting out their venue for a single engagement like a wedding. Since it is such a small proportion relative to the total cost of running their business, the vendor owners are insensitive to this cost (Grant, 2007) . Another factor that influences price sensitivity is product differentiation. Since there are very few products or services available in the marketplace that have the availability feature the buyer will be less willing to change to another supplier on the basis of price. In terms of bargaining power, these buyers are unorganized, lack a suitable product alternative in the marketplace, and have no ability to vertically integrate and create the product themselves. Therefore, for this group, the bargaining power of the vendor owner's is low - medium.

In summary, the buyer power can be considered to be a combination of the bargaining power of the advertisers (high) and the vendor owners (low - medium). Since the revenue projections call for 95% of the revenue to come from vendor buyers, the overall bargaining power of both buyer groups has been weighted to medium.

### 2.3.3 Threat of entry

The threat of entry is the real or perceived effort required for a firm to enter a new market. If a firm sees that there is little cost to enter a new market and that the incumbents in the market are earning returns in excess of the cost of capital, it may decide to enter the market. It is a much easier decision to enter the market than if there were significant sunk costs that were needed to enter and compete with the established firms in the marketplace. Incumbents want to avoid new firms entering the market because more firms mean more competition, which drives down both prices and profitability - toward its competitive level.

With this online directory, start-up costs are relatively low as there is little investment in Property, plant, and equipment (PPE) required. Unlike heavy industry where the capital costs are so large as to discourage new entrants, internet based businesses have start-up costs so low that they attract new entrants easily. This dynamic was on display during the dotcom era and is now rearing its head again as new internet companies pop up daily in search of venture capital funding.

While this is a novel use of existing technology, it is not a new innovation that is patentable under the law. Therefore, there is no patent protection available for this IP with which to shelter the business from competitors. A slight advantage may be gained by travelling further down the learning curve with the technology before competitors show up, but that advantage will not last long in the face of sustained competition because the technology is not difficult to understand. The advantage cannot be sustained or protected by regulatory bodies in any way due to the fragmentation of the market and innocuousness of the business.

Perhaps the biggest concern in terms of the threat of new entries is that a well-established competitor in the wedding directory space like Wedding Wire will decide to compete in this adjacent niche market. In this case they would leverage their existing brand strength in the wedding directory space and start offering available based services to their existing user community.

The firm does have an important competitive advantage in the form of the availability feature, which lets it target a very narrow niche in the market. It is possible

for it to become a market leader in this niche before another firm decides to enter and compete. By then, if there are enough venue owners signed up and enough traffic to the site, high switching costs make it too much of a loss in value for the buyers to switch to another service because all of their availability information is held in VenueMenu.

In summary, there are low entry costs, lack of patent protection, non-complex technology, and potential competitor brand strength, tempered by obscurity offered by a niche market. Hence, the threat of new entry is high.

#### **2.3.4 Threat of substitutes**

In this context, substitutes are products or services that buyers could purchase from another source to meet their needs. The fewer substitute products available for the customer to purchase, the more they are insensitive to the price of a product. If there are close substitutes, the firm will find it difficult to raise the price of their product without driving away their customers to a substitute product or service.

There is currently no specific service available that matches up wedding venues with couples looking for a venue by available date. There are online calendaring services that are geared towards appointment-based businesses like doctors' practises and hair salons, but nothing that aggregates the availability together for users in a searchable format. Even if these services could be adjusted to work with daily schedules instead of hourly, there is still no aggregated searching of venues, and no way to highlight the venue. Thus, these services are not considered close substitutes for VenueMenu. Hence, there is a low propensity to substitute.

As mentioned there exist online wedding directories that list wedding venues but are limited to simple listing information like phone, address, hours, a few pictures and other simple items. The directories are again not a substitute because while they allow the vendor to promote their venue in the directory, they lack the availability information and aggregated search functionality that creates the competitive advantage. As the buyers' propensity to substitute depends on how well the substitute product performs in relation to its cost – this must be comparable to entice a switch. Since the price-performance characteristics are not comparable, there is limited propensity to switch.



However, we must take into account that while there are few direct competitors, as stated above, there are many options for those who want to advertise their venue in the wedding space. The concern here is that perhaps in some cases the advertising venues can obtain sufficient advertising elsewhere, even without the availability feature, and that may be good enough for the venue. Said another way, perhaps the price-performance characteristics of the service are not compelling enough to sway the venue to our service. While we do not know for sure how strong this propensity is, we must not discount it entirely and therefore take a more balanced view in this dimension. Thus, the threat of substitution is medium.

### **2.3.5 Rivalry among existing competitors**

The rivalry among competitors dimension speaks to how fierce the competition is between competitors in the same industry. Clearly, fewer competitors are better than many. In some industries, competition is fierce which results in downward pressure on prices; this is typical in industries where there are many competitors selling undifferentiated products. In other industries, particularly oligopolies, the incumbents are likely to compete on other factors instead of price; like features, and values.

The closest rivals to the VenueMenu reside both within the wedding advertising industry in the form of other venue based directory services, and with those firms providing either general or wedding specific advertising services.

When we look at the intensity of competition in terms of wedding advertising, however, the picture is entirely different; the competition is fierce. In the Vancouver market alone, there are many advertising vectors available including wedding specific magazines, wedding specific web sites, wedding fairs & shows, and click-through ads on search engines. In addition to this wedding specific advertising, venues may also advertise by conventional non-wedding specific means like daily newspapers, flyers, and the radio.

Another major force that affects rivalry among competitors is product differentiation. A high degree of product differentiation prevents buyers from substituting which in turn lowers the incentive for firms to compete on price. VenueMenu will enter

the market with a product that has significant differentiation and therefore will not significantly contribute to an increase in firm rivalry.

One measure of the competitiveness of an industry is the four firm concentration ratio (the 4CR) which seeks to provide a measure of the concentration of the market share of the top four firms in an industry. Although no other company offers the VenueMenu aggregated availability search, those who could be close in the online directory industry or adjacent industries are so fragmented as to make the application of the 4CR methodology unusable. As a result, the concentration of firms competing on features is very low and therefore does not play a significant role in elevating the fierceness of competition.

However, VenueMenu lacks the value added features that exist on other online directories that create stickiness for that site. For example, some directories have floor plans available for the venues that they have listed. While VenueMenu will want to incorporate similar features into its site, it will be important to try and differentiate those features to ensure that its offerings are not identical to those of its competitors. This is important to ensure that in a competitive situation price is not the only basis for competition.

Exit barriers also play a role in the degree of rivalry among competitors. Fixed costs in the case of VenueMenu and its competitors fall mainly into the R&D and sales categories. However, since the complexity of the technology is comparatively low, the R&D costs associated with the service VenueMenu is planning to offer are also comparatively low. PPE costs are extremely low in this industry as well primarily due to the falling technology costs brought on by the commoditization of cloud computing providers. As such, companies are not required to compete fiercely to protect their sunk costs in this industry, and can therefore exit easily.

Although the VenueMenu has a differentiated offering, low entry and exit barriers coupled with many firms offering advertising services, we must conclude that competition will be very strong in the wedding advertising industry. Thus, rivalry among existing competitors is high.

## 2.4 Analysis

According to Grant (Grant, 2007, p. 88), and Kim & Mauborgne (Kim, 2002), a firm's ability to survive and prosper in a market is determined in part by the key success factors on which it competes. The key factors of success of competition are shown below in Table 2 **Error! Reference source not found.**, which compares the relative level of each factor against potential competitors of the firm. The potential competitors are:

1. Existing online directories already targeting venues
2. Existing online calendaring services
3. The existing manual booking method that venue owners are currently using to organize their booking
4. Directories with an availability information feature. VenueMenu will be the initial entrant and is a proxy for this category.
5. Other advertising sources

Table 2: Key factors of competitive success

Product	Price	Availability Info	Compare	Convenience of use	Accuracy	Completeness	Supplementary features
Online Directory	3	1	1	4	2	3	4
Online Calendar	4	1	1	4	3	1	1
Manual booking	5	1	1	2	4	1	1
Directory with availability	3	5	5	4	4	5	3
Other advertising sources (i.e.print)	1	1	1	1	1	1	1

From the perspective of the venue owner, both manual booking and VenueMenu provide a “booking system” so they are considered direct competitors to each other. Online directories and online calendars are not direct competitors to VenueMenu but are listed because their feature sets could potentially be altered to provide similar functionality to VenueMenu. This in turn would allow them to expand into this adjacent market and begin competing with our firm.

A scale of 1-5 was used to rate the strength of each factor across the products, with one being the lowest value and five being the greatest value per factor. In cases where the product could not compete on the factor, a value of one is used. A detailed explanation of what each number in the scale for each dimension means is shown in Table 3 below.

Table 3: Success factors scoring scale

Scale	Price /mo.	Availability Info	Compare	Convenience of use	Accuracy	Completeness	Supplementary features
1	>\$80	None or N/A	None or N/A	None or N/A	None or N/A	None or N/A	None or N/A
2	~\$60			Manual operation	Populated mainly from phone listings	>30% of available listings	2 features
3	~\$40	Partial	Venue properties N/I availability	Has web interface	Listing owners interact with site to update	>50% of available listings	4 features
4	~\$20			Has web interface my mom could use	Extra human and automated update features	>70% of available listings	6 features
5	No cash outlay	Full	All venue properties inc. availability	Venue can update < 30s	0 errors or omissions	>90% of available listings	8 features

The key success factors listed in Table’s 2 and 3 each represent a different dimension on which to compete. They are:

1. Price: this is the amount paid to use the service, and can be a yearly or monthly fee. VenueMenu’s pricing is slightly less than that of the high-end directories for a comparable full-featured listing, but it does have the availability feature set which implies greater value in the minds of purchasers.
2. Availability info. As mentioned previously, this is the feature that allows the buyers to reduce their administrative burden while simultaneously allowing users of the site to search and compare venue’s based on many

factors including when the venue has availability. Only VenueMenu has this feature.

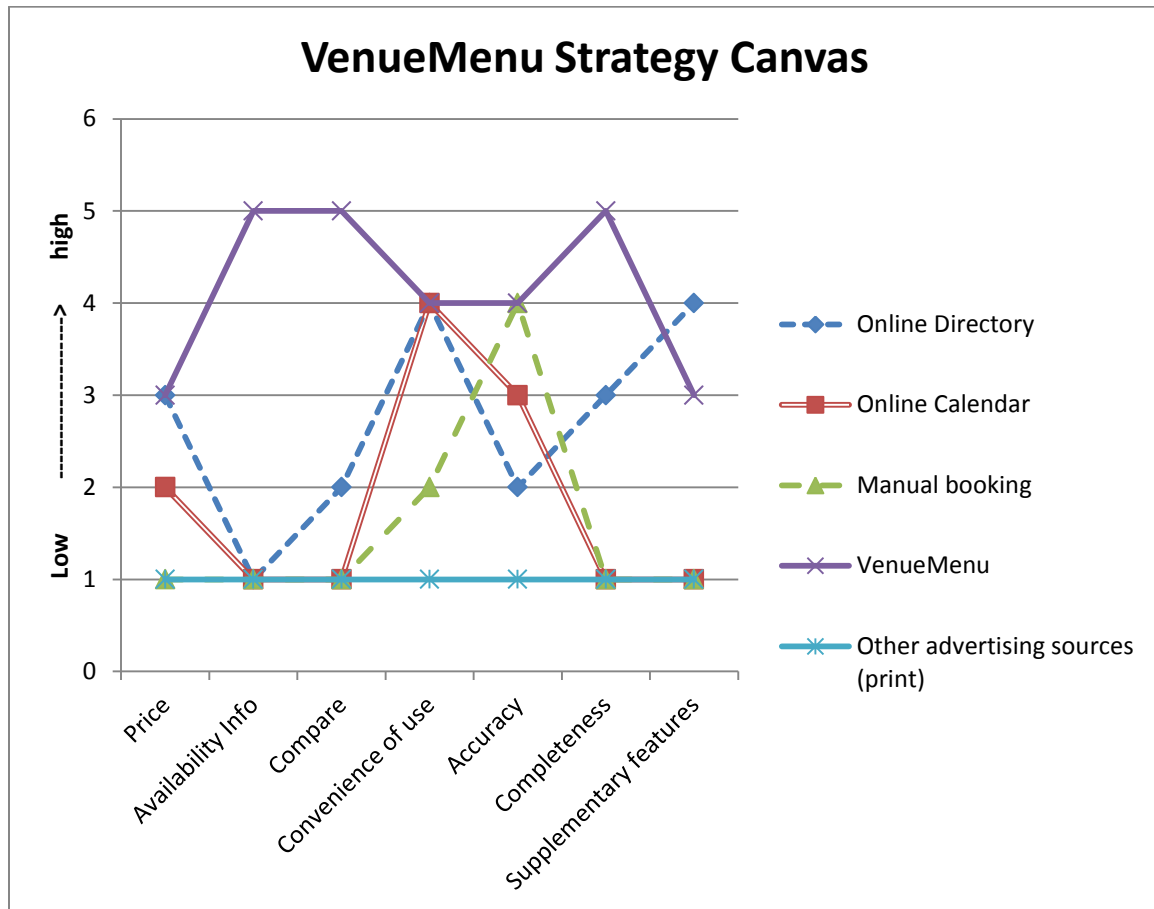
3. **Comparability:** this functionality allows users to compare the results of their searches based on many factors including size, location, cost (if the venue has entered it), and most importantly availability. It is this ability to search and compare that provides the greatest value to the user, and when coupled with the availability information creates the firm's competitive advantage. Only VenueMenu has this feature.
4. **Convenience of use.** This factor represents how easy the product or service is to use. Manual booking is the least convenient in terms of the number of potential customers you need to interact with to get a sale done. Most online calendars and directories have a web interface that buyers can use to post their information, which is a source of convenience. VenueMenu has a goal to blow venues away with how convenient the service is to use; availability information can be updated by a user with a browser or smartphone app in less than 30 seconds. This ease of use is key in terms of ensuring venue owners keep the availability information up to date.
5. **Accuracy:** this is a measure of how accurate the returned listing information is. This is applicable only to online directories. Many of the current online directories have listings obtained from secondary sources like phone directories. This information becomes stale over time which in turn reduces the value delivered to the end users. Lower value means fewer return users, which in turn reduces the value to the venue owners. VenueMenu will keep this up to date via initial vetting upon entry as well as through periodic update emails to the vendors.
6. **Completeness:** this term is used to describe how many of the total venue's available in a given area are represented on VenueMenu. During the research phase of this project, several directories were researched and of those directories it was determined that no directory had a complete listing. In fact, it was found that no directory had more than 70% of the

available listings while the smallest had only 10% of listings. VenueMenu will ensure completeness as a result of hands on efforts by our direct sales force.

7. Supplementary features: these are small value added features that have been built up to support the core product offering and increase user stickiness. Examples include seating plans, recommended caterers, and cross promotions. While VenueMenu will not have an extensive list supplementary features right out of the gate, the product management team will define and prioritize these features for inclusion into future releases of the site.

Intuitively, and through discussions with venue owners, we understand that buyers of this service value the reduction in administrative overhead that results when using VenueMenu to manage their booking pipeline. Thus, for the venue owners, the most important key success factors represented here for competing in this market are “convenience” of use and “availability information”. The key success factors shown in Table 2 are represented in Figure 2 below; the VenueMenu strategy canvas.

Figure 2: Strategy Canvas with key success factors



The strategy canvas highlights that VenueMenu has a large advantage over other competitors in the “availability” and “comparability” dimensions, and a moderate advantage in the “completeness” dimension. Our product has a disadvantage in the “supplementary features” dimension and a fairly neutral posture against other online directory and calendaring services.

Hence, to be successful in this industry, VenueMenu will have to leverage its advantages in “availability”, “comparability”, and “completeness” by targeting markets that value the ability to search on availability information and compare that information for as many venues as possible. If possible, it would be advantageous in terms of minimizing commoditization if this market did not value “supplementary features” as well.



## 2.5 Competitors

While a variety of online wedding venue directories exist, many are frustratingly difficult to use, include only a limited subset of the total number of venues, provide limited and inconsistent information to the prospective customer, and lack arguably the most important element of planning a wedding - the availability on a specific date. The functionality and feature set of each competitor varies from site to site, ranging from a limited one line description with a link to the vendor's website to a full hosted venue portfolio with venue details, photos, and testimonials. Direct competitors include:

- [www.weddingwire.com](http://www.weddingwire.com)

WeddingWire.com is an online wedding planning resource designed to connect wedding vendors with engaged couples through simple interactive tools and channels.

- [www.weddingful.com/vancouver/venue-and-locations](http://www.weddingful.com/vancouver/venue-and-locations)

Weddingful.com is a wedding planning site that provides a clean, simple interface for couples seeking the perfect wedding vendor.

- [www.weddingswest.com/Vancouver/Reception\\_Locations/](http://www.weddingswest.com/Vancouver/Reception_Locations/)

WeddingsWest.com began as an online extension to a traditional wedding and event planning service. Focused on promoting locally owned and operated businesses, the website provides a simple tool for potential clients to locate wedding related businesses.

For the prospective engaged couple, alternate and substitute services would include:

1. Identifying and dealing directly with an individual venue facility supplier
2. Contracting a wedding planner for venue research and selection

Identifying and contacting individual wedding venues can be a frustrating and daunting task for prospective couples, requiring a considerable time investment. Similarly, while there are a variety of wedding planners available, their service comes at considerable cost and would typically encompass the entire wedding planning process.

One advantage that several online wedding directory websites provide is a listing for a variety of other wedding services and products, from venues to photographers to caterers. The all-in-one-stop approach may be valuable to users who have a large number of activities and services to plan or want the convenience of dealing with one resource directory.

However, the greatest disadvantage of existing competitors is the complete lack of venue availability information. Similarly, there is limited and inconsistent information provided for each venue, making direct comparison and research difficult for the prospective couple.

As most competitors are small, independently hosted sites, detailed financial and profitability figures are unavailable. However, each competitor offers multiple levels of vendor membership subscription models, ranging from free to \$1000 per year with an appropriately scaled level of support and features. Similarly, advertising plans feature prominently in each of the existing competitor sites.

From the engaged couple's perspective, all of the online wedding venue rental directory sites provide free access to browse the listed venues, but there is a large discrepancy in the quality and breadth of information provided as well as the number of venues identified.

The fundamental competitive advantages that VenueMenu will provide to prospective couples is a complete directory of every potential venue within a geographic location and the availability of each participating venue on specific and sortable calendar dates. VenueMenu aims to leverage the strengths of the internet, by providing timely, targeted, comprehensive information in a useful and intuitive format.

With the Industry section discussion now complete, we move on to the third section of the business plan, "Market Analysis."

### **3: Market Analysis**

The goal of market analysis is to expand our understanding of the market in question so that we can better make investment decisions to protect or further our success. An improper understanding of the market can lead a business to make uninformed investment decisions such as marketing to the wrong customer set, choosing incorrect distribution methods, or investing in the wrong product features. With a new business like VenueMenu, marketing funds are very limited so it is critical that we have an accurate understanding of the market in order to make wise investment decisions.

In the sections that follow, we will discuss various market dimensions such as market positioning, target markets, market size, and segmentation. We begin by discussing target markets.

#### **3.1 Target markets**

VenueMenu's primary market is wedding reception venues in the US and Canada that are looking for a better return on their advertising spend while reducing their administrative overhead. There are many different types of venues that have space for rent for various functions. In order to bring focus to the opportunity and help determine the addressable market size, VenueMenu has segmented the market and will target the top four wedding reception venue types in North America. These venue types include:

- Golf Courses
- Destination Restaurants
- Hotels
- Wineries

In addition to our primary target market, VenueMenu understands that our buyers' clients, the users, are also a market unto themselves. This user group, couples getting married, will drive the web site and therefore our content and usability must be managed such that it appeals to this group. This group is discussed in more detail in section 3.3.2.

### 3.2 Market size

Understanding the market size, specifically that it is large enough to build a profitable business out of, is an important first step in terms of deciding if there is a viable business opportunity. In the case of VenueMenu, the market consists of two distinct groups, the venues and the users looking for a venue. For the purposes of this analysis only the venue market size will be considered because VenueMenu expects to receive 95% or more of its revenue from this source.

As shown in the table below, the total market size is a function of the number of venues that have event facilities for rent. The numbers in the table below have already been adjusted to represent what VenueMenu considers to be a conservative estimate of the proportion that have facility space available to rent. For example, a random sampling of 20 wineries in BC indicated that approximately 50% rent their facility out for wedding events. Applying this ratio to the total number of wineries in Canada (~1000) resulted in an estimate of 500 potential venue customers. A similar process was followed to estimate the number of potential venue customers for the other three venue segments as well. This information is in Table 4: Venue count by type”:

Table 4: Venue count by type

<i>Venue type</i>	<i>Canada</i>	<i>United States</i>
Hotels	9,000	64,000
Wineries	500	4,200
Golf Courses	2,000	17,000
Destination Restaurants	4,500	25,000
Totals	<b>16,000</b>	<b>110,200</b>

Sources: Tourism BC, Statistics Canada, California Travel and Tourism Commission, Hospitality Trends USA

Based on a total potential venue customer count of 126,200 multiplied by the premium membership subscription rate of \$455 (average of monthly and yearly) per year, yields a total addressable market size of \$57,421,000 per year.

### **3.3 Market segmentation**

A market segment can be defined as a group of buyers who have a similar set of wants and needs (Kotler, 2006). Establishing the segment and position for our product/service is the first marketing decision required for a marketing plan. Product features, the price, distribution channels, and promotion methods and messages all follow from this position (Mitchell, 2010) so it is important to get it right. Our goal then is to target a specific market segment and focus our limited resources on this segment to create a leadership position in the market segment. Typically, consumer markets are segmented by geographic, demographic, and behavioural characteristics.

#### **3.3.1 Our Customer**

VenueMenu's customers are hotels, wineries, golf courses, or destination restaurant venues that rent their facilities for weddings and want to see a better return on investment on their advertising dollars. They can also be segmented accordingly:

##### Geographic

- The market for VenueMenu includes the United States and Canada.

##### Demographics

- No demographical segmenting was done because it is not necessary to understand the demographic characteristics of venue owners themselves if we work under the assumption that venue owners are interested in operating a profitable business that requires them to attract couples wanting to rent a venue. The fact that they are operating this type of business is being used as a proxy for the correct demographic attributes.

##### Behavioural

- They will not invest in advertising that does not have a direct and visible impact on their sales.
- Customers and users are comfortable using technology in daily business operations.

- Our customers generate enough revenue from renting their venue for weddings to justify a small investment in advertising.
- Our customers have a business pain communicating the availability of their venue and the services they offer to their customers in a cost effective manner. Currently it is either done ineffectively resulting in fewer bookings than desired; or done effectively but at the expense of a resource that could be better utilized elsewhere in the business. An example of this would be a receptionist answering individual availability inquiries on the phone or through email.

### **3.3.2 The venue's customer, the user**

To simplify this analysis, the fact that couples had self-selected themselves into our correct market segment because of deciding to get married, is being used as a proxy for market segmentation instead of considering other demographic factors like age, race, or income. In our case, the users are engaged couples searching for wedding venues based on a number of criteria. These may include:

- Date availability
- Size of venue
- Location
- Food and beverage selection
- Budget

Currently the user searches online on individual venue websites, or calls venues individually to gather information. Since our service is online, it is important that users have internet access to use the service. In a report by the Pew Research Center (Pew Internet American Life Project, 2011), 77% of users in North America had access to the internet. In the 18-29 age category, 90% of the people had access to the internet. According to statistical site infoplease.com, the mean age of men and women at first marriage in the US is 27 years (U.S. Bureau of the Census, 2010), while in Canada it is 29.5 years (Vanier institute of the Family, 2010). Accordingly, 90% of those in our users'

age category (represented by the age of first marriage) have access to the internet, indicating the high likelihood of hit rate anticipated for wedding venue search.

### **3.4 Market positioning**

VenueMenu will position itself in the market place as a premium value service in the wedding venue segment. According to Mitchell (Mitchell, 2010) positioning is what the product stands for in the minds of the customers in two dimensions:

1. Benefit
2. Differentiation

The benefit can be described as the compelling reason to buy or the unique selling proposition. VenueMenu plans to create value by leveraging the inherent capabilities of the internet to re-imagine the modern online directory model. Specifically, VenueMenu will provide a feature-rich, easy-to-use, customer interface that quickly provides the specific targeted information desired by the user. VenueMenu also serves as a highly efficient advertising and sales channel for wedding venues and prospective users to connect and rent available function space.

VenueMenu offers several value propositions for both the venue owner, referred to as the *customer*, and the prospective engaged couple, referred to as the *user*.

#### **For the Customer**

Their challenge is to get the word out that they are a venue for rent when it is available. Currently they advertise via traditional print and digital media purchasing based on advertising contract length, regardless of whether they have availability or not. This leads to both wasted advertising spend and administrative overhead in terms of answering calls and telling people you are already booked for the date they want. In fact, the more advertising they do the bigger headache they create as they need to field more calls for the same already booked dates. We aim to address this problem by providing up to date availability info so they can target their advertising to people looking for venues on the day they have them available instead of at all times. If they funnel all customers to the site, the

customers can see the availability for themselves and save both their time and that of the vendor.

### **For the User**

The value proposition for the venue is different. The problem most people face in finding a venue is that you cannot set your wedding date until you find a venue, and to find a venue you need a date. The process then is to call many potential venues and simultaneously determine if they meet the requirements of the wedding in terms of capacity, seating layout, food, and drinks, along with the dates the venue has availability. As the customer checks around for pricing and compares that with the other venues that have current open availability, they narrow down the venue choices and pick one that suites their needs. Then they set the date according to the venue's availability.

In terms of differentiation, VenueMenu has differentiated itself by offering:

1. Availability features that competitors are not providing to the marketplace
2. Comprehensive and complete directory listings
3. Extremely easy to use interface

VenueMenu will provide the most comprehensive and feature-rich online directory for wedding event venues. Our web site is a professionally developed web resource where prospective engaged couples can connect with venues by searching detailed, up-to-date criteria that includes the venue's current availability information. The inclusion of the availability information is the key to competitive advantage in this market.

Having described the various market characteristics, we now move on to discuss various strategies in the fourth section, the "The Strategy" of the business.



## 4: The Strategy

Grant defines (Grant, 2007, p. 18) strategy as being concerned with planning how an organization will achieve its goals. According to Porter (Porter, 1980), there are three generic strategic approaches (shown in Table 5 below) to outperforming other firms in an industry.

- **Differentiation:** This strategy is used when there is a unique product in relation to the competing products in the marketplace
- **Focus:** This strategy is used to target a very narrow segment of the market extremely well
- **Overall cost leadership:** This strategy is used when the firm has a cost advantage that it can use to offer its products or services at a much lower cost than competitors

Table 5: Generic Competitive Strategies

		Strategic Advantage	
		Uniqueness perceived by the customer	Low-Cost position
Strategic Target	Industry wide	Differentiation	Overall Cost Leader
	Particular Segment	Focus	

Although VenueMenu has a differentiated product, the recommended strategy is “focus” on the wedding venues advertising segment. By leveraging our unique product offering, we can provide greater value to the customer, and therefore expand more rapidly with a market focus strategy. The goal will be to gain as much of the market share as quickly as possible so that barriers to entry are created for new competitors as a result of the high switching costs for venues associated with moving away from our service. As more venue customers are signed up, the value of the service increases to users. The more

users using VenueMenu, the more value created for the Venues and so on. Focusing narrowly on the wedding venue segment also helps to mitigate any advantage other firms may have as a result of value added supplementary features (discussed in the last paragraph of section 2.4) in their product. This helps to reduce this advantage because supplementary features add the most value for return customers, and since most people only get married once, there is little reason to return to the site to use these features.

In section four, we cover the entry strategy, sales strategy, and the marketing mixes for both the customers and the users. We start our discussion with the entry strategy.

## **4.1 Entry Strategy**

The value of the VenueMenu increases exponentially as the number of venues using the service grows. Having a complete listing of all venues in an area attracts venues to become customers, and attracts wedding organizers, as it is a more convenient way of finding a venue. Targeting specific geographic locations also has benefits for VenueMenu's operations. Our sales staff can service a very targeted selection of accounts.

VenueMenu will target geographic locations in which to operate based on the following criteria:

1. Number of weddings taking place in that area
2. Number of suitable target venues in the area
3. Ability for VenueMenu to effectively operate and service that location

Based on the criteria above, VenueMenu will initially be rolled out to the cities shown in Table 6:

Table 6: Top cities for weddings with high internet penetration

<b>Location</b>	<b>Date</b>	<b>Number of Weddings</b>	<b>Number of Venues</b>	<b>Operations</b>
Vancouver, BC (Stats Canada, 2004)	Q1 2012	22,076	Medium	Head office Vancouver
Los Angeles Area, CA (California Department of Public Health, 2008)	Q1 2013	259,206	High	Operate Remotely
Houston, TX (Texas Department of State Health Services, 2008)	Q1 2014	194,389	High	Operate Remotely
Miami Area, FL (Florida Department of Health, 2011)	Q1 2015	132,618	High	Operate Remotely

The initial city to launch the product in will be Vancouver, BC, Canada. Vancouver is being used as the test market instead of one of the other cities shown in Table 6 because it is important to control the market message when taking a new technology product to the marketplace. In his book, *Crossing the Chasm* (Moore, 2002), Geoffrey Moore recommends that a direct sales force be used to bring new technologies to market because the company can then control the precise messaging going to the market place through all channels. Since the founder is located in Vancouver, and understands the market, a reduction in risk can be obtained by working directly with the direct sales team in Vancouver for the pilot rollout.

Using Vancouver as the test market, this concept will be tested and refined such that in the future the model can be repeated at low cost in additional cities. The expected launch for this city is at the end of Q2 2011. Having two sales people develop the

network in Vancouver will do this. As revenue is generated, the sales team will be scaled up to tackle other cities.

Our service has both a paying subscription service and a free subscription service to post the venue's basic information. The free service is essential to our growth strategy as it allows VenueMenu the opportunity to be the most comprehensive directory even if most venues decide not to be VenueMenu paying clients. Since the market will be wedding reception venues, the revenues gained by venues for hosting a wedding event are large, so a small monthly subscription fee to post their availability will be a small part of the venue's advertising budget.

This business plan focuses on establishing VenueMenu as the industry leader in the venue rental-advertising marketplace for weddings. The company will grow organically within select cities through various advertising means including traditional print and digital media in addition to social media avenues. As the company nears penetration thresholds in Vancouver it will start shifting its dedicated sales team to the next target city and repeat the process of establishing itself in this new city. This high level cycle will be repeated indefinitely to grow the business.

Over the long term, there exists opportunities that have not been detailed in this initial business plan, to grow into other segments outside weddings including venue bookings for social events, conferences, company Christmas parties and other corporate functions. To be clear, this is not the focus of this plan and is mentioned here only to give the reader an appreciation for the opportunity for future growth.

## **4.2 Sales Strategy**

### **4.2.1 The Sales Cycle**

The sales cycle will be less than 60 days as it is a business-to-business product and a relatively small investment. In an industry where venue rental can be multiple thousands of dollars per event, a small investment to increase venue rental is a smart investment. The decision-making criterion behind a small B2B investment is less likely to require executive approval than a large capital expense. This level of investment is likely to be approved at a lower management level very quickly.

#### **4.2.2 Lead Generation**

Key decision makers at wedding venues will be targeted with direct sales efforts. These people will be contacted via phone, email and online demonstrations, to introduce the service and offered a free trial. These interactions will include case studies of clients who have proven ROI with the VenueMenu product. Product trials will also be offered through a signup system on the site that allows time-limited access to the product.

#### **4.2.3 Customer relationship nurturing**

At key interaction points with the customer VenueMenu sales staff will make specific efforts to continue nurturing the relationship so that customer churn is kept to a minimum.

End of trial – at the completion of product trial period, customers will be contacted to offer them a continuation of services as a paying customer.

End of subscription - at the completion of an annual subscription, customers will be contacted to offer them a continuation of services.

#### **4.2.4 Customer Service**

Our management and sales team will be available to manage website issues and managing customer satisfaction. The main measure of customer satisfaction is ensuring that all the services that we promised to provide in our premium plan are functional and up to date.

#### **4.2.5 Warranty or Guarantee Policies**

Due to our small monthly fee, there is little risk to the customer to use our service. VenueMenu will guarantee the integrity of customer data from loss or corruption through effective use of existing backup technology.

### **4.3 Marketing mix**

The marketing mix, commonly called the 4 P's, is laid out for both the venues and the users in the remainder of section 4. The elements of the marketing mix comprising the 4 P's are (Mitchell, 2010):

- Product: A tangible product or a service
- Price: The amount the customer pays for the product
- Place: Where the customer will get the product from
- Promotion: All of the communication, through any channel, that the customer may receive about the product

We begin our discourse of the marketing mix with a discussion of the “Product” dimension, and finish section 4 with the “Place” dimension. Where one of the P's differs for the users (vs. the venue customers), a section is added specifically for the user commentary.

#### **4.3.1 Product**

Currently, most internet-based wedding venue directories are incomplete and do not mention when a venue is available. VenueMenu serves to address each of these problems for both the customer and the user.

The current market is fragmented, limited, and frustratingly incomplete. For example, upon visiting some of the existing wedding venue directories, the user is presented with a range of anywhere from 10% to 80% of the total potential venues, dependent upon which website is visited. As a comprehensive directory, VenueMenu will be the most complete online directory listing every potential wedding venue rental facility within its region. VenueMenu will accomplish this by leveraging a dedicated sales and acquisition team to mine all existing directories for venue identification and inclusion. For the user, this provides a one-stop online resource to access standardized information on all of the existing wedding venue facilities. For the venue customer, VenueMenu offers an efficient means of advertising on the most widely referenced wedding venue directory.

Availability on a specific date is perhaps the most essential criteria for prospective couples researching a venue, as venue availability and selecting an event date has largely presented a classic chicken-and-egg scenario. However, as availability of a venue constantly changes, this data is tracked internally by the venue and is rarely searchable. This is a time consuming process for the user, as a prospective couple must identify and contact each potential venue directly to enquire about availability on a specific date. For the venue itself, this presents an inefficient use of resources by constantly fielding enquiries for popular dates that are already booked.

Furthermore, there currently is little opportunity for a venue to showcase slots when they are available and therefore they miss potential clients. This pain is especially large when booking a wedding reception venue as currently the dates need to be chosen well in advance in order to book the reception. While both users and customers go to the same web site, the venue customers will have a special section accessible by login where they can manage their listing details and availability information.

Figure 3: The VenueMenu web user interface



The above sample illustration of the VenueMenu website demonstrates some of the key functionality. On the left, users can input a wide variety of detailed search criteria based upon such items as specific availability, venue size, and price range. The central portion of the website returns the wedding venue's that matches the desired search criteria, sorted for the day the user desires, while subsequent screen space is available for sponsored advertising.

VenueMenu will provide two subscription membership levels for venue customers. The free membership offers a brief summary of the venue facilities, with a photo, and all applicable contact information. Alternatively, the premium membership subscription will provide venues with a feature-rich portfolio to advertise their venue with availability, seating charts, and menu selections.



### 4.3.2 Price

VenueMenu performed an environmental scan to evaluate nearest competitor price points that were found to range between \$20 and \$60 per month. It is a common occurrence in the industry to give discounts for annual subscriptions paid up front. In addition to this, it is common in the industry to sign customers up and provide the full service free for a predefined period to increase stickiness and enable the customers to experience the value for themselves. This approach has the added benefit of reducing the investment VenueMenu has to commit to demonstrate product features.

Our customers will find value in this service because they are already paying a similar monthly amount to be included in a directory listing providing only limited contact info and venue description. For a similar cost, they get the same full service listing with the highly desirable availability feature, which facilitates the value described above.

Based on the above, VenueMenu's pricing model takes into account the additional value that is provided to our customers as a result of our unique availability features and the existing price range. The price point of \$39.95 per month ensures that the buying decision can be made by a lower level employee (as opposed to a manager) without requiring additional approvals. This increases VenueMenu's ability to convert trial customers into paying customers.

Our pricing model is a subscription model where we charge our customers a fixed monthly or annual fee as follow:

Table 7: Feature sheet

<b>Feature/Plan</b>	<b>Basic Plan</b>	<b>Premium Plan</b>
Cost	<b>Free</b>	<b>\$39.95/month \$429**/year</b>
Listing details*	√	√
Blurb	√	√
Photos	<b>1 photo</b>	<b>30 photos</b>
Email every quarter to update info	√	√

Showing Availability	√
Feedback/ Rating	√
Seating plan	√
Event planner BIO	√
Save the date notifications	√
Thanks for coming notification	√
Sample menu & photos	√
Parking Nearby	√
Recommended vendors	√

\* Listing details include Address, Email / Phone, Site URL, Capacity, Bar service, and Food service

\*\* Reflects a 10% discount for yearly prepayment

**Users:** there is no cost for users to use the service.

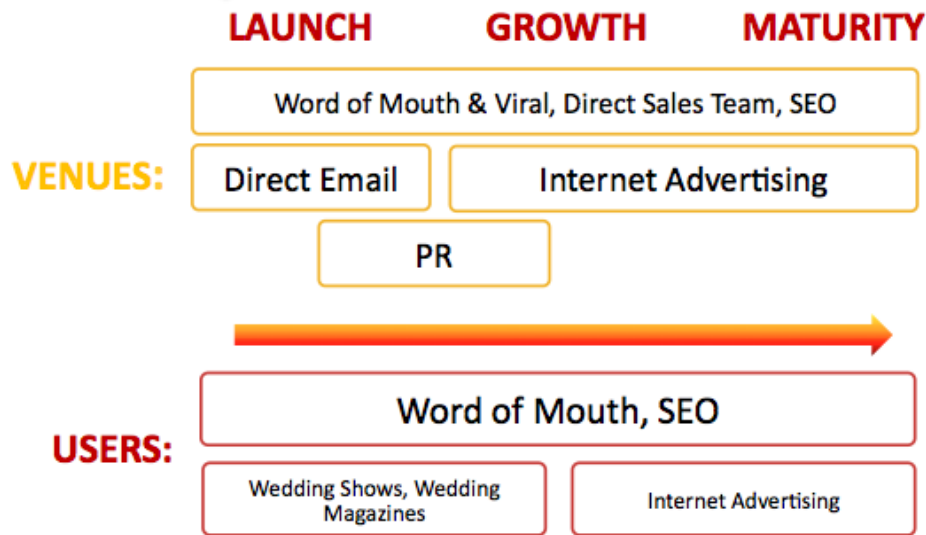
### 4.3.3 Promotion

We are introducing our service to a niche market. Therefore, we have to create awareness for our unique service. The advertising channels we are planning to use are:

- Face to Face meeting with wedding venues & wedding planners
- Search engine optimization
- Wedding magazines
- Wedding websites
- Conferences
- Bridal shops
- Social Media such as Facebook page, YouTube video, etc.

The marketing plan will be executed in response to the different stages of product maturity as well as the audience; whether customers or users. Figure 4 below gives a high-level summary of the market techniques that we are using to bring the message to both our customers and their users throughout the product lifecycle from launch, through growth, and to maturity.

Figure 4: Marketing techniques and product lifecycle



Sales Promotions: to penetrate the market, we will offer our potential customers 3 months free trial of our services. This will allow our potential customers to experience the usefulness of the service. Then, they will have the chance to upgrade to the “premium plan”.

#### 4.3.4 Place

The service is a web site @ [www.venuemenu.com](http://www.venuemenu.com), which will have the core functionality to satisfy customers and users, as well as detailed help and marketing collateral. Both customers and user will go the same site, with customers being presented with a slightly different interface after login.

Having described the strategy and marketing mix, we now move on to discuss finances in the fifth section of the business plan, the “Economics of the Business.”

## **5: The Economics of the Business**

### **5.1 Revenue Sources**

VenueMenu offers two fundamental revenue sources:

- **Subscription fees** – monthly / annual subscription fees collected from premium venue subscribers to provide feature-rich portfolio content.
- **Advertising** – ‘cost per thousand’, ‘cost per click’, and sponsored advertisements for complementary products and services.

Core business revenue is expected to be delivered by VenueMenu’s subscription model, offering approximately a 25:1 ratio over the expected advertising revenue.

VenueMenu management projects that the business will reach \$1.5 million in revenues and \$881,000 in net income by 2015, the fifth year of operation.

Total revenue is a direct function of the number of venues subscribing to the premium membership service package. To achieve this, VenueMenu will add two sales people per year and that each salesperson will contribute 165 premium membership subscribers per year, based on a 5% conversation rate at 2 calls per person per hour. Once the current geographical market is saturated, the sales staff will be increased and will move on to the next market to repeat the process. Customer subscription membership forecasts include an assumed attrition rate of 10% per year, commensurate with industry averages. Each of these assumptions and their direct impact on VenueMenu’s financial projections can be seen in Appendix A.

### **5.2 Fixed and Variable Costs**

As an online information provider, VenueMenu has a limited fixed overhead and negligible variable cost structure.

Figure 5: First Year Expense Ratios

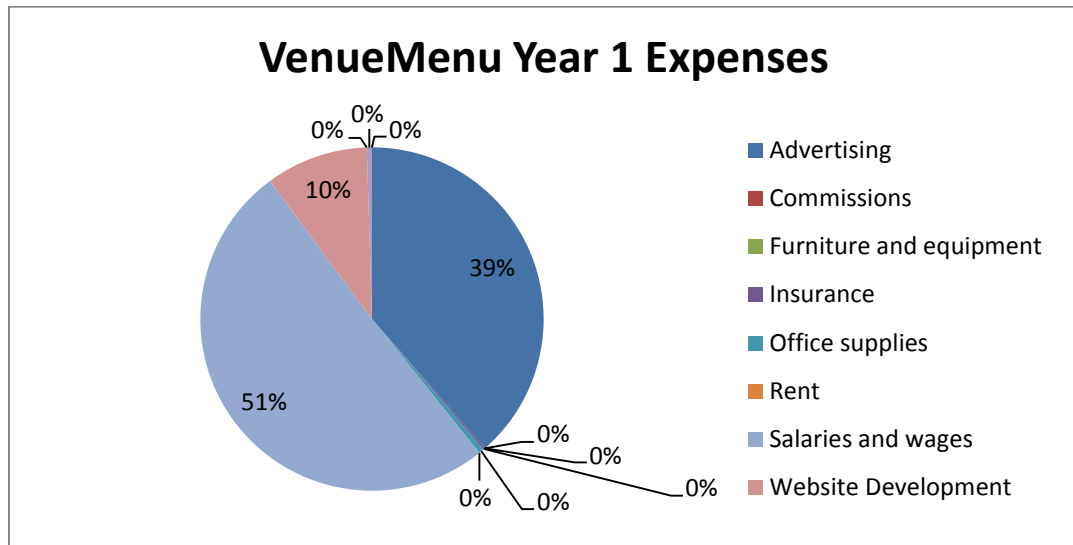


Figure 5 above shows the total cost percentages for the business over the first year. As expected for a startup, only costs that absolutely need to be incurred are expended. Fixed expenses will include the costs of office facilities, web development / maintenance (10%), salaried staffing requirements (51%), and advertising (39%). Sales person base salaries are projected to be \$50,000 per year each, based on industry averages within the field. Founders will not draw a wage until year three.

Variable costs will be limited to sales commissions and web hosting expenses. Sales commission will be tied to the number of venues signed to premium membership subscriptions, with a maximum allowance of \$10,000 per sales person. Similarly, as premium membership subscriptions offer feature-rich portfolio options this will increase the volume of both content stored and website traffic, increasing web-hosting expenses. Detailed expense projections can be viewed on the income statement in Appendix A.

### 5.3 Operating Leverage and Implications

Given the limited costs detailed in the financial pro-forma, VenueMenu has limited startup capital requirements. Currently, salaried wages represent the single largest expected contributor for business expenses, averaging approximately 80% of total costs. Sales staff dominate the staffing plan as they also drive sales revenue, however,

management will be in position to exercise caution regarding any expansion and hiring decisions based upon initial sales cycles and returns.

## 5.4 Breakeven Chart and Calculation

Based upon the financial projections and business growth simulations provided within the financial pro-forma documents, VenueMenu expects breakeven to occur within the third quarter of 2013, approximately 30 months following incorporation.

Figure 6: Break-even analysis

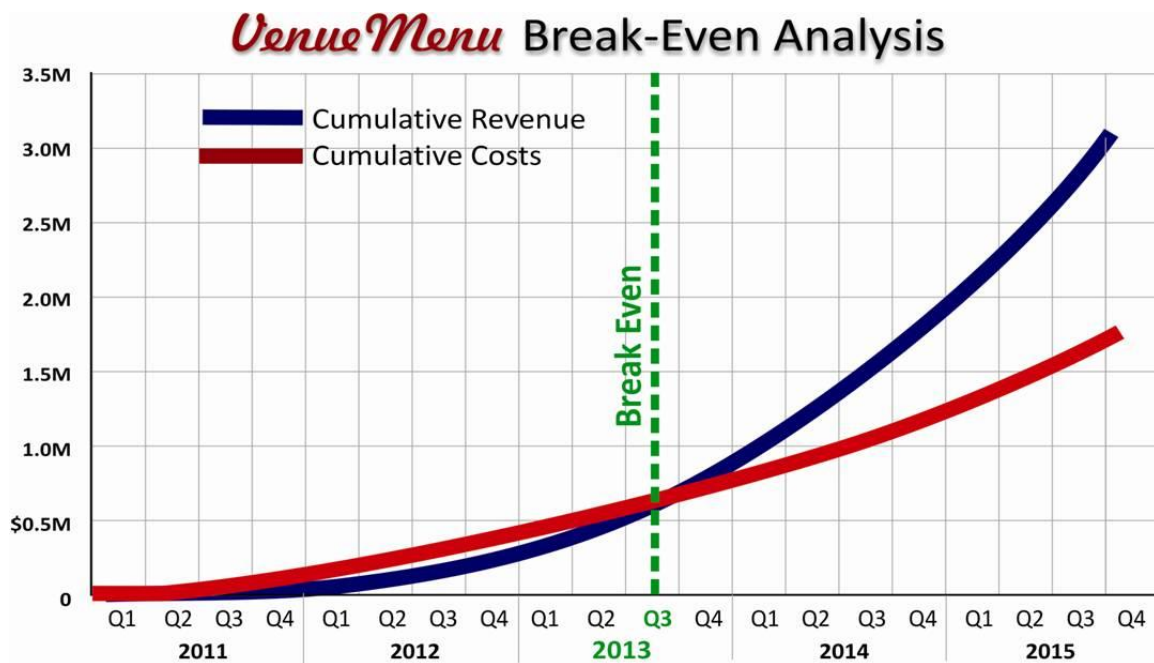


Figure 4 indicates breakeven in Q3 of 2013. We project losses of \$103,700 in the first year and \$40,000 in the 2<sup>nd</sup> year before finally turning to positive cash flow in the third year. Minimum cash on hand should reach its lowest point in Q3 of 2012 and then trend upwards from there. Detailed cash flow projections are included in Appendix A.

Management reserves sufficient flexibility in cost structures to adjust the breakeven calculation should VenueMenu fall short of sales projections. As the predominant cost drivers for the first two-years are derived from sales staff wages and

office expenses, both staff expansion and office facility plans can be adjusted according to actual demonstrated sales figures during the launch and growth stages.

## **5.5 Start-up Funding and Costs**

VenueMenu is bootstrapped with an initial capital investment of \$50,000 from the founding partner. Management is seeking an angel investment commitment of \$350,000 for approximately 29% equity of the company, to fund the business until breakeven.

## **5.6 Use of proceeds**

Initial capital investments will be used to subsidize projected expenses for the first two years of operation, after which it is projected that VenueMenu will be cash-flow positive. Initial expected expenses include website development, sales staff wages and advertising.

## **5.7 Exit strategy**

The founders intend to build the business until profitability can reasonably be projected and then put the business up for sale. The founders have no intention of keeping the business once profitable as there is no exit strategy for our investors in this case.

## **6: Operations Plan**

### **6.1 Operating Model and Cycle**

With this business venture there are essentially two main areas of focus; signing up those companies that have a venue they would like to rent out (considered the “back end”), and directing traffic of those wanting to find a venue to rent to the VenueMenu web site (considered the “front end”). To be listed on the site as a premium venue, the customer pays a small monthly fee. While using the site, venue seekers are able to enter their preferred time and date that they would like a venue for, and the site will then display all of the venue’s that are available to rent in the area they have searched for their given time and day. Managing the “back end” will involve selling subscription services to the venue owners along with the creation and management of the web site, while managing the “front end” is comprised of advertising to drive customers to the web site.

Since our product is a web site, our operational bottleneck will tend to be centered on the process required to get updates to the site coded and tested. To help address this we will ensure clear requirements are created for the web development team so that rework and ambiguity is reduced. Our team will also be doing the QA that will help by removing a hand-off point and streamline operations.

Back end lead times are negligible as the admin portal for the site will be easy to use and facilitate efficient on-boarding of new venue owners via web browser. Depending on the scope of the feature changes required, the lead time for these changes to web site can take anywhere from 2 days to several weeks. Since our service will be hosted on Amazon’s cloud service, any seasonal demands can be handled by simply creating additional virtual servers to handle the load.

The quality of our site will be important, as with many internet based services one rarely gets a second chance to make a good first impression - if a site does not work



properly people rarely give it a second chance. Following industry standard quality assurance best practices throughout the entire software life cycle will ensure quality.

## **6.2 Geographic Location and Physical Location Requirements**

The business will be located in Vancouver as that is where the founders are located. This location is advantageous because the founders are familiar with the local markets and can more easily determine where to establish a beachhead before expanding into either adjacent markets or provinces. The company also plans to take advantage of the significant R&D tax credits made available by the government in this area. The technical infrastructure location is largely irrelevant as it is housed in one of Amazon's data centers and can be shifted between geographical regions at will. Because of the redundancy in the Amazon infrastructure, the business need not worry about disaster recovery facilities either.

The company will not initially require physical office space as the founders will work from their virtual offices at home, and will continue to do so for as long as possible to keep op-ex costs low. Our sales team will sign customers up via a web browser so they are able to do business wherever there is internet access.

The labour requirements of the company are fairly narrow in that the founders will be doing most of the work. The company will have to contract software development talent which will be not be difficult to find as Vancouver is a huge market for software developers.

The most significant advantage of the location is the proximity to the initial beachhead market. It is well known in the tech industry that early tech products and services are best sold to the innovators and early adopters by a direct sales force which in this case is comprised of the founders and company sales people. This is valuable then because the sales force has few barriers to the customers in their beach head market.

## **6.3 Facilities, Equipment and Improvements**

Based on our ramp up plans, we estimate that we will need to obtain formal facilities once the team size reaches 8 (5 founders plus 3 sales staff). This event should

occur at the end of Q4 2011 and will trigger the acquisition of office space through leasing. We estimate the cost of the lease to be less than \$1500/month for 700 sq ft in either Burnaby or North Vancouver. Where possible the company will try to commit to 1-year leases so we can minimize our facilities costs as we grow.

Equipment will be limited to laptops and simple technical infrastructure as required to support a small office of about 10 people. Initial startup costs are fairly low as all team members have existing laptops and in most cases home computers as well.

## **6.4 Operations Strategy and Plans**

As our service is web-based software as a service (SaaS), our service delivery process involves the delivery of the web site code to the supporting technical infrastructure so that our customers can consume the service via a standard web browser. This process will be driven by the firm but involve a third party software developer who will be contracted to create and update the web site. The process will be that the third party developer will create and test the site, and then upload it to our virtual servers on the Amazon cloud service. Once this simple process occurs the site is live and can be consumed by our customers.

The decision to outsource the creation of the web site was made because the capability to create a data driven web site does not exist with the founding members of the firm. Also, the Vancouver labor market is full of software engineers for hire on a consulting basis. While this will obviously incur a cost, the founders have no choice but to bootstrap the company with their own funds and cover this initial investment. Given the many software engineers available in this market, and the early conceptual stage of the firm, no relationships have yet been established with potential third party development resources.

Quality control is an important factor in a SaaS offering in that you rarely get a 2<sup>nd</sup> chance to sign up a customer if the web site is not “fit for use”. In this context the site must operate as intended without error, be easy to navigate and use, and perform well. During the start-up phase the founders will join the software developer(s) and test the site before it goes into production. This will involve creating test plans and test cases for the

various functions that users will perform, and then testing these functions thoroughly before the product is released. One of the founders has previous experience running a SaaS R&D group and will leverage that experience to ensure that our service is fit for use for all customers. In addition to the Quality Assurance process, we will subscribe to a third party monitoring service that monitors our web site and automatically alerts us if the site experiences a service interruption.

In terms of service capacity, a single server or small dual server setup can likely handle 100's of concurrent users. We do not estimate that we will need to handle a user load in excess of this within the first 6 months. Should this estimate be incorrect, we can add additional cloud resources with 24 hrs so there is minimal risk to the venture from a capacity perspective.

## **6.5 Legal Issues Affecting Operations**

A potential legal issue could be the agreement with the 3rd party developer in terms of who owns the intellectual property that is created. The company will ensure that the agreement is structured in such a way as to ensure that the company retains the IP that is created as a result of this contractual agreement. The site would need a disclaimer touching on our various usage terms and requires the vendor or customer to agree to the terms before proceeding to use the service.

## **7: Risks and Assumptions**

Most people have heard statistics quoted indicated that only a small percentage of businesses succeed, with the number of successful business dropping as time goes on. Whatever the reasons for business failure, all business have some amount of risk associated with different dimensions of their plan; and VenueMenu is no exception. Identified risks for VenueMenu include:

1. The number of weddings or spend per wedding may decline due to various economic factors.
2. If we are unable to introduce our service into the market successfully, our customer base may fail to grow as anticipated.
3. We are dependent on a third party web developer to create and maintain our web site.
4. Although we appear to be the only vendor offering this service, low barriers to entry mean other competitors may enter this market easily and undercut our business
5. Defects, interruptions or delays in service from our third-party data centre hosting facilities could impair the delivery of our service and harm our business.
6. If our security measures are breached and unauthorized access is obtained to a customer's data or our data, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.
7. We are dependent on our management team, and the loss of one or more key managers could harm our business and prevent us from implementing our business plan in a timely manner.

8. Failure to adequately expand our direct sales force in the short term, and develop and expand our indirect sales channel in the long term, will impede our growth.
9. If we are not able to develop enhancements and new features to our existing service or acceptable new services that keep pace with competitors, our business may be harmed.
10. We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

The risks identified above represent only a portion of the risks that an internet start-up may face during its existence. We perceive the top three risks to be listed under two, four, and ten and discuss each in turn below:

#2) If we are unable to introduce our service into the market successfully, our customer base may fail to grow as anticipated.

- The profit potential for this business model is unproven. For our business to succeed, internet advertising will need to achieve increasing market acceptance by venue advertisers. They could be reluctant or slow to adopt a new approach that will change the way they currently operate. Acceptance of our service will depend on how clearly the value proposition is explained to the Venues along with driving traffic to the site. To achieve acceptance, a direct sales force will be used to ensure that the customers clearly understand the value that the service brings. To ensure acceptable traffic to the site, intensive marketing and sales efforts will be undertaken in the local market to let users know that the service will provide an easy way to local the venue for them with the availability they desire.

#4) Although we appear to be the only vendor offering this service, low barriers to entry mean other competitors may enter this market easily and undercut our business.

- Once VenueMenu creates and enters this market, other competitors may also enter this market if they deem economic rents are being generated. In order to gain market share, these competitors may offer a comparable service for less money, which will harm our business. The key to mitigating this risk will be to execute on our plan such that we gain as much market share as quickly as possible. Offering the service free (credible signalling according to Baye, (Baye, 2009) )for an initial period will help gain market share while also signalling that there are no rents to be made as the service is not being charged for. The management team must also focus the marketing on how our product is differentiated from the current offerings as well. A direct sales force can also help differentiate VenueMenu from competitors by offering a more personalized sales interaction as well.

#9) We may require additional capital to support our business growth, and this capital might not be available at acceptable terms, if at all.

- We intend to continue to make investments in the business to support growth which may require additional funds. Revenue projections may be inaccurate which may delay time to break even. As a result we may need to engage in raising additional capital which may dilute existing shareholder positions or place restrictive covenants on us. If we are not able to raise these funds when we need them at satisfactory terms, our business may be seriously harmed. To address this risk the management team needs to be judicious in its use of funds and evaluate its cash position monthly against plan. Should the business need a 2<sup>nd</sup> round of financing, there is the potential of friends and family financing being available.

## **8: Summary and conclusion**

As a result of personal experience with regard to the difficulty of finding a wedding Venue, we are developing a service whereby those seeking a venue can be connected with those that have a venue for rent. Currently, most internet-based wedding venue directories are incomplete and do not mention when a venue is available. VenueMenu aims to address each of these problems for both the customer and the user through an easy to use directory site for use by both the users and the venue owners that includes venue availability information.

This venture derives its income from advertising which is a very competitive industry; there are many options for those who want to advertise their venue in the wedding space. Through an industry analysis, we learned that the threat of new entry was very high due to several factors such as low start-up costs and lack of IP patent protection. An overview of the competition highlighted three wedding focused companies that could be direct competitors to VenueMenu.

To be successful in this industry we concluded that VenueMenu would have to leverage its advantages in “availability”, “comparability”, and “completeness” by targeting markets that value the ability to search on availability information and compare that information for as many venues as possible. It was also determined that VenueMenu, if possible, avoid trying to compete on supplementary features not core to its unique selling proposition.

The target market for VenueMenu can be broken down into two groups, namely, users and venue owners. The users are the couples who are looking for a venue to rent for their wedding or the reception. The important things for the users are the inclusion of as many venues as possible and the availability information of the venues so that the users can easily choose which venue is right for them. The Venue owners are hotels, wineries, golf courses, or destination restaurant venues in the US and Canada that rent their

facilities for weddings and want to see a better return on investment on their advertising dollars while reducing administrative overhead.

Further strategic analysis indicated that although VenueMenu has a differentiated product, the recommended marketing strategy is to “focus” on the wedding venues advertising segment to gain as much of the market share as quickly as possible. By doing this, barriers to entry are created for new competitors because of the high switching costs for venues associated with moving away from our service.

Financial analysis indicates that we will incur losses of \$103,700 in the first year and \$40,000 in the 2<sup>nd</sup> year before finally turning to positive cash flow in the third year. Minimum cash on hand should reach its lowest point in Q3 of 2012. Founder and angel financing will initially fund the venture.

While there are risks with any venture, there are significant risks with VenueMenu in particular. There is immense competition in the marketplace in many dimensions, several wedding centric web sites that could move into this market with minimal effort, and an unproven business plan that depends on changing the way customers behave in terms of finding a venue. More work would need to be done investigating treatment strategies for these risks and others discussed in section 7, before proceeding with this venture.



## **Appendices**

## Appendix A - Financials

### VenueMenu Income Statement

Revenue	2011	2012	2013	2014	2015
Advertising Revenues	-	15,000	25,000	35,000	50,000
Subscription Revenues (Less returns and allowances)	-	199,451	505,635	934,888	1,475,357
<b>Net Revenue</b>	<b>-</b>	<b>214,451</b>	<b>530,635</b>	<b>969,888</b>	<b>1,525,357</b>
<b>Cost of Goods Sold</b>					
Beginning inventory					
Goods purchased or manufactured					
<b>Total Goods Available</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(Less ending inventory)					
<b>Cost of Goods Sold</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross Profit (Loss)</b>	<b>-</b>	<b>214,451</b>	<b>530,635</b>	<b>969,888</b>	<b>1,525,357</b>
<b>Expenses</b>					
Advertising	40,000	40,000	40,000	40,000	40,000
Commissions	-	10,000	20,000	40,000	60,000
Furniture and equipment	-	5,000	-	5,000	-
Insurance	200	200	200	200	200
Office supplies	500	500	500	500	500
Rent	-	18,000	18,000	18,000	18,000
Salaries and wages	52,500	165,000	280,000	395,000	500,000
Website Development	10,000	5,000	5,000	5,000	5,000
Travel	-	10,000	20,000	20,000	20,000
Web hosting and domains	500	500	500	500	500
Other	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>103,700</b>	<b>254,200</b>	<b>384,200</b>	<b>524,200</b>	<b>644,200</b>
<b>Operating Income (Loss)</b>	<b>(103,700)</b>	<b>(39,749)</b>	<b>146,435</b>	<b>445,688</b>	<b>881,157</b>
Non-operating revenues, expenses, gains, losses	-	-	-	-	-
(Less interest expense)	-	-	-	-	-
<b>Income Before Taxes</b>	<b>(103,700)</b>	<b>(39,749)</b>	<b>146,435</b>	<b>445,688</b>	<b>881,157</b>
(Less income tax expense)	-	-	-	-	-
<b>Income From Continuing Operations</b>	<b>(103,700)</b>	<b>(39,749)</b>	<b>146,435</b>	<b>445,688</b>	<b>881,157</b>
<b>Extraordinary Items</b>					
Income from discontinued operations					
Extraordinary items					
Cumulative effect of accounting changes					
<b>Net Income</b>	<b>(103,700)</b>	<b>(39,749)</b>	<b>146,435</b>	<b>445,688</b>	<b>881,157</b>

## VenueMenu Balance Sheet

Assets		2011	2012	2013	2014	2015
<b>Current Assets</b>						
	Cash	296,300	256,551	402,986	848,674	1,729,831
	Accounts receivable	-	-	-	-	-
	Inventory	-	-	-	-	-
	Prepaid expenses	-	-	-	-	-
	Short-term investments	-	-	-	-	-
	<i>Total current assets</i>	<b>296,300</b>	<b>256,551</b>	<b>402,986</b>	<b>848,674</b>	<b>1,729,831</b>
<b>Fixed (Long-Term) Assets</b>						
	Long-term investments	-	-	-	-	-
	Property, plant, and equipment (Less accumulated depreciation)	-	-	-	-	-
	Intangible assets	-	-	-	-	-
	<i>Total fixed assets</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Assets</b>						
	Deferred income tax	-	-	-	-	-
	Other	-	-	-	-	-
	<i>Total Other Assets</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>		<b>296,300</b>	<b>256,551</b>	<b>402,986</b>	<b>848,674</b>	<b>1,729,831</b>
<b>Liabilities and Owner's Equity</b>						
<b>Current Liabilities</b>						
	Accounts payable	-	-	-	-	-
	Short-term loans	-	-	-	-	-
	Income taxes payable	-	-	-	-	-
	Accrued salaries and wages	-	-	-	-	-
	Unearned revenue	-	-	-	-	-
	Current portion of long-term debt	-	-	-	-	-
	<i>Total current liabilities</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Long-Term Liabilities</b>						
	Long-term debt	-	-	-	-	-
	Deferred income tax	-	-	-	-	-
	Other	-	-	-	-	-
	<i>Total long-term liabilities</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Owner's Equity</b>						
	Owner's investment	400,000	400,000	400,000	400,000	400,000
	Retained earnings	(103,700)	(143,449)	2,986	448,674	1,329,831
	Other	-	-	-	-	-
	<i>Total owner's equity</i>	<b>296,300</b>	<b>256,551</b>	<b>402,986</b>	<b>848,674</b>	<b>1,729,831</b>
<b>Total Liabilities and Owner's Equity</b>		<b>296,300</b>	<b>256,551</b>	<b>402,986</b>	<b>848,674</b>	<b>1,729,831</b>
<b>Common Financial Ratios</b>						
<b>Debt Ratio</b> (Total Liabilities / Total Assets)		0.00	0.00	0.00	0.00	0.00
<b>Current Ratio</b> (Current Assets / Current Liabilities)						
<b>Working Capital</b> (Current Assets - Current Liabilities)		296,300	256,551	402,986	848,674	1,729,831
<b>Assets-to-Equity Ratio</b> (Total Assets / Owner's Equity)		1.00	1.00	1.00	1.00	1.00
<b>Debt-to-Equity Ratio</b> (Total Liabilities / Owner's Equity)		0.00	0.00	0.00	0.00	0.00

## VenueMenu Cash Flow Statement

	FYE	2011	2012	2013	2014	2015
<b>Operations</b>						
Cash at Beginning of Year		-	296,300	256,551	402,986	848,674
Net Revenue		-	214,451	530,635	969,888	1,525,357
Cash paid for						
General operating and administrative expenses		(51,200)	(89,200)	(104,200)	(129,200)	(144,200)
Wage expenses		(52,500)	(165,000)	(280,000)	(395,000)	(500,000)
Income taxes						
<b>Net Cash Flow from Operations</b>		<b>(103,700)</b>	<b>(39,749)</b>	<b>146,435</b>	<b>445,688</b>	<b>881,157</b>
<b>Investing Activities</b>						
Cash receipts from						
Sale of property and equipment						
Collection of principal on loans						
Sale of investment securities						
Cash paid for						
Purchase of property and equipment						
Making loans to other entities						
Purchase of investment securities						
<b>Net Cash Flow from Investing Activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financing Activities</b>						
Cash receipts from						
Issuance of stock		400,000				
Borrowing						
Cash paid for						
Repurchase of stock (treasury stock)						
Repayment of loans						
Dividends						
<b>Net Cash Flow from Financing Activities</b>		<b>400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash</b>		<b>296,300</b>	<b>(39,749)</b>	<b>146,435</b>	<b>445,688</b>	<b>881,157</b>
Cash at End of Year		296,300	256,551	402,986	848,674	1,729,831

## VenueMenu Investor Return Calculation

### VenueMenu

### Investor Return

#### IRR Analysis

Pre-Money Valuation	\$800,000	Year 5 FCF	\$881,157
Management Investment	\$50,000	EBITDA Multiple*	17.54
Angel Investor Investment	\$350,000	Total Enterprise Value	\$15,455,494
Angel Equity State in Company	29.17%		
Post-Money Valuation	<b>\$1,200,000</b>	Year 5 Cash Balance	\$1,729,831
		Equity Value	<b>\$17,185,325</b>
		IRR	<b>70.29%</b>
		Return Multiple	<b>14.3</b>

Note:

EBITDA multiplier based upon industry sector estimations, provided by:  
[http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/data.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/data.html)

## VenueMenu Staffing Plan

The staffing plan for the first three years of operation of VenueMenu is provided in the table below. Note that decimal numbers indicate part-time employment on a days per week basis.

	2011			2012				2013			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	0	2	2	2	2	4	4	4	4	6	6
Web Maintenance	0	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.8	0.8
Management	5	5	5	5	5	5	5	5	5	5	5

## Appendix B – Wedding Statistics

Table 2: Numbers of Marriages and Divorces by State: ACS (2008) and Vital Statistics (2007)

State	Marriages			Divorces <sup>1</sup>		
	Vital Statistics	ACS		Vital Statistics	ACS	
	Couples	Men	Women	Couples	Men	Women
Total	2,197,000 <sup>2</sup>	2,327,018	2,227,084	1,087,920 <sup>3</sup>	1,178,915	1,309,921
Alabama	41,622	40,125	40,292	21,255	24,509	26,329
Alaska	5,800	7,822	6,366	2,897	3,710	3,216
Arizona	39,495	46,961	42,762	24,515	28,503	30,434
Arkansas	34,275	28,099	28,749	16,858	12,164	16,607
California	225,920	281,580	259,206	--	119,315	145,281
Colorado	34,160	43,314	40,853	21,177	25,646	22,943
Connecticut	19,502	23,824	22,960	11,194	12,703	12,556
Delaware	4,970	5,309	5,143	3,215	3,720	4,318
District of Columbia	2,418	4,524	4,616	994	2,818	2,241
Florida	155,929	132,171	132,618	84,373	74,045	81,444
Georgia	64,034	75,167	73,496	--	41,601	45,466
Hawaii	27,346	10,078	9,265	--	4,411	4,062
Idaho	14,981	15,667	15,062	7,348	6,048	8,538
Illinois	76,830	87,648	79,645	33,239	43,643	51,272
Indiana	44,441	50,417	47,932	--	30,648	30,620
Iowa	19,895	22,917	24,275	7,622	11,192	12,119
Kansas	19,024	26,904	24,809	9,426	13,768	14,396
Kentucky	33,351	37,164	35,299	19,743	22,018	26,533
Louisiana	32,787	36,583	35,425	--	17,343	19,007
Maine	9,870	8,924	9,324	5,614	6,620	6,744
Maryland	36,618	44,190	43,125	16,662	21,889	23,592
Massachusetts	37,895	38,648	37,089	14,644	20,098	24,329
Michigan	56,996	65,593	64,943	34,502	40,202	40,952
Minnesota	30,070	39,624	38,179	--	19,211	19,613
Mississippi	15,624	23,821	23,023	13,095	15,477	13,909
Missouri	40,405	48,540	46,267	22,223	25,604	27,830
Montana	7,263	7,300	7,287	3,901	3,752	4,062
Nebraska	12,159	17,544	17,109	6,151	8,504	6,993
Nevada	126,354	22,323	21,944	16,593	13,220	11,244
New Hampshire	9,350	9,237	8,663	4,981	5,145	5,059
New Jersey	46,519	59,179	55,511	25,687	23,616	31,466
New Mexico	11,229	17,594	17,487	8,434	7,380	8,224
New York	129,943	130,216	121,435	55,068	53,679	58,514
North Carolina	63,932	75,105	70,200	36,205	33,930	38,293
North Dakota	4,316	6,907	6,265	1,925	2,672	1,583
Ohio	70,632	80,228	78,787	38,884	43,778	47,365
Oklahoma	26,508	34,478	33,983	18,954	19,230	24,471
Oregon	26,664	31,120	30,052	14,499	15,788	17,549
Pennsylvania	71,094	78,722	75,752	35,508	40,128	42,323
Rhode Island	6,786	6,785	6,298	3,006	3,461	3,834
South Carolina	34,908	27,155	28,849	13,194	16,505	18,311
South Dakota	6,170	6,939	5,555	2,442	3,548	2,885
Tennessee	62,149	48,689	47,170	26,501	30,790	33,060
Texas	176,313	205,704	194,389	77,810	101,116	119,569
Utah	25,060	27,783	28,538	9,491	12,145	14,036
Vermont	5,317	3,997	3,911	2,256	2,938	2,688
Virginia	58,289	64,009	59,375	29,516	29,606	36,032
Washington	41,397	58,974	55,971	26,138	30,109	33,311
West Virginia	13,303	14,208	13,461	9,299	7,480	9,873
Wisconsin	32,159	42,301	42,393	16,458	18,996	22,624
Wyoming	4,826	5,887	5,976	2,610	4,493	2,201

Source: American Community Survey, 2008 and Division of Vital Statistics, National Center for Health Statistics, CDC, 2007

**Marriage rates by State: 1990, 1995, and 1999-2009**

[Rates are based on provisional counts of marriages by state of occurrence. Rates are per 1,000 total population residing in area. Population enumerated as of April 1 for 1990 and 2000 and estimated as of July 1 for all other years]

State	Marriage rate												
	1990	1995	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Alabama	10.6	9.8	10.8	10.1	9.4	9.8	9.6	9.4	9.2	9.2	9.0	8.7	8.3
Alaska	10.2	9.0	8.6	8.9	8.1	8.3	8.1	8.5	8.2	8.3	8.5	8.4	7.8
Arizona	10.0	8.8	8.2	7.5	7.5	6.6	6.4	6.6	6.4	6.3	6.2	5.8	5.4
Arkansas	15.3	14.4	14.8	15.4	14.3	14.3	13.4	13.4	12.9	12.5	12.1	10.7	10.7
California <sup>1</sup>	7.9	6.3	6.4	5.8	6.5	6.2	6.1	6.3	6.3	6.2	6.2	6.7	5.8
Colorado	9.8	9.0	8.2	8.3	8.2	7.9	7.7	7.4	7.5	7.1	7.0	7.3	6.8
Connecticut	7.9	6.6	5.8	5.7	5.4	5.7	5.5	5.8	5.8	5.5	5.6	5.5	5.9
Delaware	8.4	7.3	6.7	6.5	6.5	6.4	6.0	6.1	5.9	6.0	5.7	5.5	5.4
District of Columbia	8.2	6.1	6.6	4.9	6.2	5.1	5.2	5.3	4.3	3.9	4.1	4.0	4.7
Florida	10.9	9.9	8.7	8.9	9.2	9.4	9.0	9.0	8.9	8.6	8.5	8.1	7.5
Georgia	10.3	8.4	7.8	6.8	6.1	6.5	6.9	7.8	6.9	7.1	6.7	5.9	6.5
Hawaii	16.4	15.7	18.9	20.6	19.6	20.7	21.9	22.8	23.0	22.3	21.3	19.8	17.9
Idaho	13.9	13.1	12.1	10.8	11.2	10.9	10.9	10.8	10.5	10.1	10.0	9.6	8.9
Illinois	8.8	6.9	7.0	6.9	7.2	6.6	6.5	6.1	5.8	6.1	6.0	5.8	5.6
Indiana	9.6	8.6	8.1	7.9	7.9	7.8	7.1	7.8	6.9	7.0	7.0	8.1	7.9
Iowa	9.0	7.7	7.9	6.9	7.1	6.9	6.9	6.9	6.9	6.7	6.7	6.5	7.0
Kansas	9.2	8.5	7.1	8.3	7.5	7.3	6.9	7.0	6.9	6.8	6.9	6.7	6.5
Kentucky	13.5	12.2	10.9	9.8	9.0	9.0	9.1	8.8	8.7	8.4	7.9	7.9	7.6
Louisiana	9.6	9.3	9.1	9.1	8.4	8.2	8.3	8.0	8.1	—	7.6	6.8	7.1
Maine	9.7	8.7	8.6	8.8	8.6	8.4	8.4	8.5	8.2	7.8	7.5	7.5	7.2
Maryland	9.7	8.4	7.5	7.5	7.0	7.1	6.9	6.9	6.9	6.6	6.5	6.0	5.8
Massachusetts	7.9	7.1	6.2	5.8	6.2	5.9	5.6	6.5	6.2	5.9	5.9	5.7	5.5
Michigan	8.2	7.3	6.8	6.7	6.6	6.5	6.2	6.1	6.0	5.9	5.7	5.5	5.4
Minnesota	7.7	7.0	6.8	6.8	6.6	6.5	6.3	6.0	5.9	6.0	5.8	5.5	5.3
Mississippi	9.4	7.9	7.8	6.9	6.5	6.4	6.2	6.1	5.8	5.7	5.4	5.2	4.8
Missouri	9.6	8.3	8.1	7.8	7.5	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.5
Montana	8.6	7.6	7.4	7.3	7.1	7.2	7.2	7.5	7.4	7.5	7.6	7.7	7.4
Nebraska	8.0	7.3	7.5	7.6	7.9	7.5	7.0	7.1	7.0	6.8	6.9	6.9	6.7
Nevada	99.0	85.2	82.3	72.2	69.7	67.4	64.1	62.4	57.8	52.6	49.3	43.1	40.9
New Hampshire	9.5	8.3	7.9	9.4	8.4	8.3	8.0	8.0	7.2	7.1	7.1	6.8	6.4
New Jersey	7.6	6.5	5.9	6.0	6.4	6.0	5.8	5.8	5.7	5.5	5.4	5.4	5.0
New Mexico	8.8	8.8	8.0	8.0	7.6	7.9	6.9	7.4	6.6	6.9	5.7	4.0	5.1
New York	8.6	8.0	7.3	7.1	7.6	7.3	6.8	6.8	6.8	6.8	6.7	6.5	6.4
North Carolina	7.8	8.4	8.5	8.2	7.5	7.7	7.4	7.3	7.3	7.3	7.1	7.0	6.7
North Dakota	7.5	7.1	6.6	7.2	6.5	6.8	7.2	7.0	6.9	6.8	6.7	6.7	6.6
Ohio	9.0	8.0	7.8	7.8	7.2	7.0	6.7	6.6	6.5	6.3	6.2	6.0	5.8
Oklahoma	10.6	8.6	6.8	—	—	—	—	6.5	7.3	7.3	7.3	7.1	6.9
Oregon	8.9	8.1	7.6	7.6	7.5	7.1	7.2	8.1	7.3	7.2	7.1	6.9	6.6
Pennsylvania	7.1	6.2	6.1	6.0	5.8	5.7	5.9	5.9	5.8	5.7	5.7	5.6	5.3
Rhode Island	8.1	7.3	7.5	7.6	8.1	7.7	7.8	7.6	7.0	6.5	6.4	6.2	5.9
South Carolina	15.9	11.9	10.2	10.6	9.9	9.3	9.0	8.2	8.3	7.8	7.9	7.4	7.4
South Dakota	11.1	9.9	9.1	9.4	8.9	8.8	8.4	8.4	8.4	8.1	7.7	7.7	7.2
Tennessee	13.9	15.5	14.7	15.5	13.5	13.1	11.9	11.4	11.0	10.7	10.1	9.4	8.4
Texas	10.5	9.9	9.1	9.4	9.1	8.4	8.1	7.9	7.7	7.6	7.4	7.3	7.1
Utah	11.2	10.7	9.6	10.8	10.2	10.4	10.2	10.0	9.8	9.2	9.5	8.7	8.2
Vermont	10.9	10.3	10.0	10.0	9.8	9.7	9.7	9.4	8.9	8.6	8.6	7.9	8.7
Virginia	11.4	10.2	9.2	8.8	8.8	8.6	8.4	8.3	8.2	7.9	7.6	7.2	7.0
Washington	9.5	7.7	7.2	6.9	7.0	6.5	6.5	6.5	6.5	6.5	6.4	6.4	6.0
West Virginia	7.2	6.1	7.5	8.7	7.9	8.1	7.5	7.5	7.4	7.3	7.3	7.2	6.9
Wisconsin	7.9	7.0	6.7	6.7	6.5	6.3	6.3	6.2	6.1	6.0	5.7	5.6	5.3
Wyoming	10.7	10.6	9.9	10.0	10.1	9.5	9.4	9.4	9.4	9.5	9.2	8.8	8.2



## Appendix C – Management Team

An experienced team of well-rounded individuals with extensive technology and business experience leads VenueMenu. The team founded VenueMenu in response to a need to bring venue vendors and customers looking for event venues together in a much more efficient manner than is currently possible. The managements' background includes software development, SaaS, business development, and industry expertise from either being married or working in the wedding industry directly.



### **Colin Fraser, Chief Executive Officer**

Colin is a serial entrepreneur with experience founding and managing entertainment, transportation, and health related startups. He has held various senior technology roles over the course of his 15-year career. He is currently the Head of R&D for Meridian Systems Inc, a leader in infrastructure lifecycle management enterprise solutions. Colin holds diplomas in civil engineering and computer science, along with a Management of Technology MBA from Simon

Fraser University.

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