

# Advertising Agency Business Plan

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# *1.0 Non-disclosure Agreement*

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## *2.0 Executive Summary*

Buying and creating advertising in any media is a time-intensive process reflecting hours of transactions between buyers, sellers, and creative agents. For example, if a buyer wants to advertise in the radio media, he targets a few radio stations with desired listener demographics, discusses contract options with a radio account executive, bids on an ad schedule, negotiates a price, creates ad copy, approves the final ad, and pays for the service. For a skilled buyer, this entire transaction can take up to 3 weeks to complete. For a local deli or sporting goods shop with little or no demographic information, small purchasing power, and less familiarity with radio advertising, this transaction process can take more than 3 weeks and cost the small business more money per ad than large ad agencies. For the seller, in this case the radio stations, the transactions' costs of dealing with such small customers can prove to be cost ineffective. BlueIsland.com is an Internet advertising infomediary ("adfomediary") that provides a one stop shop for demographic information, ad rates, ad campaign schedule planning, ad buys, and creative development, reducing transaction time and costs for buyers and sellers of advertising spots.

### **2.1 The Company**

BlueIsland.com, Inc. ("the company") is a "C" corporation located in San Francisco, California. The company is located on the Internet at [www.BlueIsland.com](http://www.BlueIsland.com) and is the first adfomediary dedicated to the needs of small businesses.

### **2.2 Products & Services**

BlueIsland's featured product will be a user-friendly Internet website that provides free and fee-based services to meet the needs of its customers—advertising buyers and sellers. BlueIsland's first product line will be dedicated to reaching the highly fragmented buyers and sellers of advertising space in the radio-advertising sector. Qualified buyers and sellers are invited to join BlueIsland.com's community as members. Membership is free and provides users access to valuable customized services. Selling members receive opportunity to list ads and gain access to the buying community. Buyers receive access to up-to-the-minute aggregated, radio market information, ad campaign planning tools, creative services, ad space, buying discounts, monitoring services, and account management.

BlueIsland.com's information-rich services reduce a buyer's time while enabling the development of a cost-effective advertising strategy. In addition BlueIsland.com buyers receive unique buying discounts, usually reserved for major ad agencies and companies, and an opportunity to participate in discounted "over-capacity" ads.

BlueIsland.com serves as a third sales channel for radio stations, complementing their national and local sales efforts. Unlike traditional sales methods, the Internet offers radio stations access to a national market and 24-hour selling power. BlueIsland.com provides radio station members with a listing and brokerage service, access to customers, free marketing, and

monthly value reports. These monthly BlueIsland.com value reports will include buyer profiles, competitive analysis, market analysis, and savings calculated.

## 2.3 Market & Opportunity

BlueIsland.com represents the intersection of two growing U.S. markets: advertising and business-to-business electronic commerce. The advertising industry represents a \$190 billion industry and is expected to grow at 5.7 percent compound annual growth. The radio advertising market is a \$17.7 billion sector represented by more than 12,275 radio stations in 268 major markets. Approximately 75 percent of radio advertising is purchased at the local level.

Although there has been consolidation in the radio industry since the Telecommunication Act of 1996, the industry is still highly fragmented and growing at an 8.5 percent annual rate. In addition, radio stations have generally been slow to adopt Internet strategies.

Business-to-business e-commerce revenues for 1998 were \$17 billion and are projected to grow to \$1.7 trillion by 2003. It is projected that by the year 2002 almost one third of all business-to-business transactions will be performed via e-commerce (1998).

### Customers

As an intermediary agent BlueIsland.com has two primary customers: radio stations and small business advertisers. BlueIsland.com will target the top 4,000 radio stations, which represent 80 percent of the industry revenues. BlueIsland.com will target small, high-growth businesses as its primary market. In the U.S., there are currently 24 million small businesses with approximately 885,000 new firms each year. These businesses represent 47 percent of all sales in the U.S. According to research, approximately 41 percent of small businesses are online and one in three conducts business transactions on the Internet. Each of these firms represents an average of \$3.79 million in annual revenues, significantly more than the \$2.72 million average.

### Competitors

AllMedia.com and AdDeals.com are websites that have launched within the last 18 months that connect buyers and sellers of radio advertising space. However, BlueIsland.com is the only website with customized services and a pricing model to meet the needs of small businesses. In so doing, BlueIsland.com will expand the current advertising market.

## 2.4 Marketing Strategy

BlueIsland.com's marketing efforts are centered on strategic partnerships, an educational advertising and public relations campaign, and a regional sales force. BlueIsland.com will forge a strategic partnership with the Radio Advertising Bureau, the national association that represents 4,300 radio stations and 80 percent of U.S. radio advertising revenues. BlueIsland.com will forge an alliance with the U.S. Chamber of Commerce, the world's largest business federation, representing nearly 3 million companies, 96 percent of which are small businesses.

BlueIsland's marketing campaign will focus on driving volume to the website and converting visitors to buyers.

## 2.5 The Start-up Plan

BlueIsland.com will follow a three-phase start-up plan. During the first phase, the BlueIsland.com team will create a demonstration site, refine product and services mix, and alpha test among focus groups of buyers and sellers. During the second phase, BlueIsland.com hopes to raise the required venture funding of \$2 million to launch the site. The funds will be used to finalize the development of an integrated website, negotiate strategic alliances and radio station partnership agreements, launch a marketing and sales plan, and launch the website in San Francisco, California. To meet the objectives of the first two phases, BlueIsland.com will incrementally hire 16 additional staff and outsource the initial development of the website. The third phase will include a launch in 10 cities, including: San Francisco, Atlanta, Washington, Seattle, Minneapolis, Boston, New York, Chicago, and Miami.

## 2.6 Management

BlueIsland's management team has extensive experience in the marketing, Internet, and high-tech sectors. LeeAnn Masters, Chief Executive Officer, has seven years of professional experience in the field of marketing for small businesses and national clients in the telecommunication, real estate, multimedia, and education industries. Ali Manon, Chief Operating Officer, has five years of experience in the high-tech industry in the areas of Internet strategy, program management, software design, and development. Wayne Stewart, Chief Technology Officer, has three years' experience as a software developer and technology consultant. He has experience launching a successful technology consulting partnership dedicated to serving the needs of small businesses in San Francisco, California. He is currently pursuing his M.B.A. at the University of California at Berkeley, concentrating in information management and entrepreneurship. BlueIsland.com's team of consultants are experts in the small business, radio, advertising, high-tech, and Internet start-up fields.

## 2.7 Financial Overview

BlueIsland's five-year financials are displayed in the following table (see the Appendix for additional information). BlueIsland.com derives its primary revenue from the following sources:

- Transaction fees for brokering the sale of radio advertising spots. This is the primary revenue stream and the fee collected will be 5 percent of each transaction.
- Fees for value-added market research information provided to buyers.
- Advertisements and paid promotions.

Because of the high investment needs in year 1 and year 2, the company does not achieve profitability until year 3. By year 5 revenues will grow to \$26.9 million with net income of \$8.6 million. The company is seeking \$2 million in first-round financing with a ROI for investors

to be 70 percent.

### Financial Summary and Operating Statistics

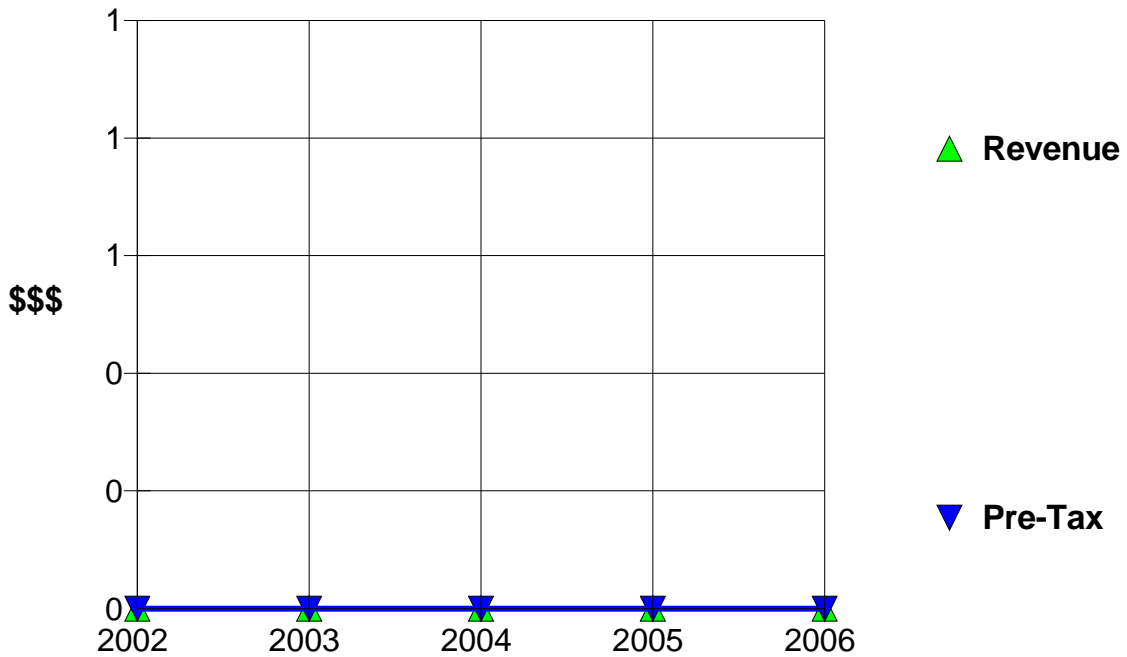
<b>Key Operating Statistics</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Employees	27	57	78	86	98
<b>Financial Statistics</b>					
Revenue	53,700	2,625,000	12,770,000	19,200,000	26,900,000
Expenses	4,130,597	8,029,597	9,584,866	11,685,887	13,213,244
Net Income	(4,076,897)	(5,404,597)	2,070,337	4,884,174	8,896,391

## 2.8 Milestones

Task	Resp.	Start	End	Cost
First Milestone		1/1/2000	12/31/2000	\$0
Totals		1/1/2000	12/31/2000	\$0

## 2.9 Revenue/Income per Employee

Revenue & Pre-Tax Income per Employee



## *3.0 Products & Services*

### **3.1 Overview of Product**

BlueIsland's featured product will be an Internet website dedicated to being a "one-stop" advertising exchange for buyers and sellers of advertising spots. BlueIsland.com's provides a way for buyers and sellers to make more efficient decisions, thereby reducing transaction costs. BlueIsland's first stage rollout will be dedicated to reaching the highly fragmented buyers and sellers of advertising space in the \$17.7 billion radio sector.

### **3.2 Product Architecture**

BlueIsland.com will be an attractive, easy-to-use, and informative website designed to make each user's experience familiar and enjoyable. The site will be divided into two sections: buyers and sellers. The main page will showcase BlueIsland.com's value to customers, offer a news corner with articles and current events in the radio advertising industry, a demonstration site, a membership option, partner information, company information, and BlueIsland.com advertisers. The user will then have the opportunity to enter into their relevant area.

### **3.3 Membership**

To access free basic services, BlueIsland.com visitors will be invited to join as members and complete a brief membership form. If interested in becoming a qualified buyer or seller of advertising space, members will be asked to complete a brief financial information form and authorize governing terms and conditions. This process will enable BlueIsland.com to establish a direct deposit account with the buyers' or sellers' financial institution. In addition to basic services, buyers can obtain access to value-added products and services, like competitive analysis or ad monitoring, on a cost per transaction basis.

### **3.4 Radio Station Services & Benefits**

#### **Services**

The seller portion of the website will contain information particular to the needs and interests of radio stations. Those who have registered their station with BlueIsland.com will be presented with a customized home page with information particular to their individual station. They will have the ability to select from the following options:

**Radio Station Data** - The radio sales manager will edit and update the stations' descriptive information, including advertising space, times, radio promotions, advertising rates, and discount packages.

**Online Sales Calendar** - This service will allow radio sales agents to update the availability of spots for sale through BlueIsland.com. Once a spot is sold through BlueIsland.com, it will be immediately removed from the market. This will provide a real-time snapshot of available spots for sales agents. A station will also be able to view the schedule of sold spots by parameters like times, industry, and buyer demographics.

**Promote Special Offerings** - This option provides radio stations the ability to send special promotional offerings to target BlueIsland.com customers. These could include discounted sales of unsold spots or other promotional packages. The sales manager will be able to target these ads to particular individual clients that have purchased in the past or to customers who fit a certain profile or to all BlueIsland buyers. Those requesting mass broadcast will require the approval of BlueIsland staff before transmission.

**Reporting** - BlueIsland will provide the radio stations the opportunity to obtain a wealth of information about their customers and their purchasing habits. For example, a sales manager will be able to obtain demographic and purchasing data about the types of companies purchasing their ads. BlueIsland will also provide reports on numbers of "matches" their station's profile met, the frequency of purchases resulting through BlueIsland, and other information about their clients and competition.

## Benefits

Radio stations will enjoy significant advantages by accessing a third online sales channel, including: sales cost savings, access to new customers, free marketing, customer research and real-time radio buying trends.

**Cost Savings:** BlueIsland.com will also enable radio sales managers to reduce their cost of sales and administrative costs, which currently represents 28 percent of sales. Typically, a radio station has a small sales staff to field calls from potential customers, answer questions about demographic profiles the station reaches, create various potential rate plans, and many other additional administrative duties. By listing this information with BlueIsland.com, they will not have to constantly field requests that can usually be answered on their information section of the website. Typically, the sales staff is engaged in a constant relay of faxing and phone calls in order to secure a single sale, causing the cost of customer acquisition to be unnecessarily high. A common problem is a sales manager's ability to screen out good leads from possible "information hunters."

**Valuable Customer Data & Analysis:** BlueIsland.com allows stations to gather better information about their specific and potential customers. Since all buyers utilizing the system will register with their business specific information, radio stations can better understand their customers' and non-customers' needs and buying habits. As a result, the radio station can respond quickly to opportunities and threats. This information, which is currently not systematically collected, will prove valuable market data for the radio station's competitive marketplace.

**New Market Opportunities:** Radio stations will be able to quickly react to market

demands by changing their prices, offering promotional packages, and offering discounts for unsold ad space. Radio stations can trace purchase histories of their past clients and promote appropriate promotional packages to a much more targeted market. Due to the timeliness required of this disposable commodity, this savings in efficiency could ensure a station from losing revenues from unsold space. In addition, the 24-hour availability and borderless reach of the Internet will enable radio stations to access a much wider range of customers than ever before. Also, because BlueIsland.com's search function provides buyers with stations that meet the customer's needs, BlueIsland.com is helping to drive new buyers to the radio stations.

**Free Marketing:** Finally, BlueIsland.com will promote the radio advertising industry through a nationwide educational advertising campaign. Participating radio stations listed on the website will benefit from BlueIsland.com's promotion and capital investment.

## 3.5 Buyer Services & Benefits

### Services

Buyers will be presented with a user interface that is customized to meet their needs. Buyers will also enjoy the following services and benefits:

**Research Stations** - Buyers can conduct research using the BlueIsland radio station database. Buyers can search by several criteria including station demographics, price (average cost per spot), specific region or city, listener reach, music format, and other criteria important in making purchasing decisions. The search will result in a listing of all station matching the criteria and the customer will be able to select stations they wish to continue using for further research. In addition, buyers will be able to select "value-added" research like competitive analysis (What is my competitor doing?) and niche customer segments (Help me reach the online customer).

**Plan Campaign** - Buyers will begin to plan their media campaign, selecting specific radio stations, availability, cost data, and discounts as parameters. A buyer can create a variety of different customized ad campaigns or select one of BlueIsland.com's prepackaged options. Ultimately, a buyer can save this campaign to buy later or they can execute a "buy." If a buyer decides to buy, they enter into the buy phase of the service.

**Buy Media** - This option gives the media buyer a fully functioning transaction center to actually purchase ad spots. After selecting the options, a buyer can proceed to "check out" or close the deal. To complete a transaction, the media buyer must have verified financial information linked to their membership. Once a purchase is made, the buyer's account will be debited for the amount of purchase and will receive an invoice and confirmation number. The spots purchased will also be immediately removed from sale on the exchange. An e-mail notification will then be generated and transmitted to both the buyer and seller, confirming the transaction.

**Create My Spot®** - A buyer will be provided the option to build their ad online. Specific packages and prices will be offered as alternatives to using traditional production houses. A variety of example voices will be available for a user to choose from to build their ad. After submitting the copy of the ad text, BlueIsland will create a selection of three digital ads for the buyer and make it available for review online. A buyer can select from the ad online and submit it to BlueIsland.com for final delivery to the radio station.

**Client History** - The buyer will have the opportunity to track past schedules and purchases made with BlueIsland.com. A ROI calculator will provide the ability to observe actual benefits of advertising on the radio and include estimates of cost savings achieved by using BlueIsland.com's service.

**Monitor My Ads®** - This value-added service enables buyers to monitor whether a radio station actually executes the correct ad "on the air." This is a valuable service among the small business market and is currently not offered by a traditional advertising agency.

## Benefits

BlueIsland.com provides buyers tremendous advantages over the conventional methods of procuring ad space. The most substantial of these benefits has to be the efficiency and time saved in the process.

**Increase Advertising Cost-Effectiveness:** Through BlueIsland's search engine, a potential buyer will be able to better screen and target those stations that enable them to reach their market. This will increase the cost-effectiveness of advertising expenditures.

**Convenience:** A buyer will be able to search all radio station information including demographics, reach, and pricing at the click of a mouse. Typically, a business seeking to find information about particular radio stations would have to call every station they have an interest in purchasing space from. Through BlueIsland.com, they will not have to contact every station or purchase a costly database to evaluate the demographic profile, reach, and pricing structure of radio stations. All of this information will be provided in a convenient easy-to-use place. This will greatly reduce the amount of faxing and phone calls necessary to make a purchasing decision. In addition, BlueIsland.com serves as an account manager and repeat buyers can access their client history to simply repeat the past purchases for a future campaign.

**Discounts & Buying Power:** BlueIsland.com aggregates the buying power of small businesses and provides an automatic 10 percent discount below market rates, a benefit reserved primarily for major companies. Potential buyers will receive notification of ad sales and other promotions the radio stations are offering. This will enable customers with smaller advertising budgets to take advantage of opportunities to advertise at discounted rates.

**Independent Information:** BlueIsland.com also allows those new to this medium of

advertising to learn more about the potential of radio. Many of the businesses that may want to advertise on the radio are simply not educated in the language or process of actually securing ad space. BlueIsland will allow a new potential customer the ability to educate themselves, screen potential markets, get costing estimates, and become more informed in general about the powerful nature of radio advertising.

### **3.6 Expansion Opportunities**

BlueIsland.com will be able to expand its operations in the following ways:

- Targeting new customer markets

- Selling other advertising media, such as TV, print, Internet, and billboards

- Transmission of final ad spots to and from buyers and sellers

- Joint ventures with small business software packages such as QuickBooks to further integrate the back end process of the buyers and sellers

# ***4.0 Market Analysis***

## **4.1 Market**

BlueIsland.com's market intersects two industries: the \$17 billion business-to-business electronic commerce industry and the \$190 billion advertising industry. Although BlueIsland.com's vision is to become the small business hub for online advertising buying and selling, BlueIsland.com will initially just represent the transactions of the \$17 billion radio industry. The competitive space we have defined for BlueIsland.com overlaps that of one direct competitor, AllMedia.com, and a number of indirect competitor groups. Our markets, customers, and competitors are further defined below.

## **4.2 Business-to-Business E-Commerce Market**

Business-to-business e-commerce revenues for 1998 were \$17 billion and are projected to grow to \$1.7 trillion in 2003. It is projected that by the year 2002 almost one-third of all business-to-business transactions will be performed via e-commerce (1998). In 1998, 41 percent of small businesses used the Internet; this was double the use in 1996. According to a survey conducted by IBM and the U.S. Chamber of Commerce, 63 percent of small businesses (less than 100 employees) use the Internet for research, 37 percent use the Internet for online ordering, 30 percent use it for promotion/advertising, and 9 percent pay suppliers. Small businesses have been slow adopters in the e-commerce industry.

## **4.3 Radio Industry Analysis**

### **Radio Stations**

The radio industry includes 12,275 radio stations in more than 238 major markets. Although there has been consolidation since the Telecommunications Act of 1996, the radio industry is still highly fragmented and managed by many small mom-and-pop operations. Radio stations derive 75-100 percent of their revenues from advertising. In 1999, the U.S. radio advertising market represents a \$17.7 billion industry with expected 8.5 percent continued annual growth. This growth had been fueled by radio industry marketing campaigns, the growth of the Internet, and the use of radio as a primary communication medium to drive consumers to the web.

### **Radio & Technology**

Radio stations have been slow to adopt the use of the Internet as a broadcast, advertising, or e-commerce medium. Realizing the lack of development of an Internet strategy among radio stations, CEO Gary Fries called on radio stations to be "E-Born" at the September 9, 1999 Annual Radio Advertising Bureau (RAB) conference. However, even Mr. Fries, like many radio station managers, is not seizing the power of the Internet as a channel to automate traditional sales and expand the market reach and size.

## **Radio Advertising Process**

Approximately 75 percent of radio advertising is purchased at the local level. Buyers of radio advertising space include national advertising agencies, local advertising agencies, businesses, and media brokers (representative firms). Most radio stations have their own personnel to manage sales within their respective markets. However, national media representatives or "rep firms" are contracted to sell to national clients. There are currently two major radio "rep firms," Ray Communications and Anderson Radio Store.

Radio advertising can be purchased on a national network and individual local market spot basis either directly or through advertising agencies. Spot radio programming formats vary widely from market to market, from talk shows to music. Prices also vary depending on the size of the market, from \$601 cost per thousand in New York City to \$58 in San Francisco, California.

## **Radio Listeners**

In 1996, 99 percent of all households owned a radio. Ninety-five percent of all adults not only listen to radio each week, they listen for more than 3 1/4 hours per day. One third of people surveyed indicate they listen to radio at work. Radio reaches over 80 percent of professionals and managers each day. Radio is also one of the only mediums that can reach the increasingly mobile American at home, from their commute to and from work, as well as throughout the day at the office.

## **4.4 Radio Listeners: Research**

### **Consolidation**

The 15 largest radio broadcasters, which own about 11 percent of all U.S. stations, accounted for about 42 percent of all industry advertising revenues in 1997, up from six percent of stations and 34 percent of revenues in 1996. With the relaxation of federal station ownership regulation, a radio station operator can own as many as eight stations in one market, but no more than five of one kind (AM or FM). The ensuing consolidation has allowed for the centralization of back office functions such as sales, billing, and marketing, and investment in new product and sales efforts. The concentration of ownership across markets appeals to advertisers who can make one station "block" ad buy then negotiate on a station-by-station basis. This one-stop shopping concept boosts the attractiveness of radio as an advertising medium, no matter whether the advertiser is a local merchant or national advertiser.

## 4.5 Advertising Agencies

In 1998, there were approximately 30,000 advertising agencies in the United States, representing \$21.9 billion in annual revenues. A majority of these firms are headquartered in major cities such as New York, Chicago, and Los Angeles. Although traditionally dominated by large, public corporations, most advertising agencies average only 11 employees. Advertising agencies vary greatly in size and scope. Smaller agency personnel are responsible for a variety of tasks, while those in larger agencies find their job duties to be more defined.

Advertising agencies are responsible for two main functions: the production of advertising materials (writing copy, graphics, audio, video, art) and strategic placements of the finished product in various media outlets (periodicals, newspapers, radio, television). The activities of ad agencies are divided into four broad groups: account management, the creative department, media buying, and research. Agencies generally receive compensation for production costs from the client, plus a standard 15 percent commission from the media source for the ad placement. However, this pricing structure is changing from a flat fee to a cost plus contract structure.

## 4.6 Target Market

BlueIsland.com is targeting radio stations and small businesses (below 500 employees) as the primary selling and buyer markets.

### 1. Radio Stations

The 12,375 radio stations in the U.S. are BlueIsland.com's critical customers. BlueIsland.com will create a strategic alliance with Radio Advertising Bureau to reach their 4,800 members, which represent 80 percent of annual advertising revenues.

### 2. Small Businesses

BlueIsland.com will target a cross section of small business segments that represent 1.) Industries that advertise on the radio, 2.) High-growth sectors, and 3.) Firms that are currently on the Internet. The top 10 industries that purchase radio include: retail, business and consumer service, automotive, entertainment, media, food, travel, hotel, real estate, computer, and snack sectors. Because the decision-making tools that support radio advertising purchases are currently costly, time consuming, and require familiarity with radio, BlueIsland.com's services will provide the most value to the buyers who are time, money, and data impoverished and are in a growth phase. High-growth small business sectors include high-tech and computer retail, new businesses, and the consumer service industry. Internet companies represent a niche within this sector and on average ".com" companies spend 60 percent of their advertising budget on radio. According to a study by Visa of 350 small businesses, 34 percent of small businesses are early technology adopters and represent those potential online customers. The profile of the owners of these businesses are typically 30-49 years old, and male. BlueIsland.com will

seek owners meeting this profile.

## 4.7 Competitor Analysis

BlueIsland.com has defined a unique competitive space as the high-service, low-cost provider of advertising and advertising services for small businesses. However, the market is not devoid of competitors. Our key direct competitor includes radio advertising sales websites.

BlueIsland.com also has identified indirect competitors: traditional radio sales people, media representative firms, advertising agencies, market research firms, and other advertising sales websites.

### 1. Direct Competitors

**Radio Advertising Sales Websites** - As of October 29, 1999, the major national online resellers included: AllMedia.com and AdDeals.com. AllMedia.com caters to the needs of 2,500 media buyers representing major clients and advertising agencies and sells premium television and radio advertising space. AllMedia uses an Internet and fax-based purchase system and operates on an auction-negotiation model. AllMedia does not offer discounts or comprehensive advertising tools.

AdDeals.com sells leftover advertising space in a number of mediums including: billboards, television, and radio. AdDeals does not offer discounts or comprehensive campaign planning tools and targets high-end media buyers.

### 2. Indirect Competitors

**Traditional Radio Sales** - Although the partnership of BlueIsland.com with radio stations is critical to the success, the continued traditional radio sales channels (local and representative firms) represent a competitive threat to BlueIsland.com. However, BlueIsland.com will position itself as the low-cost, convenient, high customer service center for small business.

**Advertising Agencies** - Advertising agencies, primarily small ad agencies, will compete with BlueIsland.com for customers. Although many small business ad agencies do not target a national market, they do offer highly customized services for their clients at the national level. BlueIsland.com will replace much of the outsourced services for a fraction of the price.

**Market Research Firms** - Market research firms that provide market research data to high-end media buyers will be threatened by our ability to aggregate data across the country and provide it to customers in the format that meets their campaign planning needs on an "as needed basis." There are a number of market research firms that service the radio industry including: ASDM, Telmar, Arbitron, and LNA Market Research.

**Advertising Websites Selling Other Media** - A number of websites offer services for

the Internet, television, billboard, and outside advertising. Although not direct competitors, these sites are substitutes for radio advertising and do compete for ad dollars. However, most of these websites do not target small businesses, but rather fairly sophisticated or high-dollar customers.

## 4.8 Meeting Customer Needs

Small business owners and small advertising agencies have needs that BlueIsland.com will meet better than our direct or indirect competitors:

1. **Information** - Our customers need information on advertising buying decisions, ratings, customer/radio station demographics, reach, costs per rating, trends and ad space prices. BlueIsland.com will provide users with access to a depth of information not found elsewhere on the Internet or in other channels.

2. **Speed and Ease** - Our customers are using the Internet to increase the efficiency of their buying decisions and reduce transaction costs. BlueIsland.com will provide customers with a friendly, easy-to-use interface that delivers advertising package options to meet the needs of the client.

3. **Radio Ad Space Selection** - BlueIsland.com will forge partnerships to secure premium and discount advertising space from a majority of radio stations in the top 260 markets. In doing so, BlueIsland.com will provide the user with the best selection of spaces available for a discount.

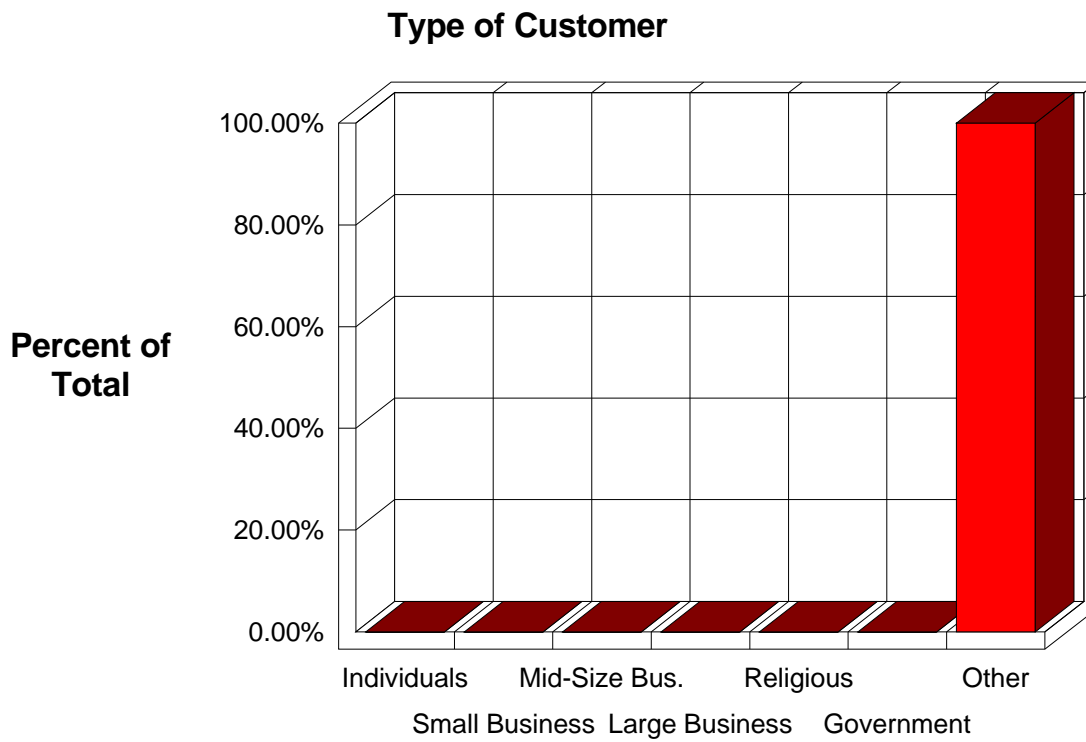
4. **Pricing Options** - BlueIsland.com realizes that the technique of negotiation used in traditional advertising purchasing deals may provide the buyer with a discounted rate on advertising. Because BlueIsland.com's mission is to reduce transaction costs by eliminating negotiations, BlueIsland.com will price all ad space at 10 percent below market rate, discounts for bulk purchases, and deep discounts for "over capacity space." This will provide more flexibility to the customer at a discount in one-fourth the time of traditional pricing negotiations.

5. **Community** - BlueIsland.com will bring together a community of small business owners and marketing directors with experienced advertising agency account managers to provide one-on-one consulting. In addition, small businesses can participate on the company's chat board and exchange questions and ideas with each other.

## 4.9 Customer Needs Fulfillment

Competitor Category	Information Services				Pricing Options	Convenience	Speed	Level of Community
	Radio	TV	Internet					
AllMedia.com	X	X		-	Negotiate	Medium	Medium	None
AdDeals.com	X	X	X	-	Auction - Discount	High	High	None
AdMaster.com			X	XXX	Fixed Price - Premium	High	High	Small
Advertising Agencies	X	X	X	XXX	Cost Plus – Premium	Medium	Medium	Small
Representative Firms	X	X		XX	Cost Plus – Premium	Medium	Medium	Small
Radio Station Direct Sales	X			X	Negotiate	Low	Low	None
Market Research Providers				XXX	Fixed Price – Bulk	Medium	Medium	Large
Bluesland.com	X			XXX	Fixed Price - Discount	High	High	Large

## 4.10 Description



# *5.0 Marketing Plan*

## **5.1 Marketing Objectives**

BlueIsland.com will position itself as the premier, discount, online advertising, and advertising services hub for small businesses. Using leading-edge web technology, BlueIsland.com will initially offer customized products and services exclusively in the radio advertising industry. As a new competitor in an attractive market, BlueIsland.com's primary marketing objective is securing exclusive radio station partnerships. The second marketing objective is revenue growth. The key drivers of revenue are the number of ad spaces listed, the number of visitors, the value of information, transaction value, and the conversion rate. Accordingly, BlueIsland.com will focus on attracting visitors, providing high-quality service, and converting visitors to buyers. Our marketing objective is to attract 3 million visitors, 88,000 transactions with an average transaction size of \$5,000, and capture 4 percent of the radio advertising market by year five.

## **5.2 Value Proposition**

The value propositions that BlueIsland.com will communicate to each of the customers within our target are outlined below. The goal is to attract first-time customers and provide them with enough value to convert them into repeat customers.

Radio stations seek access to customers at a low cost. BlueIsland.com delivers: An online radio brokerage service that enables stations to customize marketing efforts for each buyer, reach new customers, and package buying options at a fraction of the cost of traditional methods.

Small businesses seek easy, targeted, cost-effective advertising. BlueIsland.com delivers: A free and friendly website to manage market research, plan campaigns, buy ad space, obtain creative services, and monitor ads all in one place, in a fraction of the time and cost. It's the convenient way to buy radio advertising.

## **5.3 Strategic Partnership**

Strategic partnerships are fundamental in the world of Internet commerce. BlueIsland.com's strategic alliances will help increase brand equity, create barriers to entry, reduce marketing expenses, and reduce the time-to-market.

### **Radio Station Partnership Strategy**

A key to BlueIsland.com's success will be the strategic partnership forged with the Radio Advertising Bureau (RAB), the national association that represents 4,300 radio stations and 80 percent of U.S. radio advertising revenues. An BlueIsland.com partnership will provide RAB

with a number of benefits, including revenue sharing, an Advisory Board role, website design control, free national educational marketing campaign about the value of radio advertising, zero-cost investment in the technological advancement of the entire industry, free technical training to members, and an opportunity to open a third sales channel for RAB's radio station members. The RAB partnership will provide BlueIsland.com with access to a majority of the radio advertising industry revenues, create instant credibility, reduce BlueIsland.com's timeto-market, and create a competitive advantage. BlueIsland.com will receive access to RAB's industry contacts, membership, cross-marketing opportunities, and editorial content.

### **Radio Stations Direct**

BlueIsland.com will also target non-RAB member stations that represent mom-and-pop operations in the most wired cities in the top 250 radio markets nationwide. RAB will develop custom partnership and exclusivity agreements with each participating radio station. In addition, RAB will train salespeople and accounting personnel on the easy-to-use BlueIsland.com system.

### **Market Research Firm**

BlueIsland.com will forge a strategic partnership with ASDM, a provider of media and marketing information for the media industry. ASDM's new online database represents information on 9,400 radio stations, including demographic profiles, market information, formats, and price. This database is updated in real-time and costs \$467 per year, and \$210 per additional user in the same facility. BlueIsland.com will negotiate a partnership agreement including an up-front fee for use of the information with a cost per use beyond the fixed rate. ASDM's current customers are advertising agencies and major corporate marketing departments. This partnership will enable ASDM to access new small business customers efficiently and grow their market, at no additional investment or marketing cost.

### **U.S. Chamber of Commerce**

BlueIsland.com will forge an alliance with the U.S. Chamber of Commerce, the world's largest business federation, representing nearly three million companies, 96 percent of which are small businesses, and 3,000 local and state chambers. U.S. Chamber of Commerce aggregates the power of small businesses to fight for their interests and provide necessary products and services. Similarly, BlueIsland.com will enable the U.S. Chamber of Commerce to offer their members a discount for our services, while supporting a service that returns buying power to the small business. This partnership provides BlueIsland.com cooperative marketing opportunities (direct mail, website, and trade shows), access to the U.S. Chamber of Commerce membership list, and a competitive advantage.

## 5.4 Marketing & Sales Strategy

### Promotion

BlueIsland.com's strategy to attract website visitors is supported by a strong promotions effort that combines advertising and public relations strategies. The promotional efforts will focus on building brand and "buzz" around the BlueIsland.com name.

#### 1. Advertising: Creating Awareness & Use

**Radio:** To secure discounted or free radio ad space, BlueIsland.com will leverage its partnerships with radio stations, allocating \$100,000 for the initial launch in San Francisco. The radio advertising campaign will target major radio markets and wired cities and focus on educating the small business customer about the value of radio, radio listener demographics, and the value of BlueIsland.com.

**Internet:** In addition, BlueIsland.com will trade radio spots with Internet advertising agencies, such as AdMaster, to secure discounted Internet ad space on major small business and ad agency websites. BlueIsland.com will allocate \$50,000 for Internet ad purchases.

**Print:** BlueIsland.com will also advertise in national periodicals, which target small businesses, such as *Inc.* magazine. BlueIsland.com will allocate \$100,000 for the initial launch.

#### 2. Grassroots: Creating the Buzz

BlueIsland.com will use its e-mail access to its membership to send promotional e-mails about discount ads that meet the customer's needs. BlueIsland.com will also encourage radio stations to offer discounts to targeted customers who have logged on with specific radio stations. This brokering service will create demand for airtime and a partnership between BlueIsland.com and their buyers and sellers.

BlueIsland.com will also establish alliance partnerships or "hot links" on other small business websites, providing a stream of revenue for the host for every customer generated by that link.

**Mascot Tour:** BlueIsland.com will create a brand mascot called "Tangerine" who will tour the country, talking about the "juice" on BlueIsland.com. Tangerine will visit partnering radio station's morning talk shows, attend trade shows, and participate in parades. Tangerine will write editorial content on the website for his location, and provide a diary of his travels around the country. BlueIsland.com's public relations strategy will focus on a "Tangerine Madness" national tour. Tangerine will visit high-growth start-up companies around the country to articulate the benefit of radio.

**Trade Shows:** BlueIsland.com will attend national and regional small business tradeshows around the country to demonstrate the website and promote the BlueIsland.com name and brand.

**Charity:** BlueIsland.com will donate pre-tax profits, time, and ad space to nonprofit charitable organizations addressing issues of electronic literacy, community development investment, and global climate change. BlueIsland.com will launch a GIFTAD campaign, which provides one free ad space to a charity of their choice for every 100 visitors. Visitors will be able to select from a list of potential recipients. BlueIsland.com will enable visitors to send an e-mail about this campaign to friends and family. Tangerine will also participate in charity events that reflect the recipient organization.

### 3. Sales: Creating Conversion

While also helping to attract visitors, the main thrust of BlueIsland.com's promotion effort will be on converting visitors. After reviewing other e-commerce models, BlueIsland.com will initially use a traditional sales staff to make sales calls directly on businesses and provide a free technical demonstration of BlueIsland.com. These sales forces will be deployed regionally. Since the highly fragmented small business buyers are not early Internet adopters of technology, we believe this is the easiest way to build visitors, customers, and loyalty.

BlueIsland.com will use a pull strategy, by issuing a weekly e-mail newsletter for its members showcasing the buying discounts, and "fire sales" available that week. In addition, BlueIsland.com will feature businesses that have saved money through BlueIsland.com, new advertising techniques, and radio wisdom.

In addition to discounts, BlueIsland.com will establish partnerships and links with other websites. In addition BlueIsland.com will list its web advertising for sale on AdMaster. This will be a source of revenues for BlueIsland.com and an opportunity to advertise to its target market.

To motivate visitor purchases, BlueIsland.com will use 25 percent of the promotion budget on discounts, special price packs, and other tactics that will reduce the cost to the consumer and increase conversion rates. BlueIsland.com has forecasted discounts to total 5 percent of sales.

## 5.5 Pricing

BlueIsland.com's pricing strategy will be consistent with the overall objective to attract visitors. Products are priced to meet the perceived value of what they represent to the target customer. The two products for purchase on BlueIsland.com are: 1.) Value-added market research data, and 2.) Radio advertising space. Pricing of these products is reflected in membership fees and transaction fees.

**Membership Fees:**

Buyers and sellers are required to join as Tangerine members to gain access to BlueIsland.com's basic market research information, planning tools, and buying tools. To drive traffic and encourage use, membership is free to both buyers and sellers. However, to execute a trade, buyers and sellers must "pre-qualify" by completing a brief financial membership and terms and conditions form.

**Advertising Space Prices:**

Using BlueIsland.com's status as an ad agency, BlueIsland.com will receive 15 percent discount on ad space. BlueIsland.com will then list the premium advertising space for a 10 percent discount. This price will only be available on BlueIsland.com's site (not traditional suppliers), and will be competitive with listings on any other websites. BlueIsland.com will also negotiate volume-buying discounts to automatically apply to a buyer's planning schedule.

BlueIsland.com will also offer discounted advertising space through electronic "fire sales" of leftover ad space. This advertising space will be priced by the radio station and will reflect an 11-75 percent discount on regular ad space. This space will be competitive with other online providers and will be sold on a first-come, first-serve basis.

**Information Transaction Fees:**

Within the research division, buyers will have access to extra market research data for an additional fee, which reflects a percentage of the price of the market research to BlueIsland.com. The information will be presented in a one-time transaction price of \$29.99 per transaction and the information requested will be saved in the buyer's profile for future use.

**Commission Fees:**

BlueIsland.com will collect a 5 percent commission from radio stations for the use of BlueIsland.com as a sales channel. This fee is transparent to the buyer and seller.

## *6.0 Operations Plan*

BlueIsland.com will follow a three-phase start-up plan outlined below:

### Phase One (Q1 2000)

- Create a demonstration website
- Refine product and services mix
- Secure seed funding
- Create proposal for strategic alliances
- Secure bids on website hosting and development work
- Alpha test prototype website on focus group buyer and sellers

### Phase Two (Q2-Q3 2000)

- Secure venture funding
- Hire Director of Finance and Director of Marketing
- Secure strategic alliances with RAB, independent radio stations, and market research firms
- Secure strategic alliance with U.S. Chamber of Commerce
- Outsource website development
- Secure advertising and public relations agency
- Further refine website, add national market research data
- Launch marketing plan in San Francisco as "pilot launch site"
- Beta test website in San Francisco market with all participating radio stations
- Hire 16 personnel in the website development, customer service, marketing, and sales arena

### Phase Three (Q4 2000)

- Go "live" with national website
- Launch national advertising and marketing campaign in top 10 major radio/wired city markets, including: San Francisco, Atlanta, Washington, Seattle, Minneapolis, Boston, New York, Chicago, and Miami
- Issue "value reports" for first month of operation to radio station partners

## *7.0 Management*

BlueIsland's management team has extensive experience in the marketing, Internet, and high-tech sectors. LeeAnn Masters, Chief Executive Officer, has eight years of professional experience in the field of marketing for clients in the telecommunication, real estate, multimedia, and education industries. Masters has launched grassroots marketing campaigns, managed national tradeshows, and negotiated half a million in advertising sponsorships. Ali Manon, Chief Operating Officer, has five years of experience in the high-tech industry in the areas of strategic planning, program management, software design, and development. Manon launched and managed a small household chemical manufacturing company in India for three years. In addition, Manon served as program manager for CNET News and as Internet marketing strategist at Delphi. Manon holds a master's in operations research from International University, India. Wayne Stewart, Chief Technology Officer, has three years' experience as a software developer and technology consultant. He has experience launching a successful technology consulting partnership dedicated to serving the needs of small businesses in San Francisco, California. He is currently pursuing his M.B.A. at the University of California at Berkeley, concentrating in information management and entrepreneurship.

BlueIsland.com has also worked with a team of expert consultants, which include: Stacy Williams (Media Buyer, formerly with GSD&M); John Singleton (Vice President, TateOakland Public Relations and Advertising Agency); Michael Rossi (Sales Consultant, CitySearch.com); Robert Monroe (Owner, Restaurant Holding Company); Dr. Tasmanian (Marketing Professor specializing in Marketing and the Digital Age, the University of California Graduate School of Business, UC GSB); Ernest Bolmer (Small Business Finance Professor, UC GSB); and Professor Jeb Jenkins (Entrepreneurship Professor UC GSB). BlueIsland.com is currently assembling a highly skilled board of advisors representing expertise in the radio industry, advertising, media buying, small business and Internet start-up industries.

## 7.1 Personnel Count

	2002	2003	2004	2005	2006
<b>Engineering/Development</b>					
Management					
Non-management					
<b>Production/Service Delivery</b>					
Management					
Non-management					
<b>Marketing</b>					
Management					
Non-management					
<b>Sales</b>					
Management					
Non-management					
<b>Customer Support</b>					
Management					
Non-management					
<b>General &amp; Administrative</b>					
Management					
Non-management					
<b>Other</b>					
Management					
Non-management					
<b>Total Personnel</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# 8.0 Financial Projections

## 8.1 Deal Structure

BlueIsland.com is seeking \$2 million in equity capital. In return for this investment, the investor will receive 11 percent of the outstanding common shares of BlueIsland.com.

The capital raised in this first round of equity financing will be used as follows:

<b>First-round Financing</b>	<b>\$2,000,000</b>
Development Cost	\$1,000,000
Marketing & Advertising	\$500,000
Salary Expense	\$200,000
Office space leasing and other expenses	\$300,000
<b>Total</b>	<b>\$2,000,000</b>

BlueIsland.com also intends to raise additional funds through second and third rounds of equity financing as follows:

<b>Oct 2000</b>	
Second-round Financing	\$4,000,000
<b>By end of 2nd quarter 2001</b>	
Third-round Financing	\$4,250,000

The capital raised through these two rounds will be used to provide the working capital requirements. The largest part of these will be the advertising and marketing expenses. The initial investors will be given the first option to take part in these subsequent rounds of financing.

## 8.2 Investor Return

BlueIsland.com will provide its investors a return on investment of 70 percent. The following table illustrates the calculation of the investor's returns:

<b>Investment Opportunity</b>	
Investment required	\$2,000,000
Equity Offered	11%
Industry Revenue Multiple	20
Year 5 Revenue	\$26,900,000
Terminal Value in 5 years with the liquidity discount of 50%	\$269,000,000

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Value of investment in Year 5	\$28,397,140
Return on Investment	70%

### 8.3 Risk Analysis

Although BlueIsland.com represents a great investment opportunity, there are inherent risks in the development of this online product, including:

- Website traffic is lower than expected
- Small business online commerce is lower than anticipated
- Competition appears overnight
- Demand for advertising space outstrips available advertising space for sale
- Unmet product development schedule
- Unable to secure strategic partnerships for the terms articulated and must purchase ad space and marketing lists direct

### 8.4 Exit Strategy

There are two primary means of an exit strategy for BlueIsland.com's investors:

**Initial Public Offering.** BlueIsland.com is forecasting an IPO approximately Q1 2003

**Merger or acquisition.** BlueIsland.com views this as the most viable harvest strategy for both the founders and the investors if the right opportunity presents itself. BlueIsland.com is an attractive acquisition for an Internet advertising website like AdMaster.com, a competitor such as AllMedia.com, or a potential player who would like access to our dedicated customers. A comparable company recently sold for \$198 million to an online advertising conglomerate

# 8.5 Year One Income/Expense

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>Revenue:</b>													
Product/Service sales													0
Maintenance													0
Consulting Services													0
Royalties													0
Interest													0
Other													0
Cust. Dep./Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total revenue</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenses:</b>													
<b>Cost of goods sold</b>													
Management Salaries													0
Non-management Salaries													0
Production Expenses													0
Other													0
<b>Gross margin</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Operating Expenses</b>													
Management Salaries													0
Non-management Salaries													0
Operating Expenses													0
Bad debt													0
Contributions													0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Payment Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Other													0
<b>Total Operating Expenses</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre-Tax (\$)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre-Tax (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fed. Tax Provision													0
Dividends													0
<b>Net Profit</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## 8.6 Year Two Income/Expense

	Q1	Q2	Q3	Q4	Total
<b>Revenue:</b>					
Product/service sales					0
Maintenance					0
Consulting Services					0
Royalties					0
Interest					0
Other					0
Cust. Dep./Sale of Assets	0	0	0	0	0
<b>Total revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Expenses:</b>					
<b>Cost of goods sold</b>					
Management Salaries					0
Non-management Salaries					0
Production Expenses					0
Other					0
<b>Gross margin</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Management Salaries					0
Non-management Salaries					0
Operating Expenses					0
Bad debt					0
Contributions					0
Depreciation	0	0	0	0	0
Loan Payment Interest	0	0	0	0	0
Other					0
<b>Total Operating Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Pre-Tax (\$)	\$0	\$0	\$0	\$0	\$0
Pre-Tax (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fed. Tax Provision					0
Dividends					0
<b>Net Profit</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 8.7 Five Year Income/Expense

	2002	2003	2004	2005	2006
<b>Revenue:</b>					
Product/service sales	0	0			
Maintenance	0	0			
Consulting Services	0	0			
Royalties	0	0			
Interest	0	0			
Other	0	0			
Cust. Dep./Sale of Assets	0	0	0	0	0
<b>Total revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Expenses:</b>					
<b>Cost of Goods Sold</b>					
Management Salaries	0	0			
Non-management Salaries	0	0			
Production Expenses	0	0			
Other	0	0			
<b>Gross margin</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Management Salaries	0	0			
Non-management Salaries	0	0			
Operating Expenses	0	0			
Bad debt	0	0			
Contributions	0	0			
Depreciation	0	0	0	0	0
Loan Payment Interest	0	0	0	0	0
Other	0	0			
<b>Total Operating Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Pre-Tax Income	\$0	\$0	\$0	\$0	\$0
Pre-Tax (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fedl Tax Provision	0	0	0	0	0
Dividends	0	0			
<b>Net Profit</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 8.8 Year One Cash Flow

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>Source of Funds</b>													
Beginning cash	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales/Svcs Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributed Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Available Cash</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Use of Funds</b>													
Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0
Other oper. expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Payments	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cash Out</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Cash Flow</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 8.9 Year Two Cash Flow

	Q1	Q2	Q3	Q4	Totals
<b>Source of Funds</b>					
Beginning cash	0	0	0	0	0
Sales/Svcs Income	0	0	0	0	0
Sale of Assets	0	0	0	0	0
Customer deposits	0	0	0	0	0
Loans	0	0	0	0	0
Contributed Capital	0	0	0	0	0
<b>Available Cash</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Use of Funds</b>					
Salaries	0	0	0	0	0
Other oper. expenses	0	0	0	0	0
Loan payments	0	0	0	0	0
Capital Expenditures	0	0	0	0	0
Dividends	0	0	0	0	0
Tax Payments	0	0	0	0	0
<b>Total Cash Out</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Cash Flow</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 8.10 Five Year Cash Flow

	2002	2003	2004	2005	2006
<b>Source of Funds</b>					
Beginning cash	0	0	0	0	0
Sales/Svcs Income	0	0	0	0	0
Sale of Assets	0	0	0	0	0
Customer deposits	0	0	0	0	0
Loans	0	0	0	0	0
Contributed Capital	0	0	0	0	0
<b>Available Cash</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Use of Funds</b>					
Salaries	0	0	0	0	0
Other oper. expenses	0	0	0	0	0
Loan payments	0	0	0	0	0
Capital Expenditures	0	0	0	0	0
Dividends	0	0	0	0	0
Tax Payments	0	0	0	0	0
<b>Total Cash Out</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Cash Flow</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 8.11 Balance Sheet

	2002	2003	2004	2005	2006
<b>Current Assets:</b>					
Cash	0	0	0	0	0
Accounts Receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Historical Other	0	0	0	0	0
<b>Total Current Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Fixed Assets:</b>					
Buildings & Equipment	0	0	0	0	0
Non-depreciable assets	0	0	0	0	0
Less Accum Deprec.	0	0	0	0	0
<b>Total Fixed Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Other Assets	0	0	0	0	0
<b>Total Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Current Liabilities:</b>					
Accounts Payable	0	0	0	0	0
Short Term Loans	0	0	0	0	0
Other short term liabilities	0	0	0	0	0
Historical Other	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Cust. Dep. Liability	0	0	0	0	0
Long-term Liabilities	0	0	0	0	0
<b>Total Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Stockholder's Equity:</b>					
Contributed Capital	0	0	0	0	0
Retained Earnings	0	0	0	0	0
<b>Total Stockholder's Equity</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Liabilities + Equity</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# 9.0 Financial Alternatives

## 9.1 Best Case

	% Chg	2002	2003	2004	2005	2006
<b>Revenue:</b>						
Product/service sales		0	0	0	0	0
Maintenance		0	0	0	0	0
Consulting Services		0	0	0	0	0
Royalties		0	0	0	0	0
Interest		0	0	0	0	0
Other		0	0	0	0	0
Cust. Dep./Sale of Assets		0	0	0	0	0
<b>Total revenue</b>		\$0	\$0	\$0	\$0	\$0
<b>Expenses:</b>						
<b>Cost of Goods Sold</b>						
Management Salaries		0	0	0	0	0
Non-management Salaries		0	0	0	0	0
Production Expenses		0	0	0	0	0
Other		0	0	0	0	0
<b>Gross margin</b>		\$0	\$0	\$0	\$0	\$0
Management Salaries		0	0	0	0	0
Non-management Salaries		0	0	0	0	0
Operating Expenses		0	0	0	0	0
Bad debt		0	0	0	0	0
Contributions		0	0	0	0	0
Depreciation	xxxxx	0	0	0	0	0
Loan Payment Interest	xxxxx	0	0	0	0	0
Dividends		0	0	0	0	0
Other		0	0	0	0	0
<b>Total Operating Expenses</b>		\$0	\$0	\$0	\$0	\$0
Pre-Tax Income		\$0	\$0	\$0	\$0	\$0
Pre-Tax (%)		0.00%	0.00%	0.00%	0.00%	0.00%
Fedl Tax Provision		0	0	0	0	0
<b>Net Profit</b>		\$0	\$0	\$0	\$0	\$0

## 9.2 Worst Case

	% Chg	2002	2003	2004	2005	2006
<b>Revenue:</b>						
Product/service sales		0	0	0	0	0
Maintenance		0	0	0	0	0
Consulting Services		0	0	0	0	0
Royalties		0	0	0	0	0
Interest		0	0	0	0	0
Other		0	0	0	0	0
Cust. Dep./Sale of Assets		0	0	0	0	0
<b>Total revenue</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Expenses:</b>						
<b>Cost of Goods Sold</b>						
Management Salaries		0	0	0	0	0
Non-management Salaries		0	0	0	0	0
Production Expenses		0	0	0	0	0
Other		0	0	0	0	0
<b>Gross margin</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Management Salaries		0	0	0	0	0
Non-management Salaries		0	0	0	0	0
Operating Expenses		0	0	0	0	0
Bad debt		0	0	0	0	0
Contributions		0	0	0	0	0
Depreciation	xxxxx	0	0	0	0	0
Loan Payment Interest	xxxxx	0	0	0	0	0
Dividends		0	0	0	0	0
Other		0	0	0	0	0
<b>Total Operating Expenses</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Pre-Tax Income		\$0	\$0	\$0	\$0	\$0
Pre-Tax (%)		0.00%	0.00%	0.00%	0.00%	0.00%
Fedl Tax Provision		0	0	0	0	0
<b>Net Profit</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# *10.0 Financial Addenda*

## **10.1 Assumptions**

### **Funding dates**

BlueIsland.com's financial plans are based upon the assumption that seed funding will occur approximately by the end of the second quarter 2000. Business activities prior to funding will include site concept demonstrations, initial strategic partner negotiations, and a limited sales campaign targeted to San Francisco radio stations, small businesses, and small advertising agencies. The financial projections will slip commensurate with funding dates beyond second quarter 2000.

### **Date for "live" site**

The expected "go live" in a beta test format in the San Francisco market will be in the third quarter of 2000. After an initial beta and marketing test, the national "go live" date will be fourth quarter 2000. At that period, the site will be operational for buyers and sellers.

### **BlueIsland.com employee growth plan**

The growth plan for BlueIsland.com takes into consideration:

- Outsource public relations and advertising
- Initial website development and hosting to reduce the time-to-market

Outsourcing allows us the ability for rapid growth and keeps us agile to respond to market and competitive changes. We will focus our employees on those things key to customer satisfaction. The roles for which employees will be hired include marketing, sales, customer service, business development, human resources, finance, and general administration.

### **Key hires in Q2 2000**

- Chief Executive Officer
- Director of Finance or Chief Financial Officer

### **BlueIsland.com Office locations**

BlueIsland.com will be headquartered in San Francisco, California, and all of its employees will reside in the San Francisco area.

## 10.2 Revenue Sources

Revenue Sources	Fee Details	Description
Commission fees	5% of the transaction	% of transaction fees for brokering the fees sale of radio advertising spots. Primary revenue stream.
Services fees	\$29.99 per usage	% of transaction fees for brokering the sale of radio advertising spots. Primary revenue stream.
Advertising	\$45 Cost per	% of transaction fees for brokering the Thousand (CPM) sale of radio advertising spots. Primary revenue stream.

## 10.3 Expenses

### Direct Website Costs

The direct costs of the site certainly grow larger as traffic on the BlueIsland.com site traffic increases, yet the costs do not grow in a linear fashion. The direct web-related expenses include the development of BlueIsland.com site, hosting, and technical support.

### External Development

Costs of external development include consultants, contractors, applications, and tools to develop and maintain the BlueIsland.com site. We plan to outsource a large percentage of the early development work and to bring a higher percentage in-house over time. The costs for external development are derived from quotes of website development firms and historic averages.

### Hosting (To be determined)

### Internal Development and Technical Support

The internal capabilities of BlueIsland.com will grow over time to develop, maintain, and support the site. Key hires will include site designers, database administrator, software engineers, and content editors. As the organization grows we will bring in graphic designers and internal IT support staff. Projected costs are \$15,000 per person per quarter in the year 2000 with salary growth of \$17,000 per person per quarter in 2001, and \$18,000 per person per quarter in 2002. This group will have the dual role of developing the BlueIsland.com site and offering customer technical support as a second level of response to customer questions after the inside sales/customer support organization. We plan to be the benchmark in customer service, which means all employees have that as their charter starting at the time of first interview with BlueIsland.com. In addition to our monetary compensation, we are planning on offering liberal stock option plans for all of our employees.

## 10.4 Non-Direct Costs

### Sales and Marketing

The biggest expenses for BlueIsland.com are the sales and marketing costs. These are the critical elements to grab and ultimately maintain the lead over our competition. For our sales force, we projected \$20,000 per quarter per person to capture salary, benefits, and commissions. We also assumed \$40,000 per year per salesperson for travel and living costs to account for the substantial travel associated with covering the geographical disperse areas. The major portion of our marketing expense includes advertising and paid promotions. For our marketing staff, we forecasted \$12,000 per person per quarter including salary, bonuses, and benefits.

### Financial Services

The financial services expense takes into consideration the staffing costs to support billing, invoicing, collection, and internal reporting. As BlueIsland.com functions as advertising exchange, most of the billing, invoicing, and fund transfer would be done online using state-of-the-art applications. Hence the employee growth plan forecast assumes a conservative growth for the financial services organization. We project \$12,000 per quarter per person for the financial services group that would include salary and benefits.

### Human Resources & Other Expenses

Human Resources will be outsourced to the extent possible to payroll and 401K service firms. BlueIsland.com will still need internal HR people for recruitment and interfacing with the service firms. The projected expenses \$12,000 per quarter per person including salary, bonuses, and benefits. Administrative costs include receptionist and administrative assistants. We project expenses of \$10,000 per quarter per person for salary, bonus, and benefits for these positions. Other expenses include general office costs such as supplies, copier leasing, drinks, etc. Cost is projected at \$1,000 per quarter per employee.

Key hires for general management by end of second quarter 2000 will include:

- CEO** - Cost assumed is \$50,000 per quarter.
- CFO** - Cost assumed is \$40,000 per quarter.
- Director of HR** - Cost assumed is \$30,000 per person.

Office lease expenses were projected at \$20 per square foot and assuming 150 square feet of space per employee. Depreciation expenses include personal computers, office furniture, and other equipment. Projected costs are based on \$4,000 per employee depreciated over three years. Telecommunications and data communications expenses are projected at \$1,000 per employee per quarter.

	2000	2001	2002	2003	2004
Website development & technical support	\$52,000	\$56,160	\$60,653	\$65,505	\$70,745
Customer Service	\$40,000	\$43,200	\$46,656	\$50,388	\$54,420

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Sales	\$45,000	\$48,600	\$52,488	\$56,687	\$61,222
Marketing	\$45,000	\$48,600	\$52,488	\$56,687	\$61,222
Finance	\$40,000	\$43,200	\$46,656	\$50,388	\$54,420
HR	\$40,000	\$43,200	\$46,656	\$50,388	\$54,420
Administrative	\$32,000	\$34,560	\$37,325	\$40,311	\$43,536
<b>Executives</b>					
CEO	\$200,000	\$224,000	\$250,880	\$280,986	\$314,704
CFO	\$160,000	\$179,200	\$200,704	\$224,788	\$251,763
Director	\$120,000	\$134,400	\$150,528	\$168,591	\$188,822
VP	\$100,000	\$112,000	\$125,440	\$140,493	\$157,352

BUSINESS PLANS HANDBOOK

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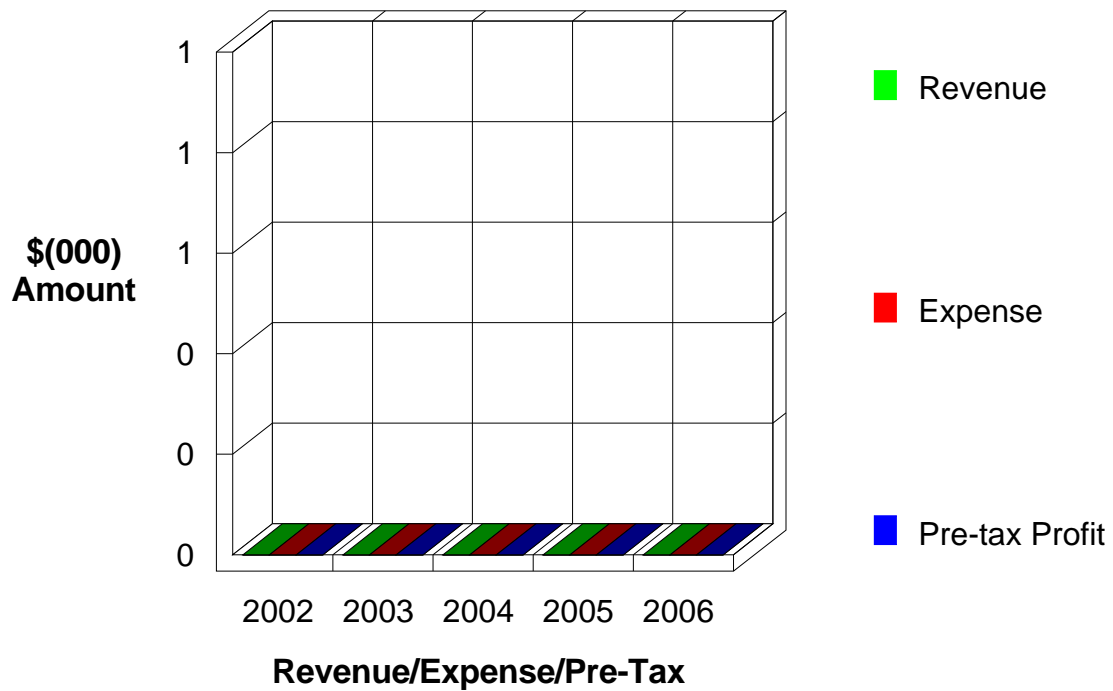
## 10.5 Ratios

	2002	2003	2004	2005	2006
Cash Ratio	0.00	0.00	0.00	0.00	0.00
Quick Ratio	0.00	0.00	0.00	0.00	0.00
Current Ratio	0.00	0.00	0.00	0.00	0.00
Current Liabilities to Net Worth	0.00	0.00	0.00	0.00	0.00
Total Liabilities to Net Worth	0.00	0.00	0.00	0.00	0.00
Fixed Assets to Net Worth	0.00	0.00	0.00	0.00	0.00
<b>Fixed Assets to Total Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

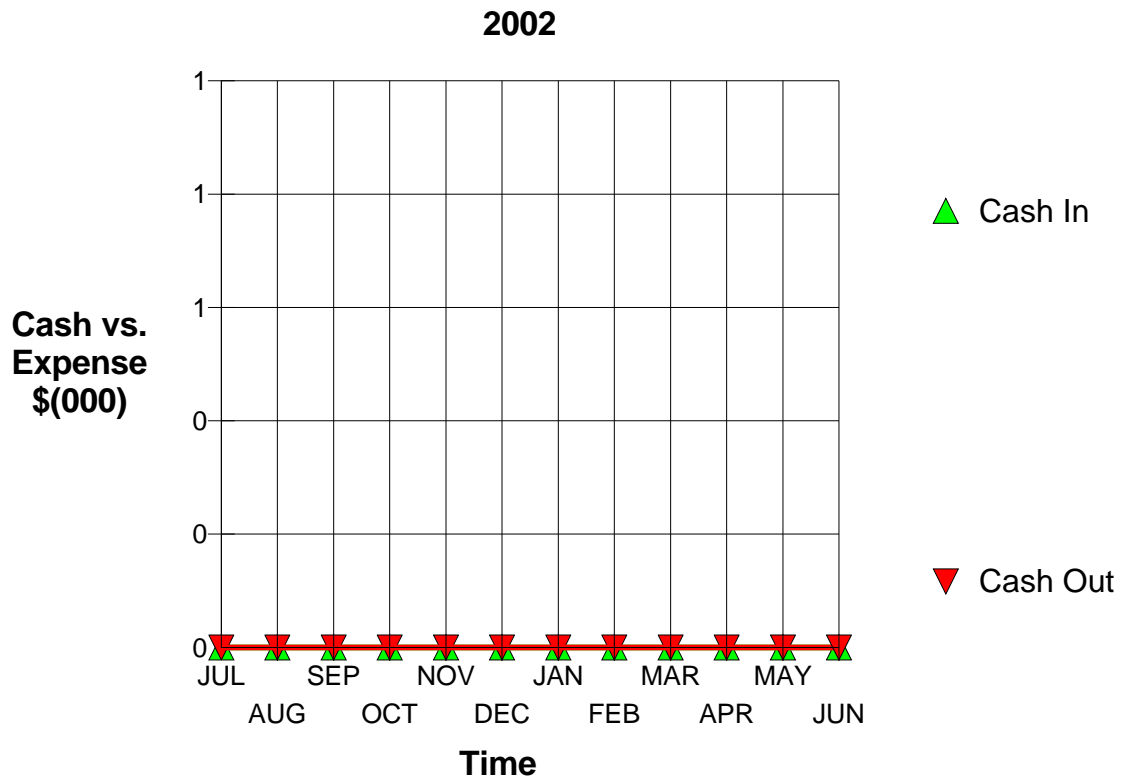
# 11.0 Financial Charts

## 11.1 Five Year Profit & Loss

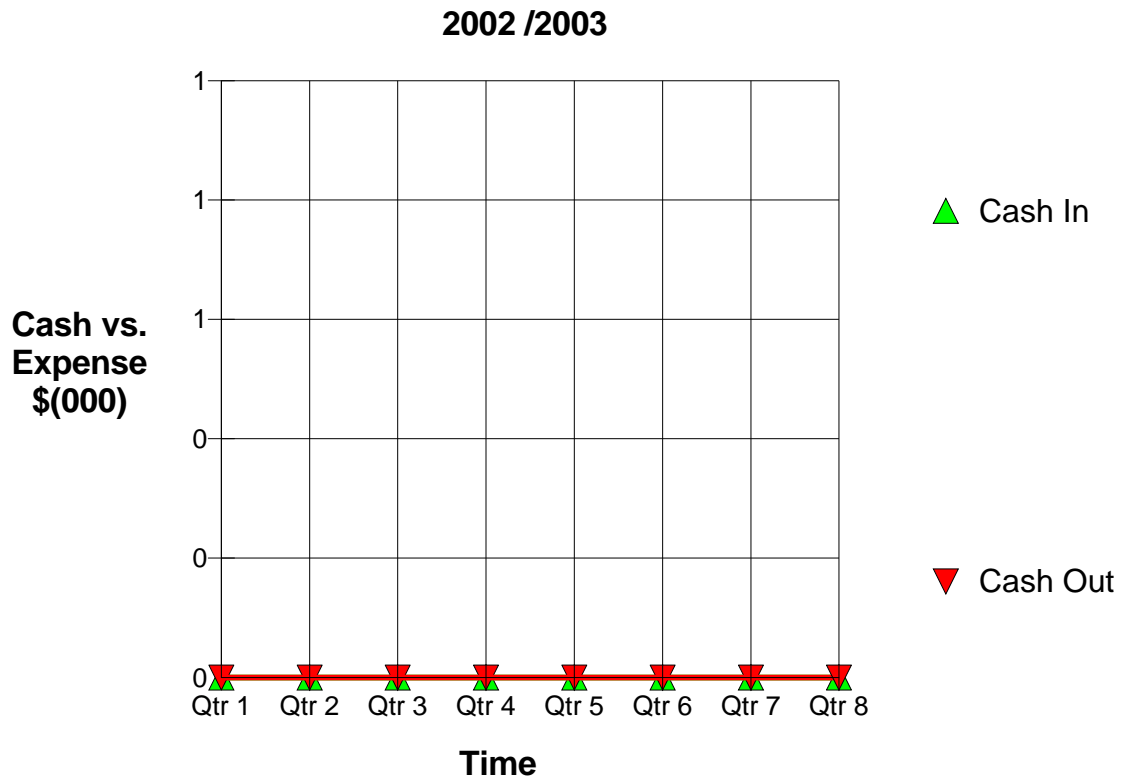
Five Year Profit & Loss Chart



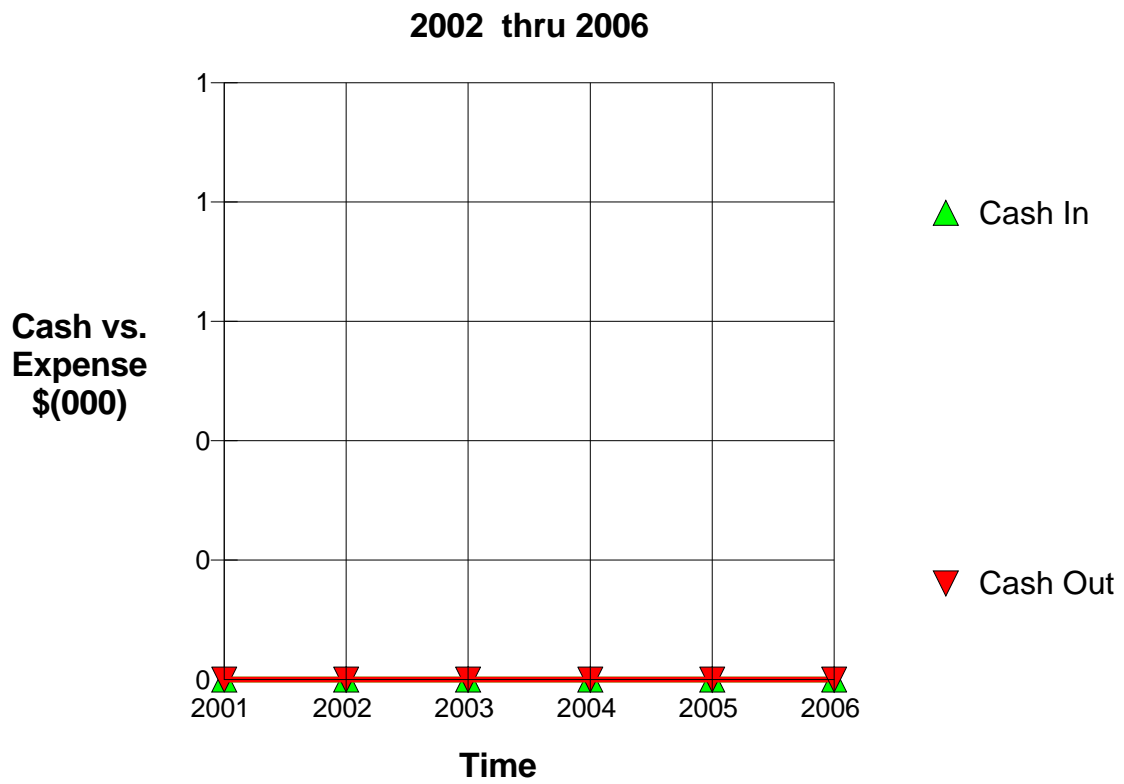
# 11.2 Year One Break Even



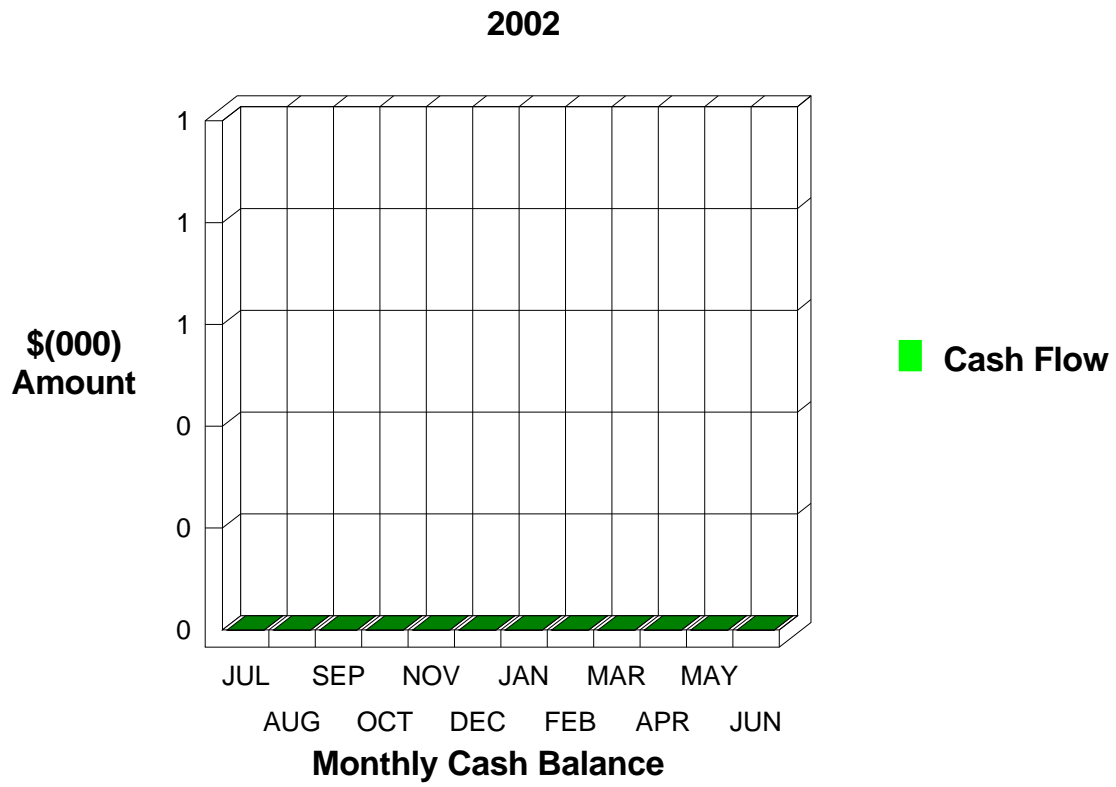
# 11.3 Two Year Break Even



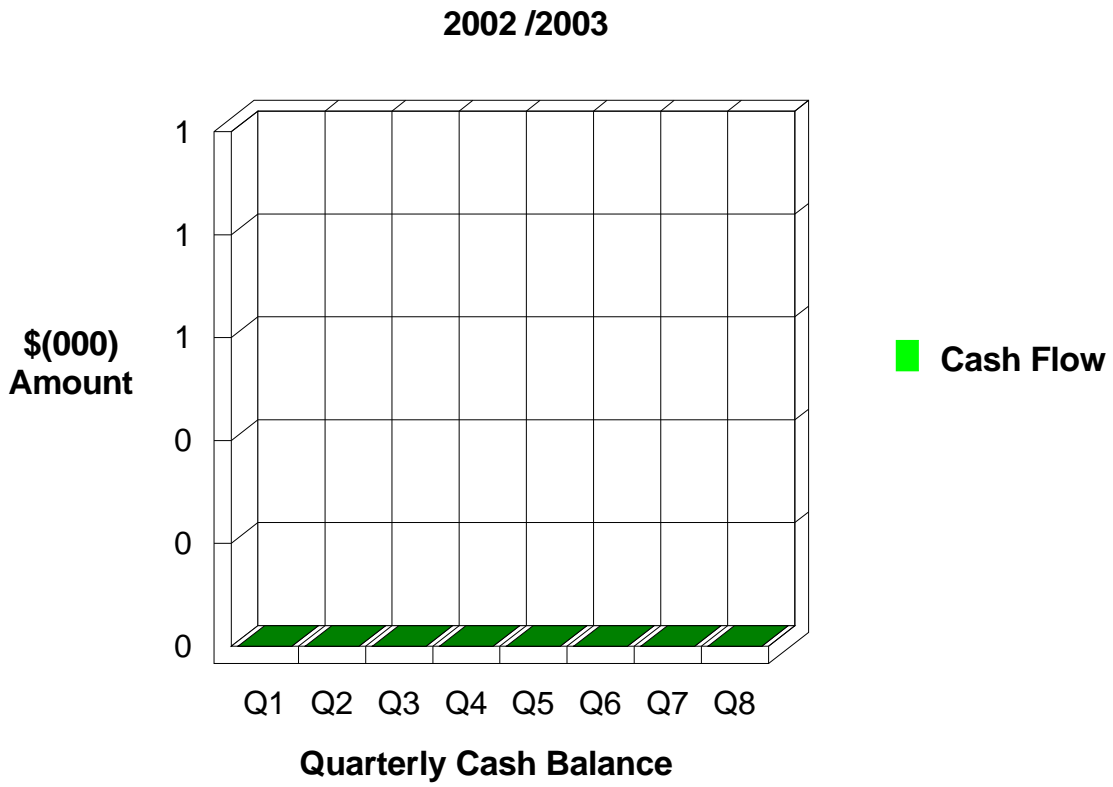
# 11.4 Five Year Break Even



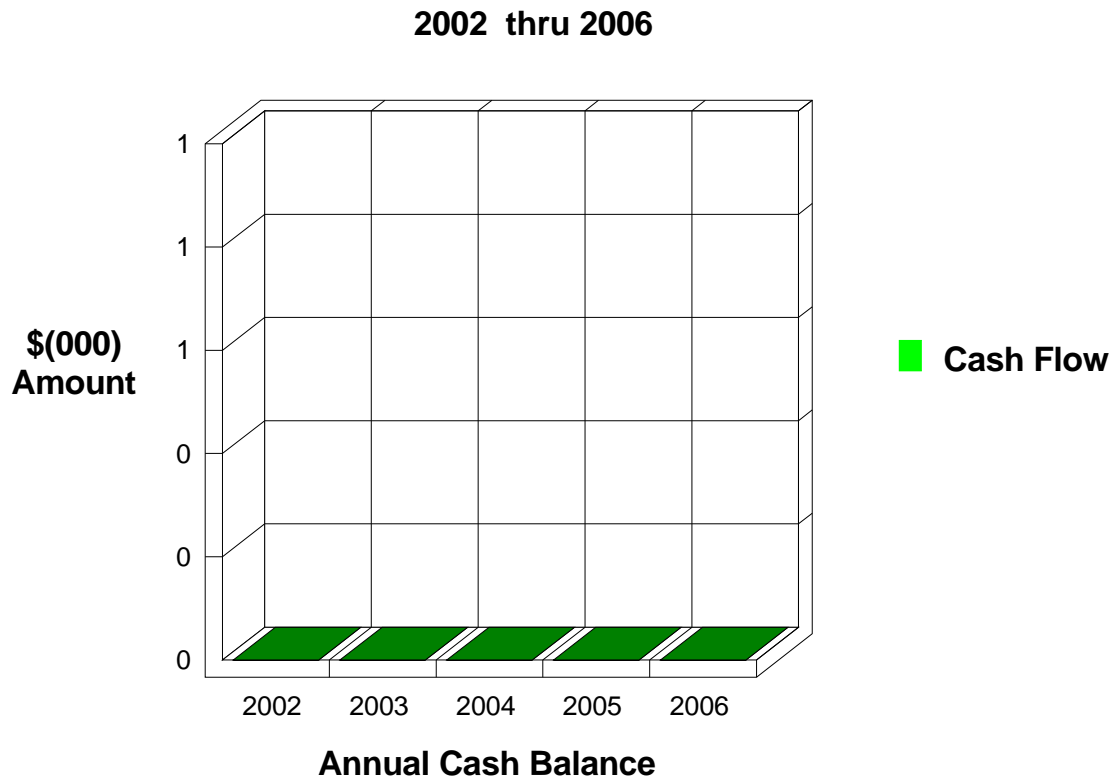
# 11.5 Year One Cash Flow



# 11.6 Two Year Cash Flow



# 11.7 Five Year Cash Flow



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