

Project title: **Business Plan Presentation “5dotSoftware”**

Course name: **Technological Entrepreneurship**

Course number: EMGT 510/610

Term and Year: Fall 2004

Instructor: Charles Weber, Ph.D.

Authors:

- Nizar Almani
- Guvenc Eren
- John Freeman
- Kiatiphong Lertsathitphong
- Wael Mohamed-Refie

Abstract: the primary mission of 5dotSoftware is to enhance interaction among Internet users by removing barriers to communication. Our team has a multicultural perspective that presents a promising potential for the future. This diversity will grant us a unique point of view when working with other developers worldwide, particularly when it comes to adding additional language translations. When we incorporate the team’s backgrounds with their youth, energy, patience and hunger for new product development, 5dotSoftware is a winning business from the start.

5dotSoftware

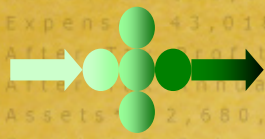
Business Plan

- Nizar Almani
- Guvenc Eren
- John Freeman
- Kiatiphong Lertsathitphong
- Wael Mohamed-Refie



	3rd Quarter 2001	3rd Quarter 2000	2nd Quarter 2001	Nine Months 2001	Nine Months 2000
Revenues	\$43,641	\$59,338	\$50,789	\$152,499	\$183,706*
Expenses	43,018	55,467	47,979	144,918	166,224*
After-Tax Profit/Loss	405	2,516	1,832	4,927	11,362*
After-Tax Annualized Return on Capital	1.1%	7.3%	5.0%	4.5%	11.4%
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Number of Firms Reporting	261	273	258	272	284
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Number of Unprofitable Firms	103	63	87	94	42
Aggregate Pre-Tax Earnings of Unprofitable Firms	(2,183)	(428)	(663)	(3,388)	(989)





The presentation Agenda

■ **Company overview**

■ **Management Team**

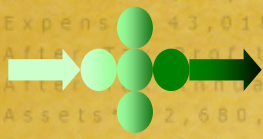
■ **Market Analysis**

■ **Technology overview**

■ **Marketing plan**

■ **Financial plan**



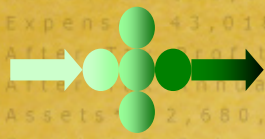


Company Overview

Mission

**Become the leader
in online translation technology
within 5 years**

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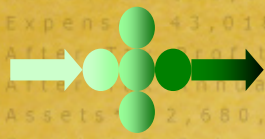


Why Provide Translation?

- Of the roughly 800 million Internet users, only 35% are native English speakers

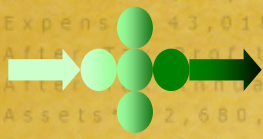
- Now, more domains are registered outside of the U.S. than within the U.S.

- 22% of the worldwide Internet users are native Chinese or Japanese speakers



Why Provide Translation?

- In the U.S. “Of the 4.1 million Asians, 56% do not speak English ‘very well’ ” (60% speak Chinese/Japanese)
- Chinese & Japanese Internet usage is increasing at annual rate of 15-20%
- Worldwide online: 110 Million Chinese speakers and 67 Million Japanese speakers



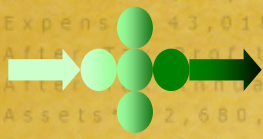
Company Overview

Our aim is to build an online text translation system for the Internet

We will focus on the following user groups

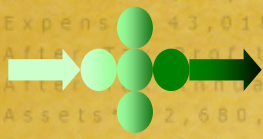
■ **Consumers: providing translation for Instant Messaging**

■ **Business: providing translation for better communication among international locations**



Company Strategy

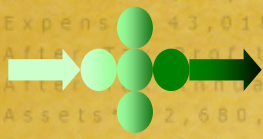
- We will build a translation service that can enhance any chat system
- Believe this is the best way to reach highest number of users quickly
- Will focus on Chinese and Japanese to start
- Will add additional language according to demand



Financial Teaser

- We are looking for a \$1 Million investment to start our company
- We anticipate at least \$5 Million annual revenues in year 5

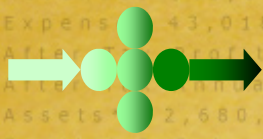
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Management Team

- John Freeman - Acting CEO
- Kiatiphong Lertsathitphong - COO
- Nizar Mohammad Almanie - VP of Marketing
- Guvenc Eren - VP of Technology
- Wael Mohamed-Refie - Controller

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Market Analysis

Market size

1,000 ISPs in North America

225 million Internet users

157.5 million IM users.

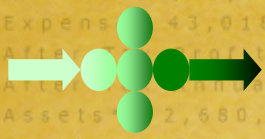
tourism, education, government, and immigration.

Table shows market data of targeted home users

Segment	Actual number	% of internet users	% of IM users	% penetration of IM language translation users	Annual charge
US tourists to China	900,000	69	70	75	\$12
Chinese immigrants to the US	45,000	30	50	75	\$12

Table shows calculation of market potential of target home users in users and dollars unit

Segment	# of internet users	# of IM users	Market potential	
			In users	In dollars
US tourists to China	621,000	434,700	326,025	\$3,912,300
Chinese immigrants to the US	13,500	6,750	5,063	\$60,750
Total			331,088	\$3,973,050



Market Analysis (cont'n)

■ *Market Potential (Home user market)*

■ Home users

■ Characteristics

■ Online chatters who use our software via ISPs

■ Informal communications

■ Needs

■ Easy to use

■ Enhanced features such as grammar checking

■ Business users

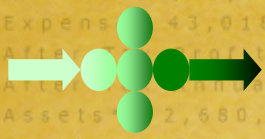
■ Characteristics

■ Professional environment or Int'l corporation

■ Needs

■ Security



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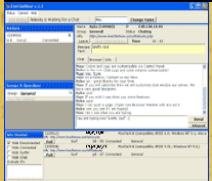
Market Analysis (cont'n)

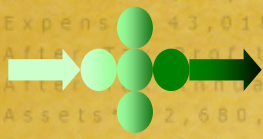
Competitors analysis

Home users providers

Type of Competitors	Strengths	Weaknesses	Competitive advantages
	<ul style="list-style-type: none"> - Spell- check - Dictionary option 	<ul style="list-style-type: none"> - Large functionality - Not as profitable because of smaller customers based 	<ul style="list-style-type: none"> - Spell- check - Ability to design different kind of system package
	<ul style="list-style-type: none"> - Better connection. - Better financial position than other type of competitors. - Offering a wide and diverse product line 	<ul style="list-style-type: none"> - Higher price - Lack on focus on detail - Not as profitable because of smaller customers based 	<ul style="list-style-type: none"> - Early start. - automatically check spelling - Change translation direction of a selected language pair

Business providers

Type of providers	Strengths	Weaknesses	Competitive advantages
	<ul style="list-style-type: none"> - Better understanding to the technology. - Providing real time responses. 	<ul style="list-style-type: none"> - High price - Spell-check 	<ul style="list-style-type: none"> - Customers can access immediate assistance from their sale and support person - Can targeting the marketing by tracking the visitors of the site



Development Timeline

Formation of 5dot Software

1st prototype translation engine

Web translation version 1.0 (WT v1.0 Japan)

Business tools prototype & WT v1.5 (add China)

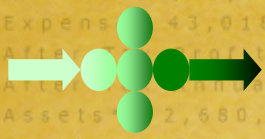
BT v1.0 & WT v2.0 (possibly more languages)

BT v1.2 & WT v2.1

BT v1.5 & WT v2.2

Jan, 2005 Jun, 2005 Jan, 2006 Jun, 2006 Jan, 2007 Jan, 2008 Jan, 2009 Jan, 2010

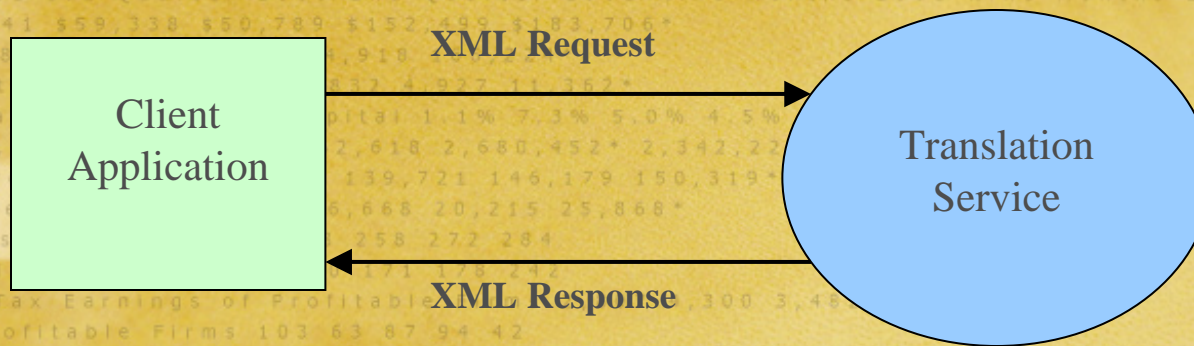
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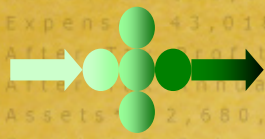


Technology Overview

What are we building?

- **An text translation service**
- **Providing an XML Web Service interface**
- **Easily integrates with existing systems**
- **Numerous development tools support the service model.**
- **Initially, Soap over HTTP protocol ... and then other bindings as needed.**





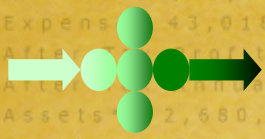
Technology Overview (2)

How will it work?

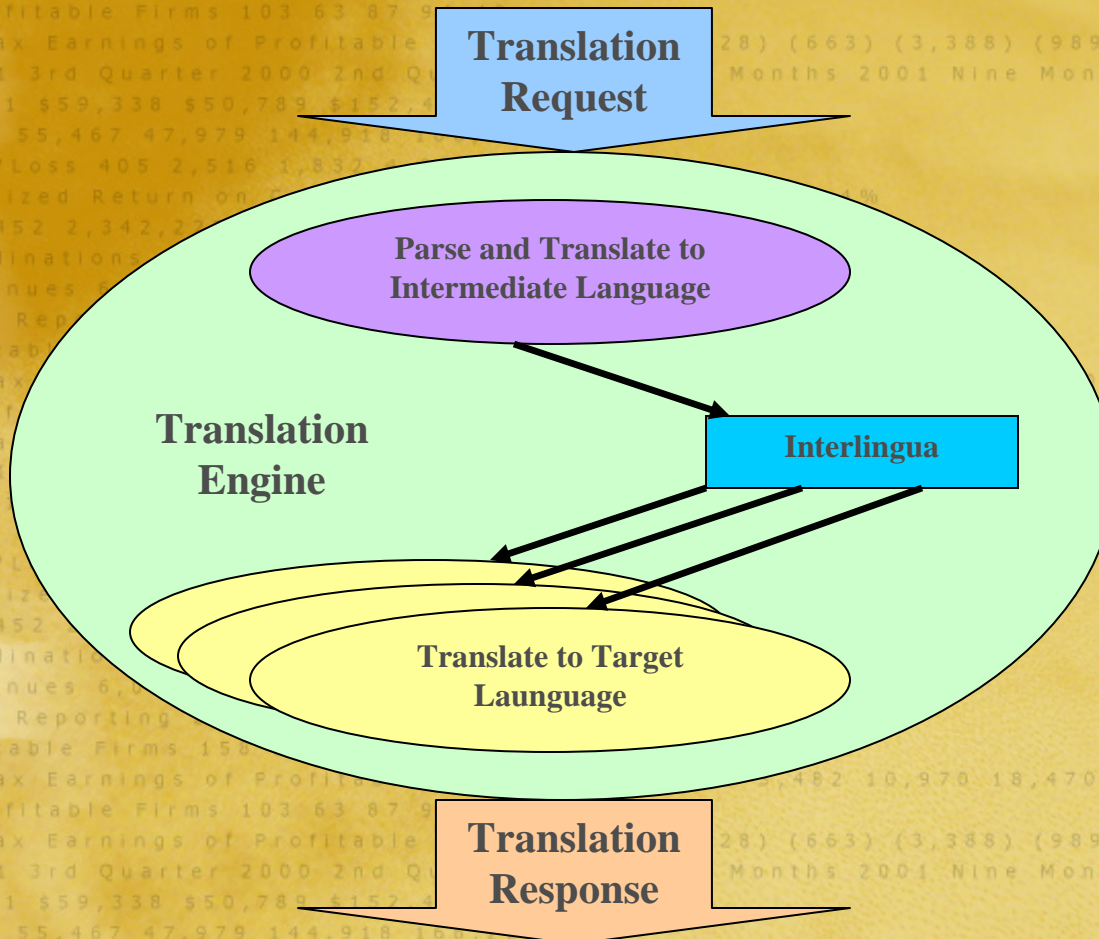
- Translate from source to intermediate language
- Analyze and apply rules to clean up the result
- Provide ability to translate result back into source to verify meaning (is this what you meant?)
- Translate intermediate result into target language(s)

How will we make it better?

- Provide feedback loop
- Develop rules specific to certain domains (travel, geography, conversation, physics, etc...)



Technology Diagram



Translation Request

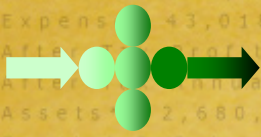
Parse and Translate to Intermediate Language

Translation Engine

Interlingua

Translate to Target Language

Translation Response



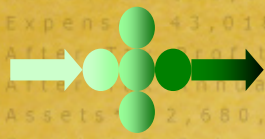
Marketing Plan

Marketing Mission:

“Become the leader in online translation technology within 5 years”

John Freeman, the CEO of 5dotsoftware

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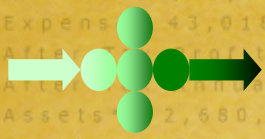


Why the Customer survey

■ **Customers survey..... customers..... Customers..... Customers**



to have a better understanding of the customer's need, we decided to have a customers survey



Customers survey

Customers Survey

Home users
5 Customers

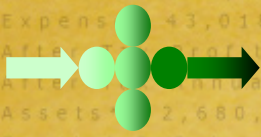
Business Users
5 customers

Customer Survey Process

Make customers selection

Interview customers

Use Conjoint
Method to analyze
The customers need



The customers survey

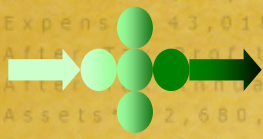
■ Customers consider about:

Accuracy

Price

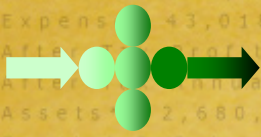
Ease of use

Completeness



The survey result

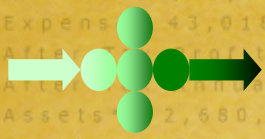
Importance	High	Low	Range	Normalized	Final result
Accuracy	50%	14%	36%	16%	0.16
Price	64%	14%	50%	22%	0.22
Ease of use	57%	14%	43%	19%	0.19
Completeness	100%	0%	100%	44%	0.44
Total					2.29



Marketing Mix

Marketing Mix





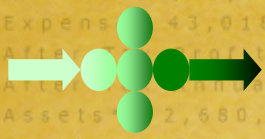
Pricing strategy

A. Set Price Pricing Models at 5dotsoftware

Price Model	Definition	Segment Examples
Standard Retail	Our customers set a fixed price, and we either accept or not. Periodic price changes occur based on historical market condition	Business users. Intel, Nike, Hp, and Ford

B. Negotiated Price Pricing Models

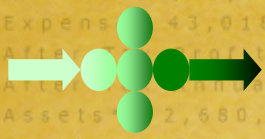
Pricing Model	Definition	Examples
Haggling	We set the price and then our customers negotiate the final price with us.	Technical users ISP'S users



Promotion strategy

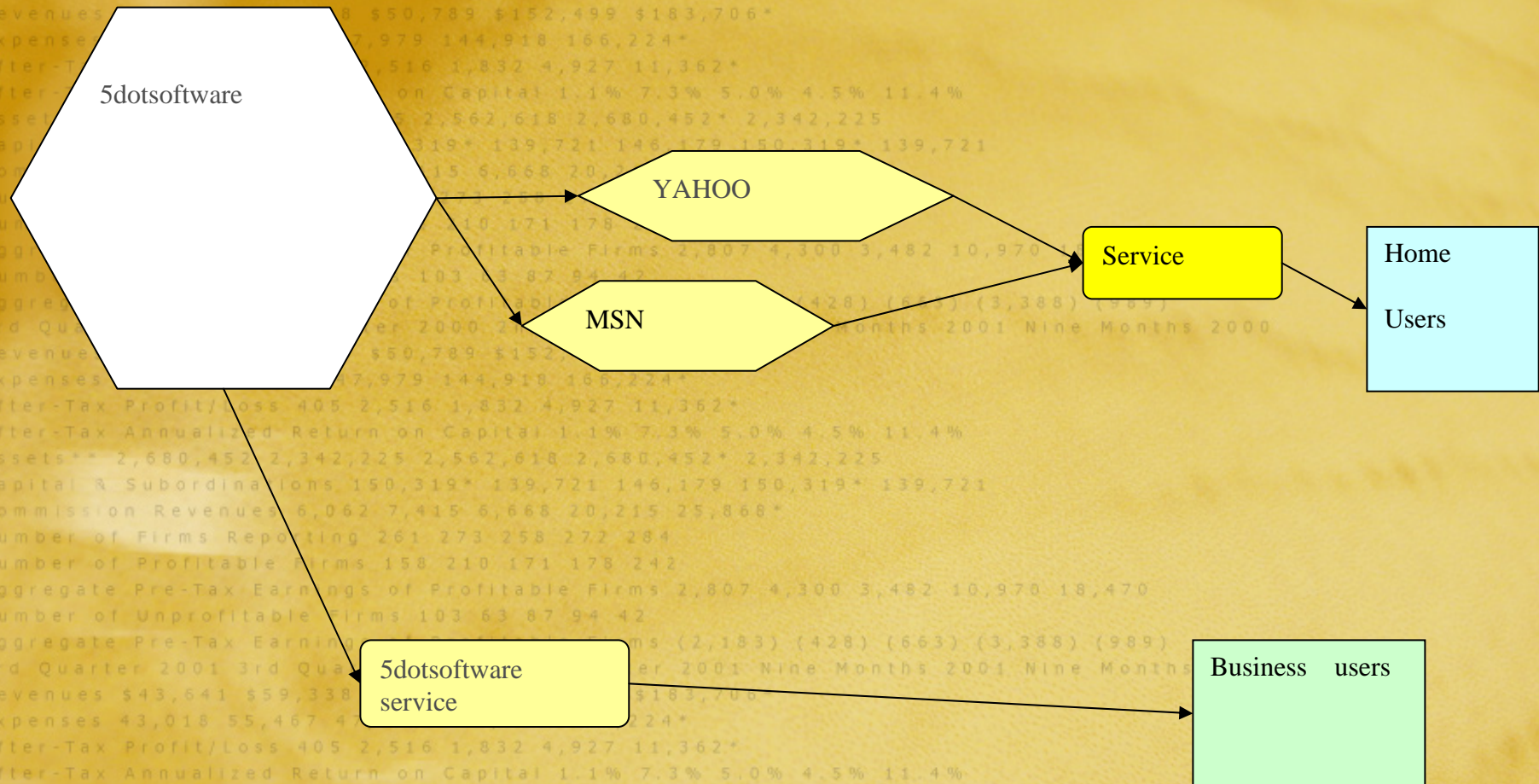
■ Use personal selling method

2005	2006	2007	2008	2009
-the marketing manager acts as a sale manager - everyone acts as a salesman and gets 2.5	Hire 1 salesman \$2000	Hire 2 Salesmen \$2000	Hire 3 salesmen \$2000	Hire 4 Salesmen \$2000

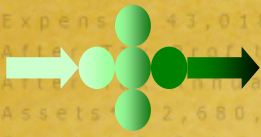


Distribution strategy

■ Direct Sale channel



POSITIONING AND BRANDING STRATEGY



We differentiated out product by two meaningful value drivers

Completeness

Low

High

High

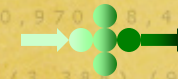
Cost

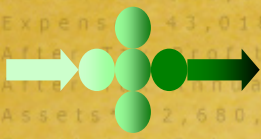
Average

Multicity
Reinventing Dialogue

5dotSoftware

 **online translation**
IM TRANSLATOR





Finance Plan

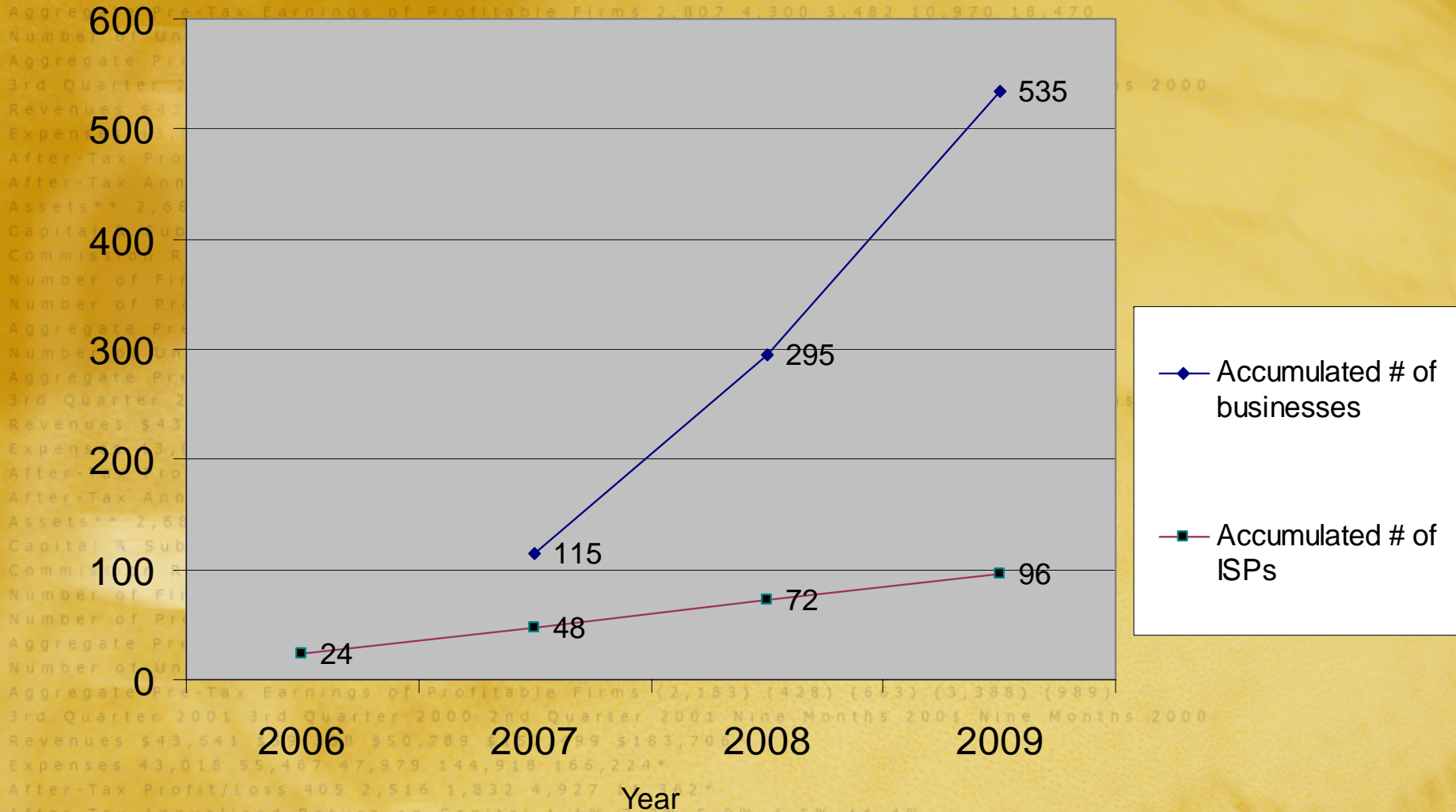
Guidelines

- Profitability at the end of year three
- Total capital needs of \$1.2 million
 - \$1 million from venture funding
 - \$200,000 from team members
- Build the translation engine during the 1st year
- Begin marketing it to ISPs in the 2nd year
- Complete the business tools product at the end of the second year and will begin business sales in year three
- Provide the product to the customers according to yearly leasing plan. That will help the company compete against other companies and achieve high annual revenues.

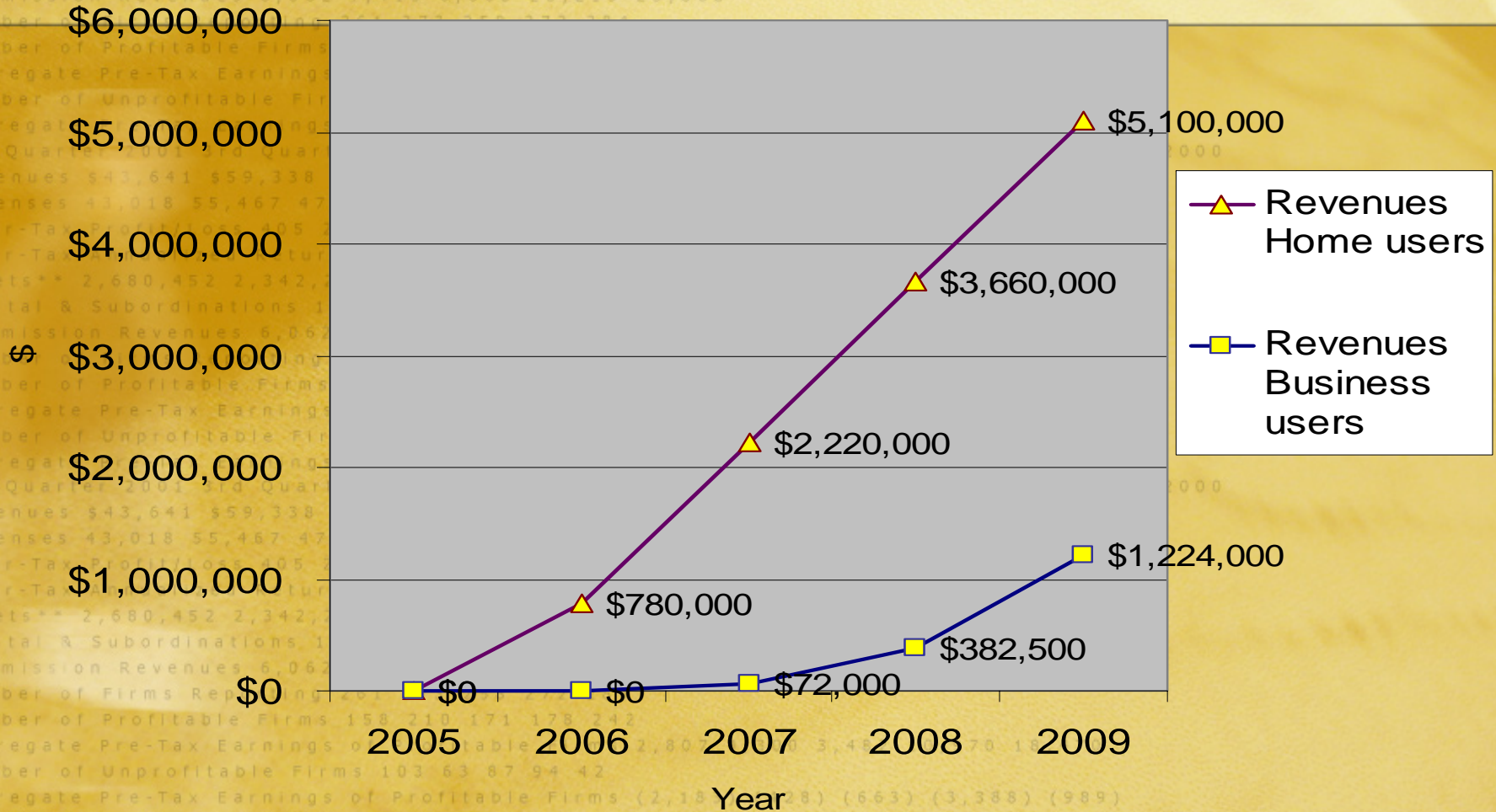
Goals

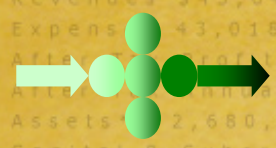
- Reaching annual revenues of at least \$5 million in year 5
- Recouping investor funds through a public offering after year 5

The expected number of customers (Buisnesses & ISPs)



Revenues increasing rate





Pro Forma Balance Sheet of 5 dot company as of December 31

	Dollars					Vertical Analysis in percentage					Horizontal Analysis in percentage			
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	05-06	06-07	07-08	08-09
Assets														
Current Assets														
Cash	\$717,890	\$280,355	\$734,295	\$2,253,168	\$5,007,317	96%	50%	59%	77%	85%	-156%	62%	67%	55%
Accounts Receivable	\$0	\$114,800	\$243,390	\$392,735	\$592,088	0%	21%	20%	13%	10%	100%	53%	38%	34%
Inventory	\$0	\$0	\$0	\$0	\$0	0%	0%	0%	0%	0%				
Total Current Assets	\$717,890	\$395,155	\$977,685	\$2,645,903	\$5,599,405						-82%	60%	63%	53%
Fixed Assets														
Property, Plant, and Equipment	\$37,500	\$199,500	\$361,500	\$457,500	\$553,500									
Accumulated depreciation	(6,150)	(38,850)	(103,950)	(188,250)	(291,750)									
Total Fixed Assets	\$31,350	\$160,650	\$257,550	\$269,250	\$261,750	4%	29%	21%	9%	4%	80%	38%	4%	-3%
Total Assets	\$749,240	\$555,805	\$1,235,235	\$2,915,153	\$5,861,155	100%	100%	100%	100%	100%	-35%	55%	58%	50%
Liabilities & Owners' Equity														
Current Liabilities														
Accounts Payable	\$3,500	\$3,675	\$3,859	\$4,052	\$4,254	1%	1%	0%	0%	0%	5%	5%	5%	5%
Total Liabilities	\$3,500	\$3,675	\$3,859	\$4,052	\$4,254						5%	5%	5%	5%
Owners' Equity														
Venture funds	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	182%	281%	97%	37%	18%	0%	0%	0%	0%
Retained earnings	(\$454,260)	(\$647,870)	\$31,376	\$1,711,101	\$4,656,900	-83%	-182%	3%	63%	82%	30%	2165%	98%	63%
Total Liabilities and Owners' equity	\$749,240	\$555,805	\$1,235,235	\$2,915,153	\$5,861,155	136%	156%	119%	107%	104%	-35%	55%	58%	50%

Pro Forma Cash Flow statement of 5 dot company

	Dollars					Vertical Analysis in percentage					Horizontal Analysis in percentage			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	05-06	06-07	07-08	08-09
Operating activities														
Total Receipts	\$0	\$665,200	\$2,163,410	\$3,893,155	\$6,124,647						100%	69%	44%	36%
Total payment	\$444,610	\$877,733	\$1,069,030	\$1,158,466	\$1,310,632						49%	18%	8%	12%
Deferred income taxes	\$0	\$63,002	\$478,440	\$1,119,817	\$1,963,866						100%	87%	57%	43%
Net cash flow from operat'g act'y	(\$444,610)	(\$275,535)	\$615,940	\$1,614,873	\$2,850,149						-61%	145%	62%	43%
Investment activities														
Capital investment	\$37,500	\$162,000	\$162,000	\$96,000	\$96,000						77%	0%	-69%	0%
Financial activities														
Venture funds	\$1,000,000	\$0	\$0	\$0	\$0									
Start-up capital	\$200,000	\$0	\$0	\$0	\$0									
Net cash flow	\$717,890	\$280,355	\$734,295	\$2,253,168	\$5,007,317						-156%	62%	67%	55%

Financial summary

Financial ratios

Net worth

Year 1	Year 2	Year 3	Year 4	Year 5
\$745,740	\$552,130	\$1,231,376	\$2,911,101	\$5,856,900

Debt Management Analysis

Debt Ratio

0.0046714	0.00661203	0.0031239	0.00138987	0.00072584
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Liquidity Analysis

Current Ratio

205.11	107.53	253.37	653.04	1316.18
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Quick Ratio

205.11	107.53	253.37	653.04	1316.18
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Asset Management Analysis

Total Assets Turnover

0.00	1.40	1.86	1.39	1.08
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Profitability Analysis

Profit Margin on Sales

N/A	-16.74%	30.31%	41.55%	46.58%
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Return on Total Assets

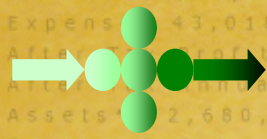
-47.26%	-20.82%	75.39%	78.75%	65.54%
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Break-even point

The end of the third year

NPV

\$1,989,852



Q & A

3rd Quarter 2001	3rd Quarter 2000	2nd Quarter 2001	Nine Months 2001	Nine Months 2000	
Revenues \$43,641	\$59,338	\$50,789	\$152,499	\$183,706*	
Expenses 43,018	55,467	47,979	144,918	166,224*	
After-Tax Profit/Loss 405	2,516	1,832	4,927	11,362*	
After-Tax Annualized Return on Capital	1.1%	7.3%	5.0%	4.5%	11.4%
Assets** 2,680,452	2,342,225	2,562,618	2,680,452*	2,342,225	
Capital & Subordinations	150,319*	139,721	146,179	150,319*	139,721
Commission Revenues	6,062	7,415	6,668	20,215	25,868*
Number of Firms Reporting	261	273	258	272	284

Number of Profitable Firms	158	210	171	178	242
Aggregate Pre-Tax Earnings of Profitable Firms	2,807	4,300	3,482	10,970	18,470
Number of Unprofitable Firms	103	63	87	94	42
Aggregate Pre-Tax Earnings of Profitable Firms	(2,183)	(428)	(663)	(3,388)	(989)

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Capital & Subordinations	150,319*	139,721	146,179	150,319*	139,721

Customers' benefit (ISPs)

Expected potential size of language IM market (US market)

157,000,000 IM users (US data 2004)

5.0%

7,850,000 Language IM users

\$12 of revenue / user / year

\$94,200,000 Annually expected potential market of language IM users

7,850,000 Language IM users

3,140,000 Language IM users (40 % belongs to big three ISPs)

4,710,000 Language IM users excluding cus from Yahoo, AOL, and MSN

\$56,520,000 Annually expected potential market of language IM users

4,710,000 Language IM users belonging to Small and Medium ISPs

divided by 1,000 Small and Medium ISPs

4,710 Avg # of potential IM users subscribing to S&M-ISPs

Invest OR \$5,000 per month

Invest \$60,000 per year

Break-even if charge @ \$13 per subscriber per year

Profit 20% @ \$72,000 of revenue

Profit 20% @ \$15 per subscriber per year