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ANALYZING TOONARI NEWS & MEDIA STRATEGY PROCESS:
ASSESSMENT AND RECOMMENDATIONS.

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Abstract

There are many companies working in on-line environment that are underestimating the appliance of strategy concepts and procedures. This study, through the light of strategy, looks inside of Toonari News and Media. It is a for-profit news and media social enterprise start up with a strong cycle system combining maximization of profit and social-benefit through free education. The goals of the study are: analyze and rethink its strategy; understand the changes in the industry and how strategy can allow the company to compete and position itself in a highly competitive environment; understanding of no separation between business and e-business. The first part of the study is the literature review focused on understanding the strategic process of a company that works either in physical or virtual environment. The second part concentrates on the application of concepts and tools in Toonari. The results seem to be positive and are able to add value to the company. Findings suggest actions for different departments and look continuously into the strategy process which involves formulation, implementation and controlling stages. This is done in order to reach its goals and work aligned with its mission and vision. The study does not finish the company's strategy analysis, because this must be an endless process to reach continuous improvement and growth, but it offers a valuable snapshot and corrections in the processes.

Resumo

Muitas são as empresas que trabalham em um ambiente electrônico e subestimam a aplicação de conceitos e procedimentos estratégicos. Este estudo analiza Toonari News and Media sobre uma perspectiva estratégica. A empresa é uma social start up com foco no lucro que desenvolveu um forte sistema cíclico que combina a maximização do lucro e do benefício social através da educação gratuita.Os objectivos do estudo são: analizar e repensar sua estratégia; entender as mudanças na indústria e como a estratégia pode permirtir que a empresa se posicione em um ambiente altamente competitivo; entender que não existe separação entre negócios e negócios electrônicos. A primeira parte do estudo é a revisão literária focada no entendimento do processo estratégico de empresas que trabalham em um ambiente físico ou virtual.A segunda parte trata da aplicação dos conceitos e ferramentas na Toonari News and Media. Os resultados se mostram positivos e capazes de adicionar valor para a empresa. Descobertas sugerem acções para a empresa em vários departamentos e uma análise contínua do processo estratégico que envolve os estágios de formulação, implementação e controle. Isto é desenvolvido com o intuito de atingir os objectivos da empresa e promover o alinhamento com a sua missão e visão. O estudo não finaliza a análise da estratégia da empresa, pois isto deve ser um processo contínuo na empresa para o alcance de constantes melhorias e crescimento, mas oferece um valioso snapshot e correções nos processos.

Palavras-chaves: Estratégia, Processo estratégico, Toonari News and Media, Indústria de News e Media.

JEL Sistema de Classificação: M16 – Gestão Internacional

M13 – Novas empresas, Startups

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1. Introduction

The on-line environment has been impacting the business behavior in different ways. It started as a marketing, sales or even information channel to reach potential and actual consumers in a better way. Later most of the business went to the Internet and a lot of companies are purely based on e-business. In this moment they got lost about how the strategy should be applied and this deserves a better look.

Toonari News & Media is a for-profit news media social enterprise start up committed to political and economic democracy. The company has a website Toonaripost as a channel to deliver news and increase the profit in order to invest in its social cause: education for free. Based on Internet technology the company publishes news, trains the collaborators and trainees, and opens a communication channel between stakeholders. From June 2012 a physical asset will be added to the company – one learning center where it will be possible to give free trainings to students and give them one more experience before going to professional market.

By fulfilling the aspects of a for-profit and social enterprise, Toonari represent a new kind of news media company in *"which profit-maximizing and social-benefit-maximizing coexist. Operating much like a profit-maximizing business in that the company as a whole grows financially, gains profits and provides dividends to their investors while creating social capital and giving back to communities, organizations and individuals around the world"* (Toonari News & Media).

From the description of the company it is possible to see the importance of the application of business concepts instead just run one website. The goals of the company are impacted by the development of good on-line tactics that it will be reached in the end of the strategy process. Because of this, each decision related to the company's website must be aligned with its mission and vision.

The web environment brings different challenges to Toonari News & Media when compared to the ones which physical companies face, such as an unlimited range of potential customers and in the same time unlimited competition. It is crucial to the success of the company to create a unique value proposition for the customers in order to increase loyalty to their business.

In this thesis, two approaches are explored simultaneously, first on the Business-to-Customer (B2C) activity perspective, what means, it will take under consideration the

exchanges between business and consumers. Inside the e-business, B2C is often associated with the exchange of information, products, and services via Internet, which seeks to replace traditional channels with on-line channel (Griffith and Palmer *apud* Dubellar, 2005).

Secondly, the Business-to-Business (B2B) perspective, when Toonari deals with other companies in order to reach its goals. Toonari's B2B it is especially important in its activity to generate revenue and profit and empower the sustainable system of Toonari.

Toonari News & Media must build the right strategy to manage the international resources (as the contributors are around the world), competences (spread trough IT solutions inside the company), generate a sustainable competitive advantage and reach the target audience.

The purpose of this study is to analyze the actual organizational strategy and generate recommendations to help the company through formulation, implementation and control stages of a strategic process.

The literature that is used to build the theoretical approach is related to strategy, concepts and tools, on-line strategy, e-business, internet technology and web environment. Practical results are brought out through this study.

1.1. Justification

This thesis is important because can help Toonari News and Media to develop a strong strategy and consequently position itself based in its sustainable competitive advantages inside the on-line environment.

Strategy positioning can be underestimated by startups facing a fast growth, but in order to have strength to compete in a long-run this may not happen.

The importance of this work is to present through the analysis of the strategy process that is possible for the company to overcome threats and take advantage of opportunities generated by a virtual environment.

The strategy process can offer to Toonari a guide of actions and improvements in order to reach the goals of the company with consistency.

2. Literature Review

2.1. Internet evolution and e-business

Internet development has left a mark in the history in many meanings regarding social, political, economic and legal levels. It is possible to notice the increase on technologies that allow better access to electronic environment through Internet and for the purpose of this thesis a business approach will be taken.

Studies about the evolution of e-commerce made by Chu (2007) distinguish four specific web eras relating the evolution of web with its own characteristics and also the evolution of the related activities, core functions and participants. **Table 1** clarifies how fast all changes happened and emphasizes the need of flexibility inside of the organizations in order to follow the fast changes in market requirements.

Table 1. Characteristics of four Web eras

	Pre-Web	Reactive Web	Interactive Web	Integrative Web
Time Frame	Pre-1990	Early 1990s	Mid 1990s	Late 1990s to early 2000
Characteristics	Closed, Pre-arranged	Open, one-way	Secured, two-way	Integrated, any-to-any
E-commerce activities	Sending, receiving	Browsing, information-searching, broadcasting, cataloguing, advertising, publishing, aggregating, etc	Shopping, auctioning, brokering, customizing, bidding, personalizing, buying, selling, paying, gaming, etc.	e-Collaboration, e-SCM, e-CRM, e-procurement, e-reengineering
Elements/dimension Participants	One-to-one	One-to-one	One-to-many	Many-to-many; any-to-any
Core functions	None	Transaction incubation functions: listing, posting, browsing, grouping, etc.	Transaction negotiation and formation functions: tracking, profiling, matching, ranking, offering, fulfilling, etc.	Transaction management functions: data interfacing, plataforming, process-editing, consolidating, integrating, optimizing, etc.

Source: CHU, Sung-Chi *et al* (2007): 159.

Evolution changes the way that organizations and stakeholders are connected, and how they share information. The need to manage this new environment inside the companies appeared as a consequence.

E-business according to Turban (2008: 4) is "*not just buying and selling of goods and services, but also servicing customers, collaborating with business partners, conducting e-learning, and electronic transactions within an organization*".

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Regarding the terminology it is important to clarify that few authors can differentiate between e-commerce and e-business, saying that the second one has a broader meaning while e-commerce involves just buying/selling transactions.

For the purpose of this thesis both terms will be used in the same broader meaning based on Chaffey (2004) and Turban (2008).

Actually Porter (2001), Dubelaar (2005) and Phan (2003) defend the idea of integrate e-business on the business, saying that it is complementary approach.

The Integrative Web (**Table 1**) presents also the characteristics of E-business according to Zwass (1998 apud Chaffey, 2004: 7) about being an environment to "*share business information, maintain business relationships, and conduct business transactions by means of telecommunications networks*".

Companies moving towards to the e-business environment are related consequently with the Internet usage growth rate. According to Worldometers – Real Time World Statistics, there are more than 2 billion Internet users, around 25% of world population (close to 100% in many countries) has access to Internet and Lecinski (2011) states that 5 billion will be in the web by 2020.

However it is important to emphasize the impact of mobile phones on the Internet access. Two-thirds of the world population has it and by 2020, 10 billion people will have it (Lecinski, 2011). Mobile technology is allowing 24/7 connectivity and it is shaping the consumer behavior.

In terms of business processes there is a great difference in consumer behavior from before when if they needed something they should dislocate themselves to the physical location and this could cost time and then finally they could get what they want. The 24/7/365 connectivity of people with business world through Internet allows them to satisfy their need quickly and depending on the service/product, even immediately.

Lecisnki (2011) explains the changes on the consumer behavior:

- **Before**: 1. Person receives a stimulus → 2. Person goes until the favorite store to check about it (product/service) and to have the First Moment of Truth (the first contact and decides to buy → 3. Person goes home to have the experience (Second moment of truth).

- **Now** (**Figure 1**): 1. Person receives a stimulus → 2. Person uses search engines to find out all kind of information about the product (reviews, videos, best places to buy, recommendations of friends, cheaper opportunities, coupons or sales), this is called the Zero Moment of Truth → 3. Person

decides to go until the store to buy (or buy on line) and have the First Moment of Truth → 4. The experience moment, or, the second moment of truth (which can became the ZMOT of others when the person evaluates and publish some information about it)

Figure 1. The new mental mode
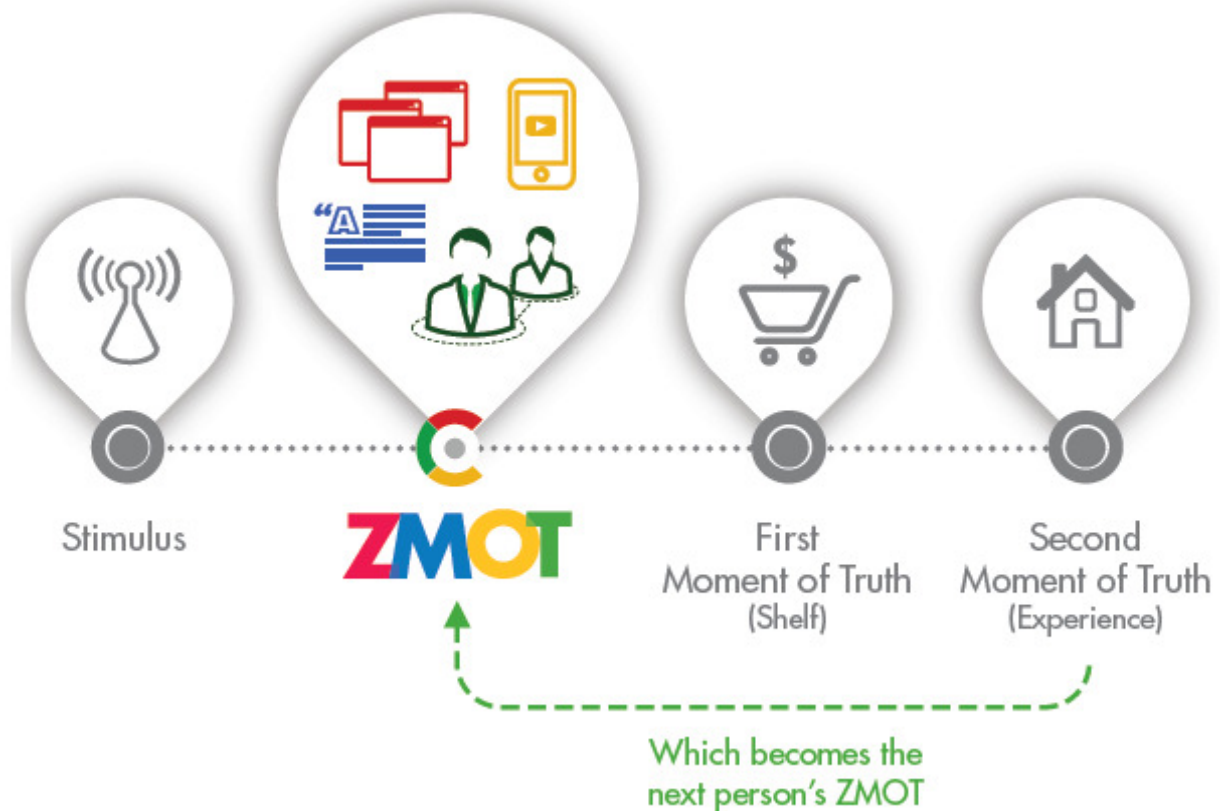
Source: Lecinski (2011):17

The new model shows the significant effect that Internet technology has in time and distance (Barney 2004). For instance, from see one stimulus, check all information, decide to buy and order can happen in couple of minutes depending on what is the product/service. The companies must follow the changes.

Angelis (1997) identifies the changes in the beginning when a non Internet-based company starts to become an Internet-based with small steps mainly in marketing and sales approach and Lecinski (2011) expose the changes of nowadays with the new model.

The University of Texas (2001) estimates that in 1998 Internet Economy generated $301.4 billion U.S. dollars, and Sung (2006) published others studies exhibiting the increasing numbers of U.S. firms engaging in e-business from under 8% in 1999 to over 35% in 2000.

Inc. Magazine (2010) published the annual e-commerce spending in 2009 (**Figure 2**) and forecast the evolution to 2014 in 90% growth.

It is important to say that this measures considered only transactions of buy/sell involving money, but there are others business running on e-environment without financial transactions happening. The inclusion of all business without financial transactions (relative to monetary exchange with the final consumers) could reflect in even bigger number related to e-business growth, for instance, some educational institutions, news and media websites and social enterprises. It is clearly the need of companies to embrace e-business positioning.

Figure 2. Annual e-commerce spending in billions (2009) and forecast to 2014
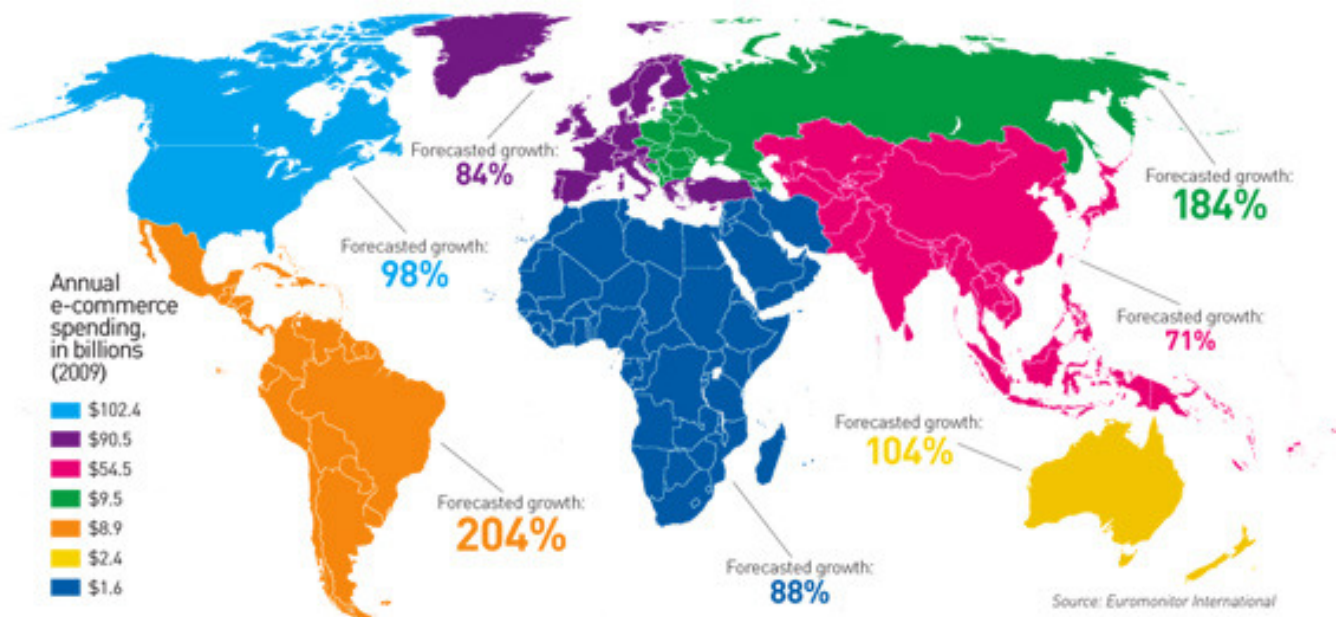
Source: Inc. Magazine (2010)

The change in an e-environment impacted the economy, market, organizations' structure, labor market, consumers' behavior, and information flows. This gave companies a different perspectives and according to Drucker (apud Straub 2010) it is the chance to see news opportunities and adjust the strategy to reach success in worldwide market.

Most of the companies nowadays have at least a website to communicate with stakeholders, but actually entrepreneurs have found the chance to run business solely in an on-line environment and become a digital enterprise.

By digital enterprise:

> A new business model that uses IT in a fundamental way to accomplish one or more of three basic objectives: reach and engage customers more effectively, boost employee productivity, and improve operating efficiency. It uses converged communication and computing technology in a way that improves business processes. (Turban et al., 2008: 29)

The financial and non-financial benefits to organizations provided by e-business are emphasized in Turban (2008: 25), **Table 2**, and are mainly related to improvements in time, cost, quality of service and processes increasing the possibilities to reach or even exceed stakeholder's expectations.

Table 2. Benefits of e-commerce

Benefit	Description
Global reach	Locating customers and/or suppliers worldwide, at reasonable cost and fast.
Cost reduction	Lower cost of information processing, storage, distribution
Supply chain improvements	Reduce delays, inventories, and cost.
Business always open	Open 24/7/365; no overtime or other cost
Customization/personalization	Make it to consumer's wish, fast and reasonable cost.
Sellers specialization (niche market)	Seller can specialize in a narrow field (e.g., dog toys), yet make money.
Ability to innovate, use new business models	Facilitate innovation and enable unique business models.
Rapid time-to-market and increased speed	Expedite processes; higher speed and productivity.
Lower communication cost	The Internet is cheaper than VAN private lines.
Efficient procurement	Saves time and reduces cost by enabling e-procurement.
Improved customer service and relationship	Direct interaction with customers, better CRM
Fewer permits and less tax	May need fewer permits and be able to avoit sales tax.
Up-to-date company material	All distributed material is up-to-date
Help SME to compete	E-commerce may help small companies to compete against large ones by using special business models.
Lower inventories	Using customization inventories can be minimized
Lower cost of distributing digitalizable product	Delivery on line can be 90 percent cheaper.

Source: TURBAN(2008): 25

After one analysis it is also possible to add two more points of e-business benefits to the company:

- **Build Brand Awareness**: The web presence makes possible for organizations to reach a high number of Internet users helping to increase the company's credibility;

- **Competitive Advantage:** An on-line strategy can manage the web presence of organizations in a way that will lead the company to fulfill the expectation of the stakeholders and have a sustainable differential.

Andy Grove, the chairman of Intel, said in 1999 that "*in five years' time, all companies will be Internet companies, or they won't be companies at all*" (The Economist) and in that time he was took for some ones as a bit extremist. OECD (2011) report draws a statistical profile of the countries that are part of the organization and this is a good example

of business using Internet technology (**Graph 1**): "*On average, 94% of companies with 10 or more persons employed in OECD countries are connected to the Internet* (OECD 2011: 8)".

It is important to take in mind that the successful adoption of e-business is not about including Internet technologies. The Internet itself is just one tool and according to Porter (2011) this technology inside the company "*will rarely be a competitive advantage*" per se, but the e-business must be seen through business concepts and must be integrated within the organizational strategy.

Graph 1. Business using the Internet, 2007 or latest
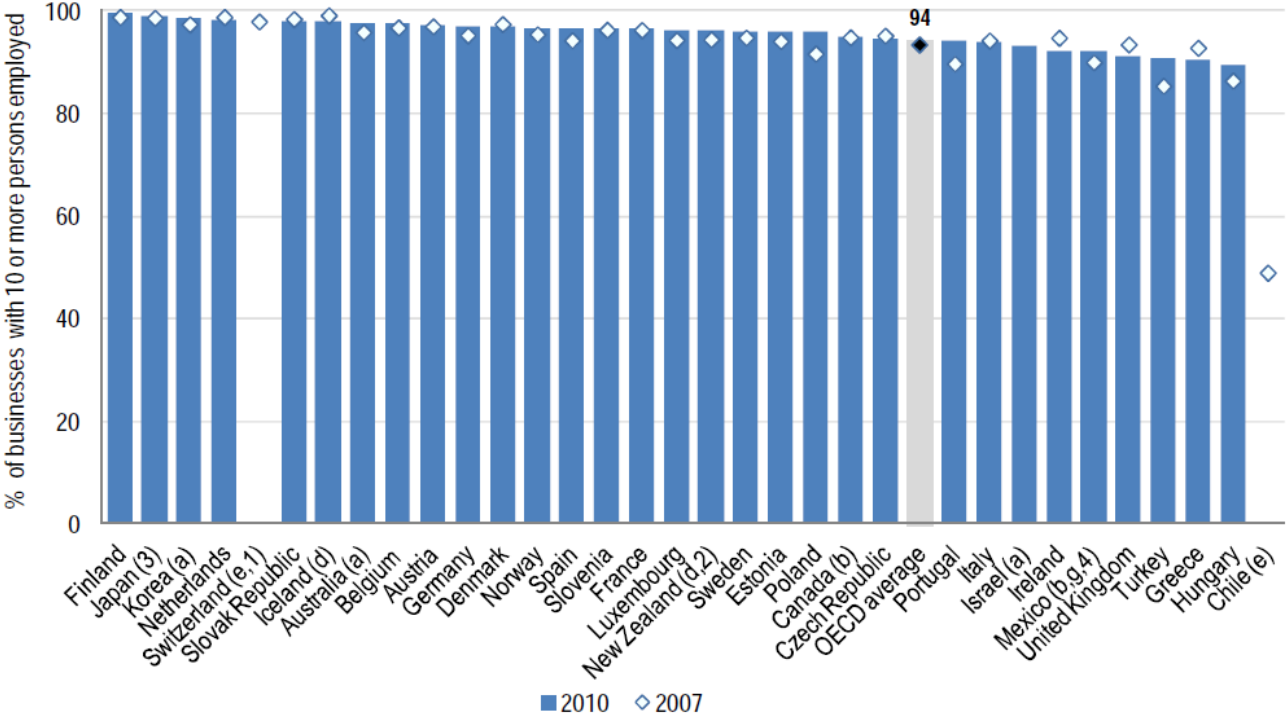
Source: OECD (2011):8

Dubelaar (2005: 1253) refers Slywotzky's quotation saying "*going digital is about serving customers, creating unique value prepositions, leveraging talent, achieving order of magnitude, improvements in productivity, increasing and protecting profits*" and this must be how the companies sees the virtual environment presence.

2.1.1.   Impact of Internet technologies on News/Media Industry

For the purpose of this thesis, the company in case - Toonari News and Media - acts in News and Media e-environment and for this reason it is important understands the impact of Internet technologies inside this industry.

Porter (2001) says how Internet impacts industries in the front end of the process and thinks that the sentence - Internet changed all industries - is a bit of exaggeration. He uses examples as the record industry:

> "While the Internet will replace certain elements of industry value chains, the complete cannibalization of the value chain will be exceedingly rare. Even in the music business, related to CD production and many traditional activities it is still important as finding and promoting talented new artists, producing and recording music, and securing airplay—will continue to be highly important. (Porter, 2001).

It is possible to use the same line of thoughts about the News and Media Industry. Yau (2001) refers the communication theorist Marshal Muclan about "*content of any medium is always another medium*" reinforcing the idea that even with Internet as a main player in the changes on distribution of the news, the content and facts presented keep with the same importance.

Another crucial part impacted by Internet technologies on News and Media Industry is related to time, availability and interactivity. The news is continually updated and available, 24/7/365 around the world, and as soon as is available, it is possible for the users to interact by commenting, asking and sharing.

Before the users could see a newspaper from a static reader perspective the Internet offers a dynamic digital format. According to the Wharton University of Pennsylvania (2007: 2) in its article about Web vs. Print, much more tools can be added as the possibility to "*chat on line with reporters, watch award-winning documentaries or see the cherry blossoms bloom with time-elapsed photography.*"

Hence, it is understandable the frisson about the idea of Internet be able to change completely the industry. This happened also about the idea that television will destroy the radio industry for instance.

One of the conclusions of Oriella Report (2011) about The State of Journalism in 2011 is the intensification on the concerns from journalists about of the viability of journalists' traditional media channels (print, radio or television). But, it is possible to see the changes as a normal evolution and the companies must adjust themselves in order to keep competitive. Probably, there is a lack of understanding how they could position themselves. While Porter (2011) sees as an opportunity to reinforce the strengths, in this case, expose their reliability and quality in such big e-environment, but the journalists probably see just as a threat.

Wharton's professor, Kevin Werbach (Wharton, 2007: 4) who studies emergent Internet technologies offers a convergent point-of-view with Porter saying that people "*don't need any more a newspaper to check the weather of the week, sports score or even the basic*

news of the day, but still people use its perspective on what's happening in Iraq or how presidential campaign is going."

Lumpkin (2004: 162) reinforces the idea of the power of content saying that "*value-adding activities are enhanced further by managing three different types of Internet content*", and in news media industry this idea is perfectly applied. The three types of contents that can improve the value proposition of the company according to him are:

- Customer feedback: related to word-of-mouth influence;

- Expertise: Internet as a learning tool;

- Entertainment programming: using Internet as an entertainment medium.

Another issue that the companies must be aware, according to Castañeda (2011) is related to the satisfaction and customer loyalty and both must be applied on this industry. His studies prove the relation between satisfaction and loyalty saying that the first one leads to the second one. For e-business this can be determinant to the success.

It is undeniable that there is cannibalization between the traditional and the electronic media, as the fast increase in competition, but this can drive the company on the goal to invest on customer's satisfaction and consequently loyalty based on unique competitive advantages development. For the purpose of this thesis, the concept of consumer loyalty of Jones and Sasser (1995, apud Flavian 2006: 364) is used: "*consumer loyalty is the feeling of attachment or union to the people, products or service of a company*".

In conclusion, according to Flavian (2006), it is possible to say that customer's loyalty helps the company to reach a stable position, and regarding the on-line environment, allows the creation of network to facilitate the awareness and the promotion of the services offered by the company.

2.2. Strategy and/or e-Strategy

The understanding of strategy and the application inside business, small or big, helps the company in its positioning and helps on the identification and development of its competitive advantage.

Johnson (1993: 10) defines "*strategy is a direction and scope of an organization over the long term, which through its resources and capabilities achieves competitive advantage in one changing environment with the purpose of fulfilling the stakeholder's expectations*".

The strategy can be set in many levels inside of one company which pursues multi business, but all of them are integrated on the Corporate Strategy which guides the others strategies in business unit's level and guarantees that all of them are aligned with company's mission. When the company works in just one business the corporate level are the same of the Business level (Pearce, 2007:6). The structure of levels is in the following figure (**Figure 3**):

Figure 3. Strategy levels
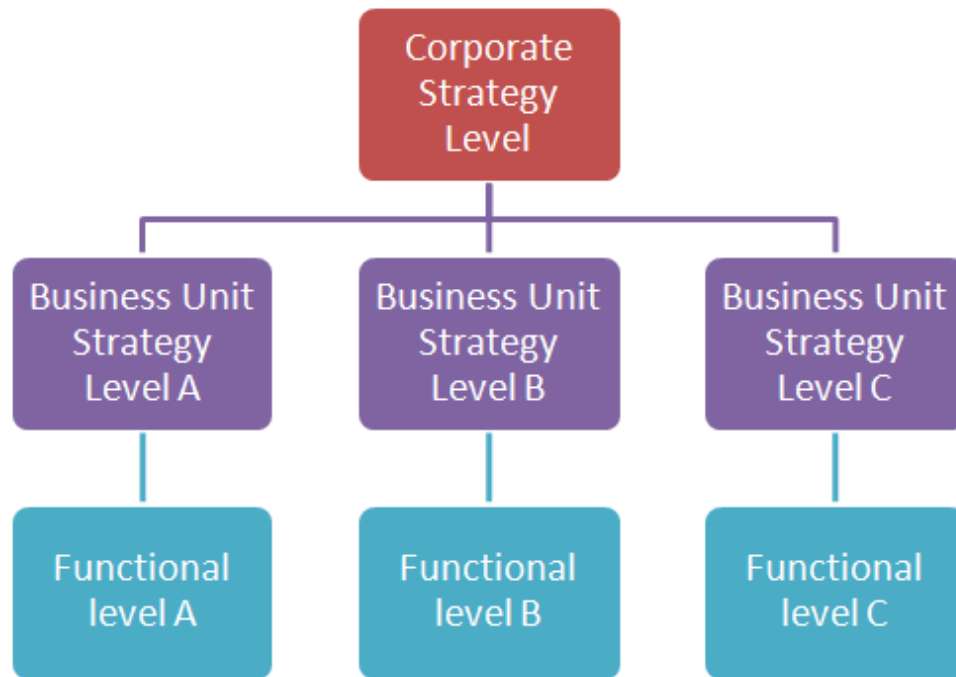
Source: Pearce (2006):6

Regarding the electronic environment, in the past years, the strategy was set separated, under the corporate strategy. What Porter (2001) defends that the Internet and information technology only change the front end of the business, the business exists before and mainly, the fundamentals of competition remain unchanged. Porter (2001) also says that "*the evolution will involve a shift in thinking from e-business to business, from e-strategy to strategy*" and based on his approach this thesis will treat e-strategy based on the strategy concepts.

All principles and concepts of business are perfectly applied on e-business companies, of course, respecting the new environments and its particularities.

There are three main generic strategies according to Porter (1980: 35):

1. **Cost leadership** – focus on low-cost position. It is highly competitive and aggressive especially because it is based on the price offered to the customers,

and competitors can reach higher efficiency and took the place of the best cost offered. It can erode the profits on the try to reach specific competitor, until this one go out of market.

2. **Differentiation** – focus on differentiation of the product/service offers some uniqueness to the customer. This strategy drives the customer out of cost focus and actually is the reason of many companies on the same industry became strong and increases its level of customer's loyalty.

3. **Focus** – it is related to focus on a particular market segment. Can combine cost leadership and differentiation strategy but always aiming to achieve the needs of one really specific group.

When a company develops its strategy all decision must be aligned with its mission and vision. Regarding the e-business, companies may get myopic because of the decrease of costs in few areas, and start to drive the e-business differently of its main strategy. For instance, companies with different strategy start to play as low cost on e-business environment and in a long run they face the failure and start to blame the Internet technology tools. Porter (2001) recommends to always turning to the core business and the chosen strategy set previous to the company.

It is a complementary approach for the business itself and it must follow the idea of the organizational strategy. Pure e-business companies can and must develop one strategy focused on the unique value delivered to the customer and use the Internet technology as a tool to reach a sustainable position.

Strategy inside the company must be seen as a process where:

> "(…) The flow of information involves historical, current, and forecast data on the operations and environment of business. These data must be evaluated on the light of the values and priorities of the stakeholders and the aim of the process is the formulation and implementation of strategies that work, achieving the company's long-term mission and objectives." (Pearce, 2007: 15)

Besides the formulation and implementation steps, strategic control and continuous improvement "*tracks how the strategy is being implemented, detects problems or changes and makes necessary adjustments*" (Pearce, 2007: 14). This process can be summarized on the follow **Figure 4**.

Figure 4. Strategy Process
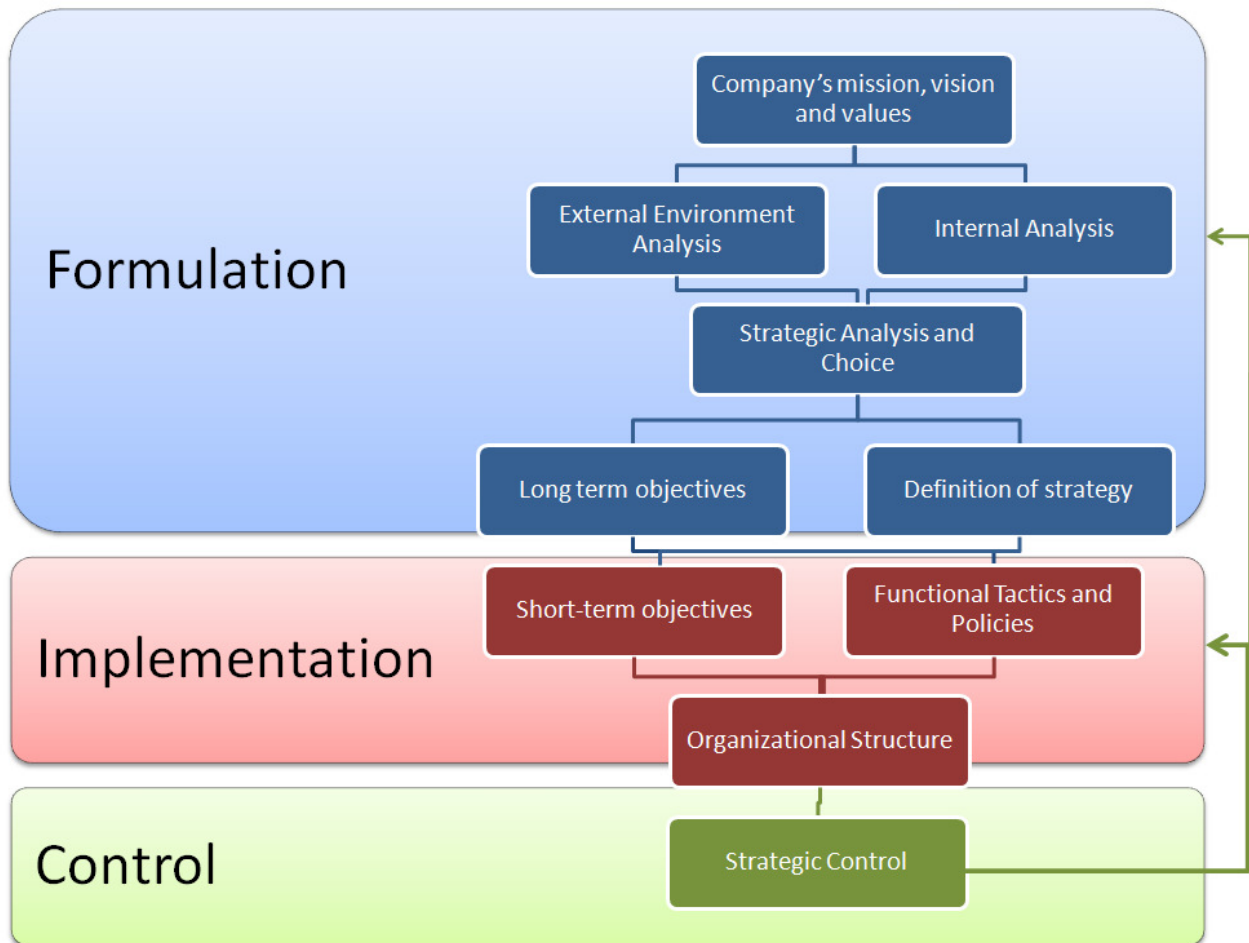
Source: Author's adaptation from Pearce & Robinson (2007): 2

Pearce (2007) draws the previous structure in a detailed way of the process, including inside the formulation step, the definition of mission, vision, objectives, the assessment of external environment and internal analysis. The strategic analysis is made to identify possible gaps and the choice of the strategic positioning as a long-term objectives definition.

The implementation step embraces the definition of short-terms objectives as the functional tactics and policies that must be adopted by the company regarding the core business. In order to be more consistent, the objectives must be measurable, as the functional tactics will detail the activities to reach them.

Finally but not less important, the controlling step is related to the monitoring, continuous adjustments, reviewing and the tools used must be related and relevant with the industry and business characteristics.

2.2.1.   Mission and Vision

The first step in the process is the mission definition of the company, taking in consideration the company's values and stakeholder's expectations. It is likely connected with the core business of the company and according to Johnson (1993: 12) tries to answer the question: *"What business is the company in?"* and communicates in clear way to the stakeholders. Looks like easy, but according to Pearce (1997: 29) it is hard to build one statement "*not of measurable targets, but of attitude, outlook, and orientation.*"

On the e-business the mission must be the same of the physical business in order to keep the company aligned.

Regarding the Vision of the company, this statement must answer 'what does the company want to became?' and according to PITTS (2006: 19) describes the aspirations and it is important because "*it is designed to capture the imagination of the firm's people and galvanize their efforts to achieve a higher purpose, cause, or ideal.*"

 Mission and vision express the strategic purpose of the company and will be used as a guideline to drive the company's action with focus on what it is done and what it is desirable to become.

2.2.2.   External environment and Internal Capabilities

Figure 5. Organizational environment
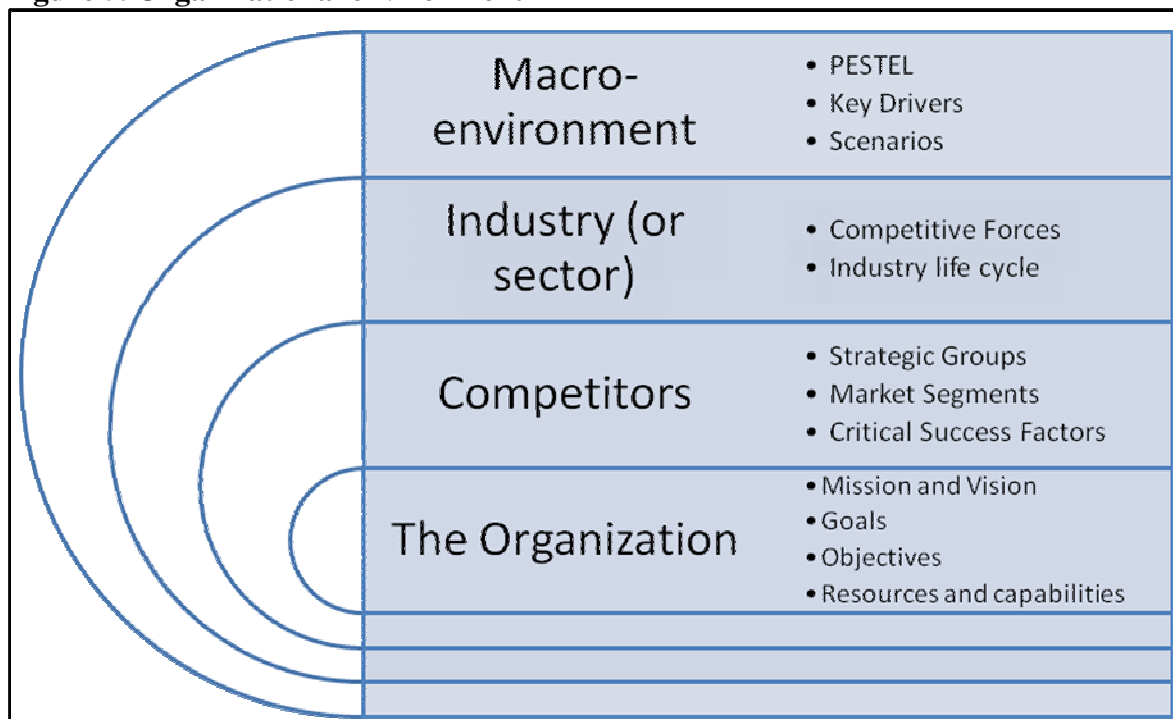
Source: Author's adaptation from Pearce & Robinson (1997): 63

Regarding the organizational analysis, **Figure 5** illustrates how the company is inserted into the environment and suggests few tools that are allowing the analysis in each one of the layers.

The PESTEL framework allows the company to see the macro-environment through the political, economical, social, technological, environmental and legal perspective. When the company has an on-line presence then it must also analyze the impact about no boundaries in each area of PESTEL. The key drivers match the occurrence probability with the probable impact on the company and also help to draw few plausible scenarios.

Having a look at the Industry where the company is part of, Porter (2001) suggests the analysis of the competitive forces: competitor rivalry, entry barriers for new competitors, the threat of substitute offering, bargaining power of suppliers/channels, and buyers.

Figure 6 shows the Internet influences on the industry, 5 forces analysis with the advantages and disadvantages in each force and in conclusion is possible to say that the Internet technology draw one high competitive industry in the same time it draws a great potential of opportunities.

It is also important to take in consideration the industry life cycle, even knowing that the Internet technologies and on-line environment have a high speed of changes setting the environment as super dynamic with a high level of unpredictability. It is important to understand each point of the life cycle (**Graph 2**) in the traditional news and media industry to understand how the on-line news and media starts to have its growth.

Graph 2. General industry life cycles
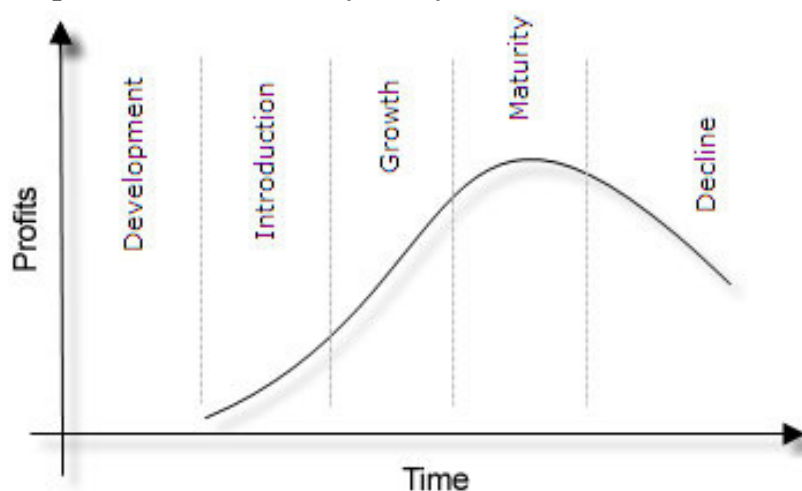
Source: Pearce (2007): 246

Figure 6. How the Internet influences industry structure

Threat of substitute products or services

(+) By making the overall industry more efficient, the Internet can expand the size of the market

(-) The proliferation of Internet approaches creates new substitution threats

Bargaining power of suppliers

(+/-) Procurement using the Internet tends to raise bargaining power over suppliers, though it can also give suppliers access to more customers

(-) The Internet provides a channel for suppliers to reach end users, reducing the leverage of intervening companies

(-) Internet procurement and digital markets tend to give all companies equal access to suppliers, and gravitate procurement to standardized products that reduce differentiation

(-) Reduced barriers to entry and the proliferation of competitors downstream shifts power to suppliers

Rivalry among existing competitors

(-) Reduces differences among competitors as offerings are difficult to keep proprietary

(-) Migrates competition to price

(-) Widens the geographic market, increasing the number of competitors

(-) Lowers variable cost relative to fixed cost, increasing pressures for price discounting

Buyers

Bargaining power of channels

(+) Eliminates powerful channels or improves bargaining power over traditional channels

Bargaining power of end users

(-) Shifts bargaining power to end consumers

(-) Reduces switching costs

Barriers to entry

(-) Reduces barriers to entry such as the need for a sales force, access to channels, and physical assets – anything that Internet technology eliminates or makes easier to do reduces barriers to entry

(-) Internet applications are difficult to keep proprietary from new entrants

(-) A flood of new entrants has come into many industries

Source: Porter (2001)

Regarding strategic groups, "*firms in an industry following the same or a similar strategy along the strategic dimensions*" (Porter, 1980: 129), the analysis of different groups under the same industry will give a picture about different strategies, such as profitability potential of different groups and life cycle.

It will be possible to analyze the competitors based on customer's basis. It is not about companies that share the same strategy, but actually customers who share the same needs developing in this way market segments.

When analyzing the competitors it is also interesting to identify the critical success factors, those ones crucial to make the company able to compete and where it is possible to increase the performance in order to be in the better position.

Critical success factors (CSF) help on the recognition of which areas are vital to enable the business prosperity. Studies developed by Dubelaar (2005) related to CSF to e-business show again results not related to the technology by itself, of course the right technology must be exploited, but the CSFs are related to strategic, structural and management-oriented positioning.

Concerning the organization analysis the establishment of company's mission and vision were already previously exposed in this thesis. It is important to identify the goals and define objectives to give perspective of direction to the stakeholders.

The resources and capabilities must be investigated to be sure that the company is focused on its core business and designed in one way that leads to a unique competitive advantage. Barney (1991) includes all assets, capabilities, organizational processes, firm attributes, information, and knowledge as firm resource and says that they can be classified as physical capital, human capital and organizational capital resources. Achieving and sustaining a competitive advantage is about creating and exploring valuable, rare, inimitable, irreplaceable, and dynamic capabilities (Barney, 1991, 2006).

The Resource-based view is a method of "*analyzing and identifying a firms strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles resources*" (Pearce, 2007: 164) and this will help decision-makers think in a strategic way regarding the characteristics of the company.

The analysis of the resources is necessary in order to see if it is possible to accomplish the basic activities of the company as offer value to stakeholders. The goal is to reach a distinct combination of assets, skills, capabilities and intangible assets.

Following Pearce (2007: 165) the resource-based view will be seen according to the following categories:

1. **Tangible assets:** it includes production facilities, raw material, financial resources, real estate, and computers. It can be found on the balance sheet. (**Annex 3**: Toonari News and Media's financial data)

2. **Intangible assets:** Firm's assets not possible to see or touch as brand names, company reputation, organizational morale, technical knowledge, and accumulated experience.

3. **Organizational capabilities:** Skills (the ability and way of combining assets, people and processes) that the company uses to transform inputs into outputs.

After identify them, the second step is evaluate it to understand if they are a strength or weakness of the company. This evaluation can be done checking how rare, inimitable,

sustainable, critical to the activity and dynamic (Pearce, 2007). On e-business, the dynamic capability has a special importance considering the high level of changes inside the e-environment.

Other issue regarding environmental analysis is the SWOT Analysis that summarizes internal and external assessment and can help the company to reflect what is necessary to invest or gave up. It must be used in order to evaluate strength, weakness of the company and the opportunities and threats of the external environment.

The entire company's environment analysis will help the company on the definition of its strategy, draw strategic decision, increase the level of value delivered to the customer and positioning itself based on its competitive advantages.

2.2.3.   Sustainable competitive advantage

As it has been discussed until now on this thesis, information technology, especially Internet technology alone is not able to generate a competitive advantage to guarantee the company's profitability and to reach its objectives in one sustainable way. But Lecinski (2011:17) says that the company who will be prepared to be on line when customers will search for (related to ZMOT), "*it stands to gain very big competitive advantage*".

For competitive advantage, Pitts (2006: 135) says that is "*specific value-adding activities performed by the firm*" and also, "*it arises when a firm can perform an activity that is distinct or different from that of its rivals*".

Porter (2001), Phan (2003), Dubelaar (2005) and Acosta (2008) agree that IT is not a differentiating factor, it can be easily purchased by competitors and is just a tool, but combined with other resources and when integrated in organizational strategy it can add value to the company and lead to a competitive advantage.

According to Porter (2001), the sustainable competitive advantage can be shaped based on two options:

- **Operational effectiveness**: Doing exactly the same of your competitors, but better;
- **Strategic positioning**: Focus on delivering unique value to the consumer. Developing different ways from competitors.

Developing a deeper look inside both options; one e-business company focused on operational effectiveness does not build its competitiveness in sustainable way due to the fact that technologies are easily copied by competitors, besides the high speed in changes on the
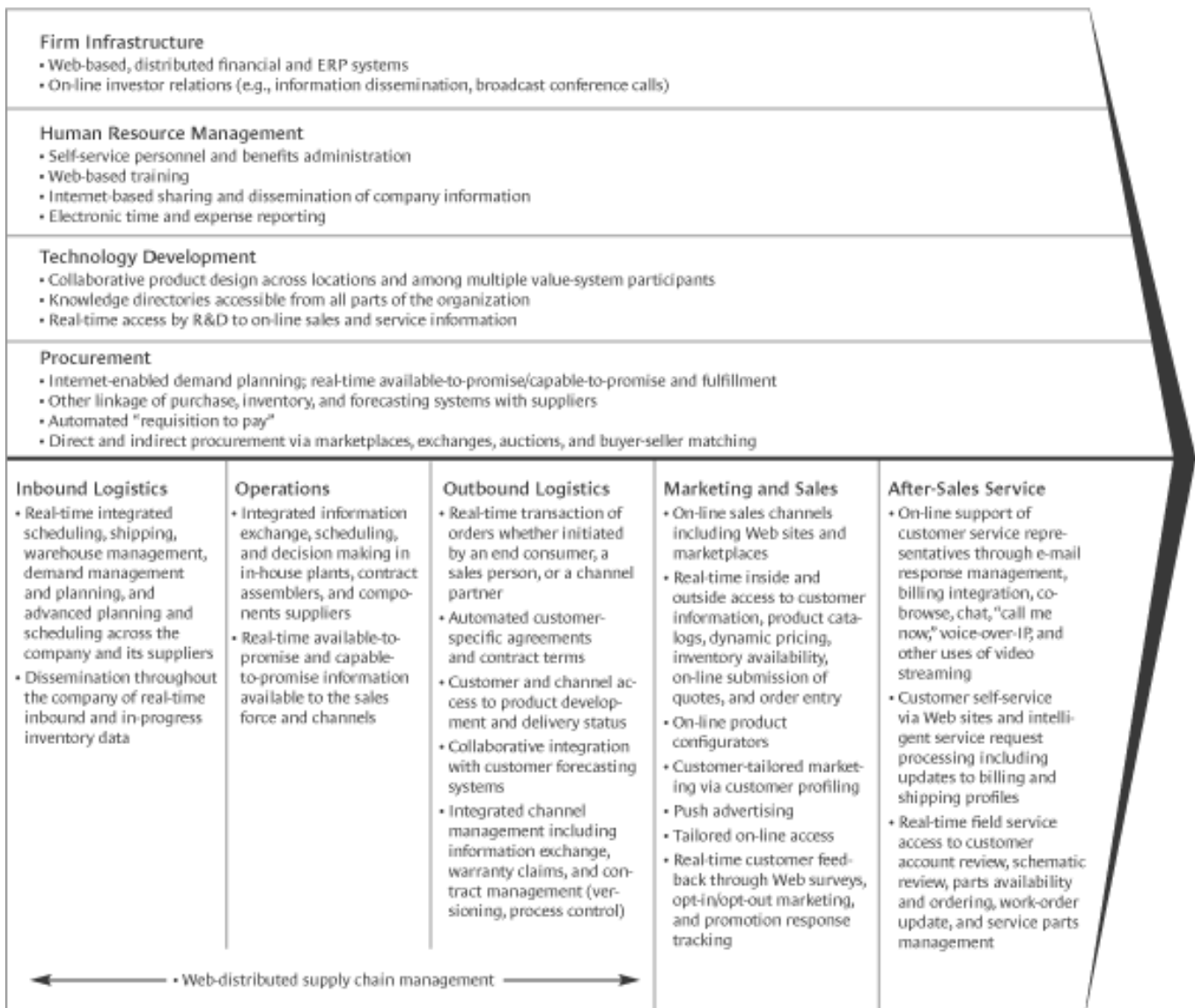
IT sector. Porter (2001) explains by saying "*once a company establishes a new best practice, its rivals tend to copy it quickly. Best practice competition eventually leads to competitive convergence, with many companies doing the same things in the same ways. Customers end up making decisions based on price, undermining industry profitability.*"

In the other hand, developing the competitive advantage by strategic positioning is sustainable in the long run.

Porter (2001) enhances six principles of strategic positioning:

1. **Goals focused on a long run return of investment** – the e-business strategy can not develop on strategy that cannot sustain profitability on the long term.

2. **Deliver a value proposition** – It is related to offer benefits to the customer different from competitors. Adding value to the solutions for the customer's needs.

3. **Development of a distinctive value chain** – The possible impact of the Internet technology in the company's value chain is illustrated on **Figure 7** (Porter, 2001). In this principle, the company must configure its value chain through a unique combination, avoiding competitors to copy. Competitors can have the same resources and structure, but it is hard to copy the original without the right development of the value chain.

4. **Trade-offs in order to reach uniqueness** – It is about the selection and development of main activities related to the core business of the company must be developed in despite of those ones which consume resource and doesn't add value. Porter (2001) states "*such trade-offs, in the product and in the value chain, are what make a company truly distinctive*".

5. **Activities reinforcement** – Strategy concerns about the whole company fitting together and can be seen as an integration process between the areas of the company as general management, marketing, information technologies and systems, finance, human resources, production, logistics, research and development.

6. **Continuity of strategic direction** – To keep in mind that the organizational strategy will drive the company to reach its goals. All decisions must be aligned with the core business of the company in order to develop skills, capabilities, and assets or build strong reputation with customers (Porter, 2001). This doesn't mean that the company will not change or improve, actually the e-business environment demands a continuous improvement, but these ones must follow the strategic direction.

Figure 7: Possible impact of Internet in the value chain

Firm Infrastructure
- Web-based, distributed financial and ERP systems
- On-line investor relations (e.g., information dissemination, broadcast conference calls)

Human Resource Management
- Self-service personnel and benefits administration
- Web-based training
- Internet-based sharing and dissemination of company information
- Electronic time and expense reporting

Technology Development
- Collaborative product design across locations and among multiple value-system participants
- Knowledge directories accessible from all parts of the organization
- Real-time access by R&D to on-line sales and service information

Procurement
- Internet-enabled demand planning; real-time available-to-promise/capable-to-promise and fulfillment
- Other linkage of purchase, inventory, and forecasting systems with suppliers
- Automated "requisition to pay"
- Direct and indirect procurement via marketplaces, exchanges, auctions, and buyer-seller matching

Inbound Logistics	Operations	Outbound Logistics	Marketing and Sales	After-Sales Service
• Real-time integrated scheduling, shipping, warehouse management, demand management and planning, and advanced planning and scheduling across the company and its suppliers • Dissemination throughout the company of real-time inbound and in-progress inventory data	• Integrated information exchange, scheduling, and decision making in in-house plants, contract assemblers, and components suppliers • Real-time available-to-promise and capable-to-promise information available to the sales force and channels	• Real-time transaction of orders whether initiated by an end consumer, a sales person, or a channel partner • Automated customer-specific agreements and contract terms • Customer and channel access to product development and delivery status • Collaborative integration with customer forecasting systems • Integrated channel management including information exchange, warranty claims, and contract management (versioning, process control)	• On-line sales channels including Web sites and marketplaces • Real-time inside and outside access to customer information, product catalogs, dynamic pricing, inventory availability, on-line submission of quotes, and order entry • On-line product configurators • Customer-tailored marketing via customer profiling • Push advertising • Tailored on-line access • Real-time customer feedback through Web surveys, opt-in/opt-out marketing, and promotion response tracking	• On-line support of customer service representatives through e-mail response management, billing integration, co-browse, chat, "call me now," voice-over-IP, and other uses of video streaming • Customer self-service via Web sites and intelligent service request processing including updates to billing and shipping profiles • Real-time field service access to customer account review, schematic review, parts availability and ordering, work-order update, and service parts management

← — • Web-distributed supply chain management — →

Source: Porter (2001)

In conclusion, PORTER (2001) says that "*companies that will be most successful will be those that use e-business to make traditional business process better and those that invent and implement new combinations of virtual and physical activities*". He also recommends that companies use the tool as a way to reinforce their strategies and positioning themselves based on strong values as quality, services, differentiation, focus and avoiding the price competition.

For the purpose of this thesis, Pearce's (2007) process of strategy model previously referred will be applied because it shows how all of the components are connected and how they impact each other. Beyond this, he offers sequential steps to reach the formulation,

implementation and constant control steps of the strategy process. His model is also important because it takes in consideration the dynamic system, which the company is inserted.

Besides Pearce's structure, Porter's (2001) three generic strategies will be taken in consideration to understand which is better applied and how the company must develop its competitive advantage. In order to fulfill Pearce's structure and Porter's analysis, the tools exposed on previous **Figure 5** regarding the organizational environment it is applied.

3. Research Methodology

Following the literature, an application of the concepts and tools are carried with the case study object: Toonari News and Media – for profit news media social enterprise start up.

Minayo (1994) position refers this moment of research and tools applications as an opportunity to look the data and search for an analysis in a broader meaning that involves the interpretation.

The data needed to the application step is gathered from software applications (e.g.: Google Analytics), websites (e.g.: Alexa), Toonari's business plan and in-depth interviews with the director.

Saunders (2003: 245) states that "*the use of interviews can help the interviewer to gather valid and reliable data that are relevant to the research question(s) and objectives*". He also adds that in-depth interviews have an informal structure that makes possible to explore a deeper perception of a general area related to the topic. It gives the opportunity to the "*interviewee talks freely about events, behavior and beliefs*" (Saunders, 2003: 247).

The director of Toonari News and Media is interviewed during the whole process and he is able to add crucial information through the strategy process assessment.

The variety of sources allows a direct access to valuable data of company's activities and consequently its strengths and weaknesses.

 In addition, as a contributor of the company since August 2011 under marketing department and connected direct with the president, it is possible to develop a participant observation. According to Saunders (2003: 222) it is when "*the researcher attempts to participate fully in the lives and activities of subjects and thus become a member of their group, organization or community.*"

The participant observation gives the opportunity of a better understanding of the organizational culture and consequently drives the conclusions closer to Toonari's reality.

Throughout the case study, strategic tools are used to collect and analyze the relevant information and drive the study to its conclusion.

The tools are applied in order to analyze Toonari's strategic process and offer recommendations and actions through the case study.

4. Case Study: Toonari News and Media

Toonari News and Media started its activities on February 2011 and launched its News and Media website Toonaripost (**Annex 1**) on April 18, 2011 with one total of 9 people as staff and with a great mission and strategy. Nowadays Toonari has over 500 members spread around 27 countries, and it keeps growing.

Toonari combines for profit maximization to reach the social-benefit maximization in one unique sustainable cycle (**Figure 8)** where the website (based on update news and entertainment source with profit goal) generates, pulls and supports the social goals (education and training for free); in the same time the "social company" (education and training for free) has the Toonaripost website as a media outlet and profit source.

Figure 8. Toonari News and Media system
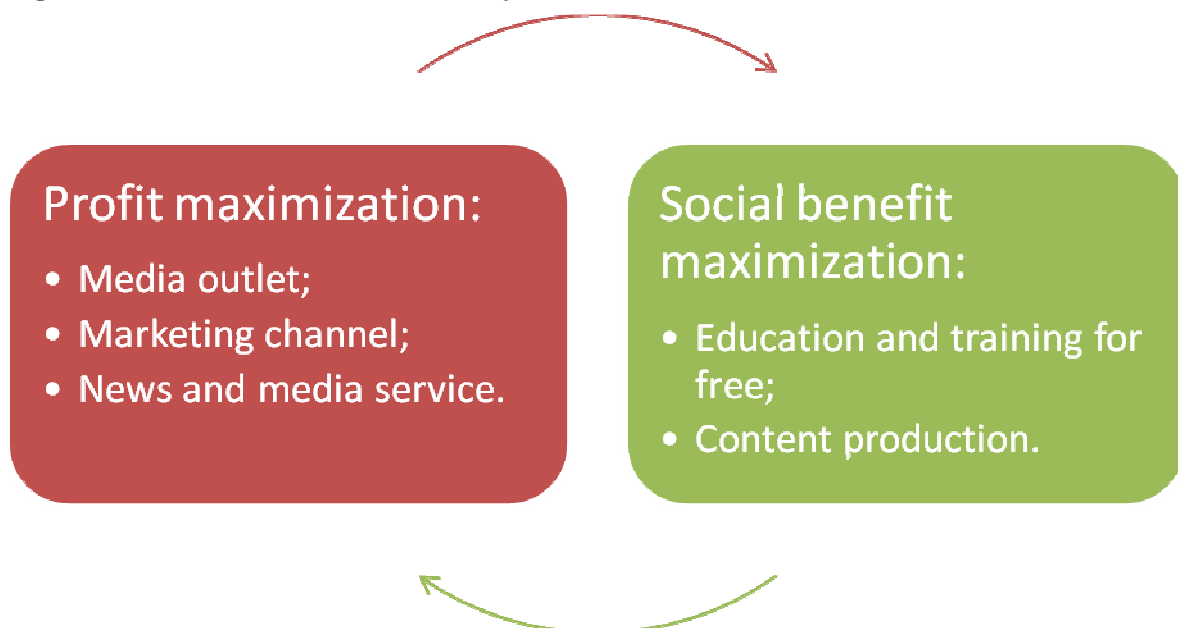
Source: Author's analysis based on Toonari's director information

The company is "*established to be the largest, amateur-journalist news network in the world, covering local and international news and events*" (Toonari News and Media, 2012: 4).

Toonari "*provides a global community which offers aspiring journalists, young professionals, and citizens in general as an opportunity to network, train and develop their careers by receiving on-line and hands-on training in a diverse, multi-cultural environment*" (Toonari News and Media, 2012: 6).

So far the company is offering only on-line training and working based on Internet technologies to develop both areas (for profit and social benefit maximization), but from June a Learning Center is going to open in Florida and will receive students to physical training with professional teachers. In the same time classes will be mainstreamed to all Toonarians (interns) around the world in real time through internet technology.

The goal, according to company director, is to develop a sustainable system of growth based on networking. The interns around the world gain training and experience while spread the word in the world, promoting the company and offering real time worldwide news. When the interns are trained they can teach new ones and use Toonari for job replacement in to other companies.

The model has shown good results related to the team, content publishing and traffic growth. To capitalize on this grow and diverse audience, Toonari offers to companies an opportunity to advertise and connect their brand with a broader audience through display advertising, sponsorships, video advertising and email advertisements. Through this way, companies can increasing their brand awareness and improve the Company Social Responsibility as Toonari's business is related to social benefits. Due to the significant growth in display-related advertising, Toonari is expecting to consistently have sold out inventory once the daily visitors reach 1M.

The growth in general gives more power to Toonari to negotiate sponsorship and advertise selling. "*Toonari Post visitors are very engaged as they spend average 8 min and make 5.5 page views per visit*".(Toonari News and Media, 2012:11)

Advertising has a huge participation on the newspaper business. For instance, in USA the newspapers are reliant on advertising for 87% of their income (OECD, 2010). For digital format good indicators as traffic and engagement of users are key players to have power of bargain in advertising negotiation.

The Online News has grown to average 108M unique visitors per month. Due to the rapid online growth, companies are seeing increases in revenue by offering online advertising

on their sites. Online Advertising revenue reached $26 billion in 2010 and is rapidly growing each year. Similar competitors, such as Bleacher Report, have capitalized on this growth and have expanded rapidly by securing over $40M in funding since 2007 to build out their team and product offerings. (Toonari's Business Plan, 2012: 13).

According to Toonari's Business Plan (2012), the company has mission, vision, objectives and a developed strategy. Its business plan has mainly based on SWOT and competitor's analysis. For the purpose of this thesis, the mission and vision will be used to guide the alignment of actions and analysis, the SWOT analysis and the present statements will the assessed and when necessary reshaped.

The analysis is following the Pearce's model, which sees strategy as a process. The process is divided in to three sections: Formulation, Implementation and Control. During the assessments and tools applications across the strategy processes few orientations are given to Toonari.

4.1. Strategy Process: FORMULATION

4.1.1. Mission, Vision, Values and Culture

- **Mission**

Toonari News and Media mission is to build the world's largest young professional development network, providing an opportunity for upcoming and talented professionals to train, network and learn alongside aspiring students from around the world.

- **Vision**

Toonari News & Media will be the leading force in providing informative and critical on-line news and entertainment information. Its success will allow the company to donate time and funds for philanthropic causes with the goal of helping to further our society. Through its various media outlets, Toonari strives to be accountable, critical, communicative, honest and professional, and it hope to raise debate and interests in global causes including the environment and human rights. Toonari News and Media wishes to help people make informative decisions about our society and eventually make a better world tomorrow.

- **Values and Culture**

Toonari News and Media is committed to maintaining its readers' trust and assuring the credibility of all of its publications, while upholding a creative, social and exceptional, fun working environment.

The company's values access to education and promote internships that are giving students and young professionals the chance of gaining skills in our profession, for free, that they can use in the future. Part of its program is also to reach out to communities where education is limited and where access to information is skewed. Toonari News and Media is committed to reaching out to citizens from these societies all around the world and give them a chance to gain skills and eventually contribute to a better understanding of the world.

Toonari believes that it is its responsibility to actively participate in organizations that serve the communities in which it works and give back on a continual basis. Toonari embraces the relationships with local organizations, and it strives to be accountable, caring, honest and professional.

Mission, Vision and Values will drive the assessments and the actions to a full alignment inside the company.

4.1.2. External Environment of On-line News and Media Industry

In order to analyze the external environment the following diagnosis tools, previous explained on the theoretical referential, are used:
- For the macro-environment: PESTEL, Key drivers and Scenarios;
- For the industry and sectors: Competitive forces and Industry life-cycle;
- For competitors and market: Strategic groups, Market segments and Critical success factors.

Macro-environment
- **PESTEL**
➔ Political and legal factors:

Political regulations and legal parameters in the on-line environment seem to always be one step behind. Caused by the speed of changes and dynamic environment characteristics, it is has been difficult to define rules to control what happens on line.

Time by time institutions try to generate certificates and definitions of ethical behavior in order to protect the stakeholders (employees, consumers, general public and shareholders). It is possible to predict that maybe in future the governments will be more prepared to deal with e-business companies.

Related to news and media industry, a political and legal factors do not present a constraint to the growth of the e-business, especially if the news and media e-business is based on ethical values.

In terms of growth in all countries, the content policy that each country has it can interfere on the business. For instance China has an on-line environment controlled by the government and some businesses cannot run there. This can happen in other areas of the globe also, where the e-business is against national or cultural ideas.

Besides local policies, e-business regulations agencies are focused on issues as taxation, property rights and copyrights, consumer and data protection, recognition of virtual transactions, privacy and security of users.

Actually, none of this regulations are able to stop the growth of the e-business, however, it encourages. The reason is that the majority of population was afraid to use Internet technology to do business before. Such environment was considered highly unprotected and nowadays there are an increase related to electronic trust because of the advancements in politics and technology.

➔ Economic factors:

Globalization is an economic factor that impacts positively the development of e-business and offers opportunity for companies to overcome local situations.

For instance, when the local area of the company is in crises, the development of e-business strategy can open new chances for enterprises to grow in other areas of the world. As well as unemployment rates and seasonality/weather issues for example, could have a minimum impact on pure e-business companies because of the no-boundaries characteristics.

The international factor can also help the e-business to deal with business cycles in a better way. Regarding to the News and Media industry, this analysis is applied.

➔ Social factors:

The lifestyle changes play one of the biggest roles on the e-business development. This occurs when gradually the population starts to change in daily basis the activities from traditional to on-line channels. The consumer behavior is deeply impacted by the Internet

technology, earlier in this thesis it was discussed already the ZMOT. The social factors actually demand an on-line position from all companies.

The changes regarding the News and Media Industry are related to the usage of internet for the population that drives them to search the news and information through a most practical way to reach their goals according with their time and availability. The Internet technologies are able to fulfill the format that the population demands.

Therefore, one constraint regarding social behavior is the fact that people are exposed to so many options on line that the news website must have the format text as a short one to offers a really quickly view. The website must catch the user in the first seconds otherwise they just go to the next one.

From the consumer perspective, the Internet generates a level of suspicion on that news and media websites as a result of the easily possibility to run without ethical criteria or reliable sources. For that traditional and well-established news and media companies, it is easier to transfer the credibility of the business to the e-environment, but for the new business, it is important a good strategy in order to set the position on the e-market.

Another positive issue related to the social changes is the increase of social concerns from the society in general. This means, all companies able to offer benefits to society instead be just focus on profit will be able to be valued by the users in a positive way and the brand image of the companies can take advantage from the social responsibility.

→ Technological factors:

Regarding e-business, the technology is fundamental to the development of the industry. It is the advancements in the Internet technology, gadgets and devices, mobile technologies, information systems, collaborative tools and security on-line systems that encourage the development of e-business.

It is important to highlight that the speed of changes in technology (software or hardware) is high and the companies must be aware of this. The constant innovation in technology impacts negatively the business life cycle demanding also a constant innovation inside the company. Global communication possibility, e-learning, collaborative tools are few examples of the changes in the industry.

News and Media industry has been redefined through changes in its way to communicate and deliver message to users because of the technology.

➔ Environmental (ecological) factors:

The environmental concerns can also increase the development of e-business initiative inside companies. The advantages related to the decreasing of waste, pollution, water and energy are few examples.

For instance, inside News and Media Industry, the e-business helps to decrease the ecological impact, moving from paper format to electronic. News broadcasting on line doesn't need the paper and electricity to print, the truck to transport, and the paper to register the transactions.

- **Key Drivers on the News and Media Industry:**

It is the combination between the occurrence probabilities of events and the possible impact on the company. **Table 3** emphasizes situations that Toonari must be aware and ready to take actions in case if needed.

Table 3. Key drivers on the News and Media industry

Possible impact on the company

		HIGH	MEDIUM	LOW
Occurrence Probability	**HIGH**	▪ Internet usage growth ▪ The change from newspaper format to digital format ▪ Demand for real-time and updated news ▪ Mobile technologies ▪ Changes on social behavior regarding the news reading	▪ New software and tools to share information ▪ Global Financial crisis ▪ New entrants on news and media e-business	
	MEDIUM	▪ Big News and Medias companies of traditional channels monopolizing the on-line consumers based on their reputation and credibility	▪ Increase of regulatory agencies and policies	
	LOW			▪ Countries policy against on line news channels

Source: Author's analysis

- **Scenarios**

Regarding the key drivers on the news and media industry analysis, it is possible to draw three groups of scenarios separated by priority and consequently type of behavior expected from the company:

➜ <u>High Priority</u> (red blocks): Company must have one active approach regarding this scenario.

The events with high occurrence of probability and with high impact on the company draw one set of scenarios where the company must prioritize. The changing on consumer behavior resulted by the increase on Internet usage drove the changes of traditional format to digital format as also the demand for real-time and updated news. The news and media companies must prioritize such changes and insert into the company the necessary tools to satisfy the need of the consumers. The company must also invest in developing mobile apps and appropriate format for new devices. Regarding the traditional news and media companies, they have a strong reputation and tradition that go with them to an on-line environment and consequently the consumers can drive the loyalty from traditional newspaper to the digital version, in this case the new companies must focus on differentiation and how deliver value out of the traditional ways. Because of the global financial crisis companies see the e-business opportunity as a cost-cutting opportunity and this impacts the competitive environment with new entrants. This high priority scenario is also drawn by the high speed of changes in technologies and improvements on sharing information tools demanding constant investments in this area.

➜ <u>Medium Priority (green blocks):</u> Company must be aware and track the changes to adjust the strategy when needed.
The news and media e-business company must be aware and follow the increasing regulations related to web approach, ethics, security, and requirements.

➜ <u>Low Priority (purple blocks):</u> Actions and resources may not be needed to these aspects.
The news and media e-business company may not be focused on entering to countries, in which free speech is not allowed or presents a restrict requirements. The growth and development inside this countries and regions can face a lot of constraints. As the

electronic format will allow entrance in global perspective, a low priority must be given to entrance in restricted countries.

Industry and Sectors

Figure 9. Porter's five forces

- **Competitive forces**
➔ Suppliers:

(+) Most part of suppliers of traditional media is no longer needed. Their bargaining power decreases.

(+) No boundaries to get connected with journalists and content creators from around the world.

(-) Journalists and content creators can generate their own business easily and get connected directly to the users.

Porter (2001)

(-) The loyalty level of journalists and content creators decreases because of the access to different opportunities.

➔ Buyers:

Final users or readers

(-) Increased bargaining power of end consumers (readers) based on possibility to switch companies.

(-) Reducing traditional possibilities of News and Media generate profits through the traditional way – sell of the edition.

(-) The loyalty level of final consumers has been decreasing

Channels

(+) Decreased bargaining power of channels based on the direct connection between final users and company.

➔ Substitutes:

(-) Continuous creation of new substitutes threats on e-environment. For instance, personal blogs and social networks spread the news rather than newspapers.

➜ Potential entrants:

(-) Decreased barriers to new entrants

(-) No need for a big amount of physical assets.

(-) No control about competitors coming from different parts of the globe.

➜ Competitive rivalry:

(-) It is hard to keep property in terms of technological differences.

(-) There are small differences between competitors.

(-) No geographical boundaries in terms of competition.

(-) Information for free impacts profit source and increases price competition.

The conclusion of the competitive forces shows that the industry is highly competitive and the virtual aspect influence forces in a negative way. Consequently, all companies inside this industry must search for unique ways of positioning and development of a sustainable competitive advantage.

- **Industry life-cycle**

The high speed in technological changes can affect dramatically the life cycle of the news and media electronic industry. While traditional news and media companies takes a long period of time to establish themselves on the market, the dynamic characteristic of the on line environment reduces this time.

Graph 2, previous exposed on the literature review, shows a traditional industry life cycle with its stages of development and declining. It is possible to point the traditional News and Media industry on the declining stage, for instance **Graph 3** shows the daily Newspaper paid circulation in U.S. and from the 90's, when Internet starts to increase its outreach, the industry starts to decline.

The same declining stage can be seen also on the OCDE countries survey (2010), **Graph 4,** and on the same survey it is possible to see the increase of digital format newspaper (**Graph 5**). A comparison between the graphs exposes their complementarily.

Graph 3. U.S. Daily newspaper paid circulation: 1940 - 2009 (in millions)
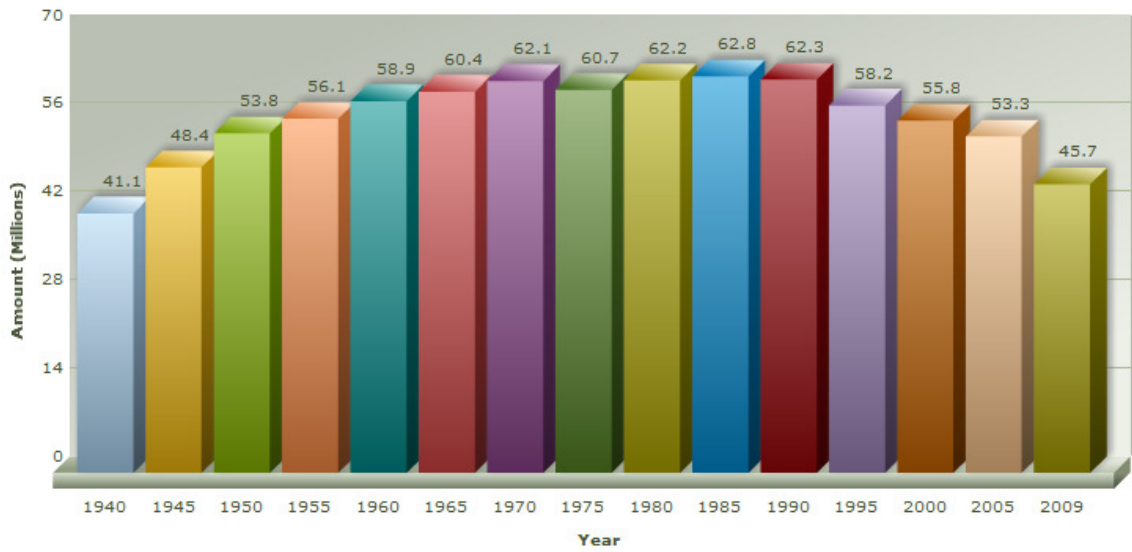
Source: Editor and Publisher (http://www.editorandpublisher.com)

Graph 4. Estimated newspaper publishing market decline in OECD countries, 2007 - 2009 (in per cent)
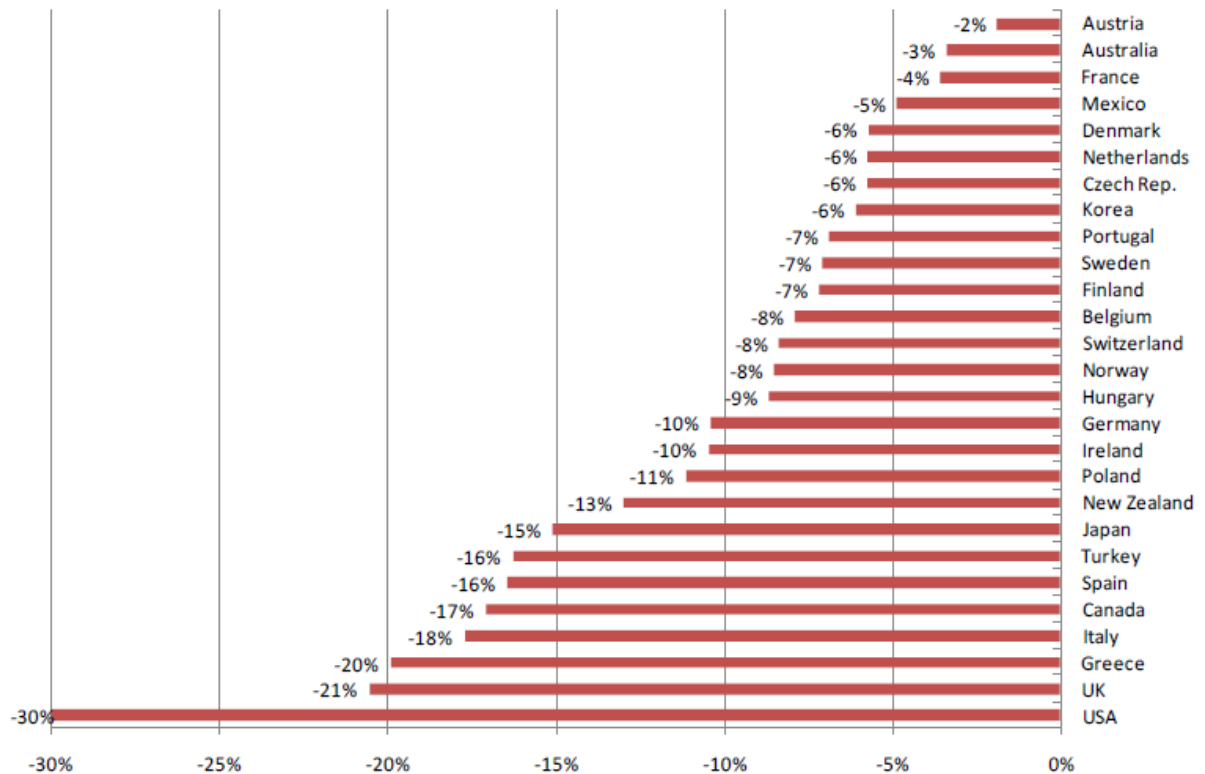
Source: OECD Survey, 2010

Graph 5. Proportion of individuals reading/downloading newspaper/news magazines over the Internet for private purposes (in per cent of individuals aged 16-74)
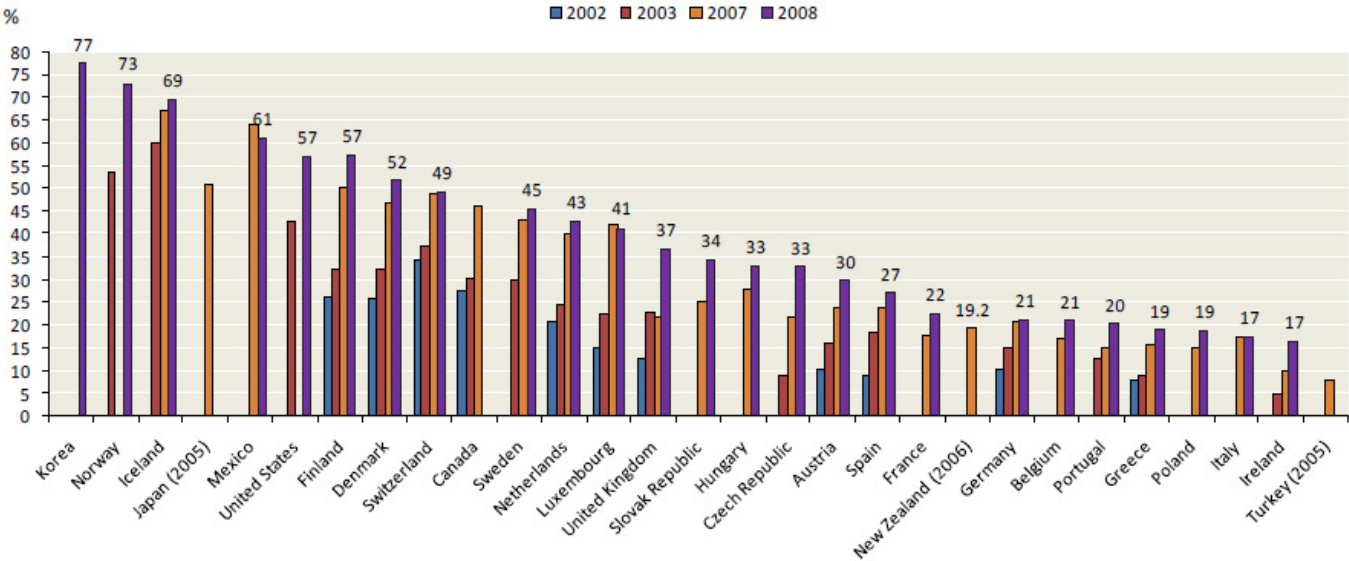
Source: OECD Survey, 2010

Personal computers and laptops are not solely responsible for the digital format reading behavior, the appearance of new gadgets allowing the combination of reading with mobility as mobile/smart phones, e-readers and tablets plays an important role. In one survey conducted by BCG (2010) about e-readers and tablets, two main key findings reinforce the trend of digital format reading behavior:

1. 30-50% of the target group intends to purchase a device (e-reader or tablet) within a year and 50-75% within three years.
2. 70% expect to read newspaper on e-readers/tablets.

Taking in consideration this data in combination with the previous graphs, it is possible to put the news and media on line industry in the growth stage. This characterizes an environment really attractive to new entrants and a challenge to traditional industry develop the needed changes. It is just not possible to predict for how long it will be increasing or what will be the next change in the market.

Competitors and Market

- **Strategic Groups**

Analyzing the environment of competitors through the strategic group helps the company to know where the competitors are in the market place and where the company needs to be to avoid the competition and generate unique value to the customers.

On the process to develop the strategic groups of Toonari News and Media it is possible to draw a map to visualize in a better way how the companies are distributed around the market place.

Drawing the strategic group process is based on 4 steps:

1. Identifying the top competitors:

Some criteria are defined in order to define competitors. The companies must act inside the on line news and media or publishing business; and, they must offer the news up date just on line, mobile applications, social networking and any kind of system based on Internet technology. It does not take place in this analysis traditional newspaper which migrates time-by-time to on-line environment. (**Annex 2** for competitors' webpages)

According to Toonari's Business Plan (Toonari, 2012:13) and Alexa's website it is possible to access the data from competitors. Some market leaders are identified and exposed with their characteristics:

➔ The Huffington Post**:** www.huffingtonpost.com

Founded: May 2005

Average Traffic: 25 million visits a month

Average pageview/user: 3

Audience: Most white male over 50 years old

Historic: Huffington turned its first profit in 2010 and was purchased by AOL in February of 2011 for $315 million. It offers actual news and content about various topics: politics, business, entertainment, technology, popular media, culture, and local news.

➔ The Daily Beast: http://www.thedailybeast.com/

Founded: October 2008

Average Traffic: 4 million visits a month

Average pageview/user: 2

Audience: Most white male over 50 years old

Historic: Launched by Tina Brown, former edit of Vanity Fair. In 2010 realized a merger deal with Newsweek magazine. Offer content in different fields.

➔ <u>Bleacher Report:</u> http://bleacherreport.com/

    Founded: 2006

    Average Traffic: 10 million visits a month

    Average pageview/user: 3

    Audience: Most white male 35 - 49 years old

    Historic: Focused on original sports content produced by bloggers and amateurs sports writers.

➔ <u>Examiner:</u> http://www.examiner.com

    Founded: 2004

    Average Traffic: 9 million visits a month

    Average pageview/user: 2

    Audience: Most white male 35 - 49 years old

    Historic: Offer content in different fields: politics, business, entertainment, technology, popular media, culture, and local news.

It is still possible to add more two competitors which are inside of the same industry:

➔ <u>Mashable:</u> http://www.mashable.com

    Founded: July 2005

    Average Traffic: 16 million visits a month

    Average pageview/user: 2

    Audience: 18 - 34 years old

    Historic: Content focused on technology and social media.

➔ <u>Ohmynews</u>: http://international.ohmynews.com/

    Founded: February 2001

    Average Traffic: 1,5 million visits a month

    Average pageview/user: 2

    Audience: 35 - 49 years old

    Historic: General subjects, updated by citizens and closer functionality of Toonari regarding Learning center. It is from Korea and has the main audience from its country (over 91%) and USA (around 4%).

2. Separate the competitors regarding the similarities:

Average of audience can give one way to separate the groups through similarities. In this case there are 4 groups:

➔ Group A (18 – 34 years old and focused): Mashable

➔ Group B (35 – 49 years old and focused): Bleacher Report

➔ Group C (35 – 49 years old and general): Examiner and Ohmynews

➔ Group D (over 50 years old and general): The Huffington Post and The Daily Beast

3. Choose two most competitors factors in Toonari's market place:

In order to analyze the market place it has been chosen the following competitors factors:

➔ Target market regarding average of audience: 18 -34 years old, 35 – 49 years old and over 50 years old.

➔ Content of competitors: Focused or General

4. Put on the map (Graph 5):

According to Johnson (1993: 100) "*mapping the strategic groups can provide insights into the competitive structure and the opportunities and constraints for development*".

The mapping process will help to visualize, which places on the market are available and which ones are already used by the competitors. Depending on the company's goal, it is be possible to analyze the barriers to move to an already taken place, or what is needed to position on the free areas on the map.

Taking into account following data about Toonari Post web site:

➔ Website: http://toonaripost.com/

Founded: March 2011

Average Traffic: 0,3 million visits a month

Average pageview/user: 6 pages

Audience: 18 - 34 years old

Historic: General subjects, updated by citizens, students and aspiring journalists called Toonarians and receiving constant training for Toonari News and Media. The mainly audience is from USA (46%), UK (7.5%) and the rest is around the world.

Graph 6. Strategic groups map
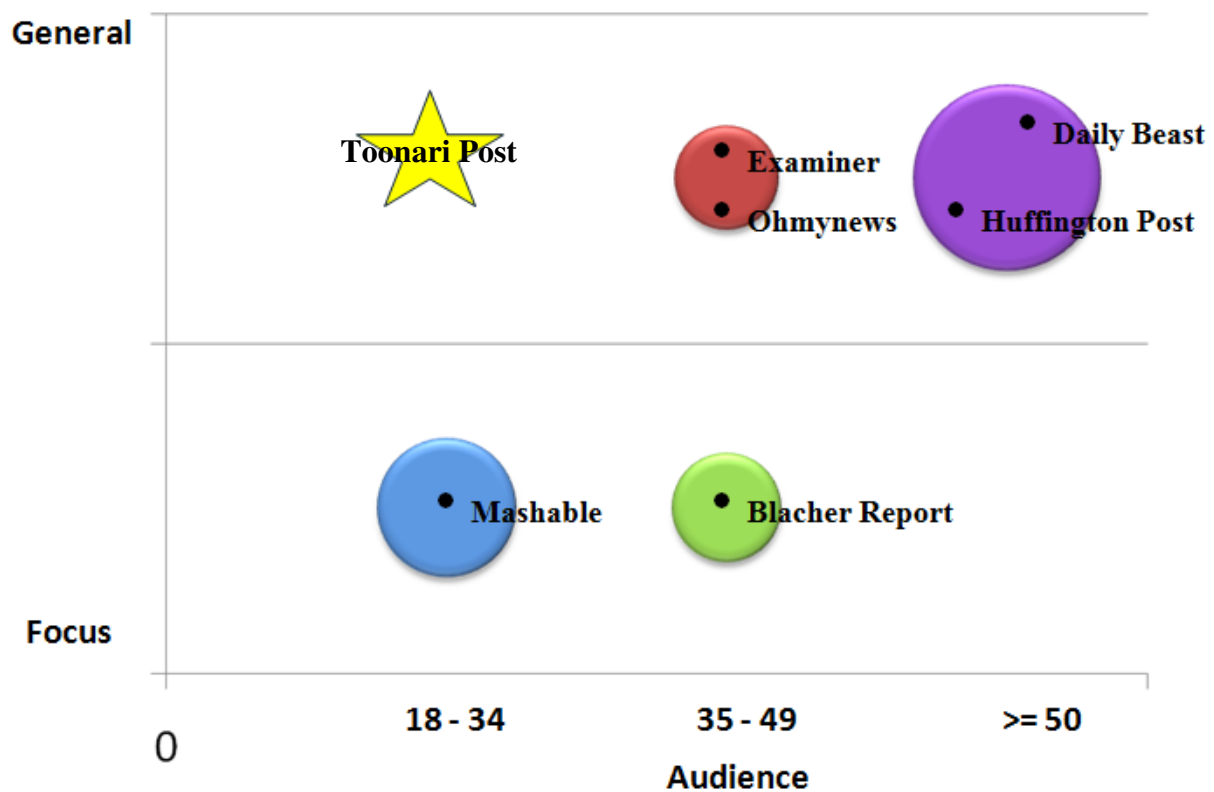
Source: Author's analysis

Toonari Post is able to fulfill the empty space on the map and avoid the competition by developing a general content to an audience between 18-34 years old. The actions and activities of the company must be related to reach this point.

- **Market Segments**

The definition of the market is important in order to understand the customers' needs and drive direct messages to reach them. Johnson (1993: 101) idea is that the whole market is not the same, but it is made of segments based in similar and different characteristics.

Toonari News and Media, according to the mission, goals, objectives and system presents the following customers segments based on the activities of the company:

➔ Segment 1 – related to the social benefit maximization

Description: Aspiring journalism, citizens from around the world, willing to become Toonarians and receive trainings/education; and journalists and marketing professionals able to offer trainings.

➔ Segment 2 – related to the social benefit and profit maximization

Description: Young news consumers, around 18 – 34 years old, interested in unique news content from around the world, including news not mainstreamed from the main channels.

➔ Segment 3 – related to profit maximization

Description: Companies looking for partnerships and sponsorships in other to improve their brand image and company social responsibility by connecting with Toonari ideal. Also the companies are able to by advertising on the Toonaripost webpage.

The more Toonari knows about its segments the better are the chances to communicate effectively with them and look for fulfilling their expectations and needs. Johnson (1993: 103) suggests the following analysis (**Table 4)** to understand better the market segment:

Table 4. Criteria to analyze Toonari's segment

TYPE OF FACTOR	CONSUMER MARKETS		
	Group 1	**Group 2**	**Group 3**
Characteristics of people / organizations	• No discrimination of sex, age, race or religion. • Located around the world with Internet technology access. • Aspiring journalism or willing to develop an internship in the areas related to Toonari's company. • Professional willing to teach and help the society.	• Around 18 – 34 years old, no discrimination of sex, race or religion. • Located around the world with Internet technology access. • Uses Internet to know about the world and search for different kind of news.	• Companies which are looking for partnerships to improve its brand image and CSR. • Companies related to the core values of Toonari searching for advertising opportunities in digital areas. • Companies, which offer global services/products. • Companies interested in reach Toonari's segment.

Purchase / Use situation	• This group will use Toonari with the purpose to increase their professional experience and be part of a specific network able to open job opportunities. • Professionals concerned about offer a service to society. • References and brand awareness is important on the choice criteria.	• This group will use Toonari in order to get news about the world with a young perspective. • The choice criteria are related to the type and format of content. Toonari's references is important to get to know as also a good advertising through the e-places where this group use to be (for instance, social networks)	• Revenue of advertisement is around 57% of the income on the traditional business and 43% from the sales. As the online trend is to offer for free the news, one good structure of advertising sales must be build. • Companies that want to buy online advertising for reach a bigger amount of market through no boundaries offered by the online environment as also the 24/7 exposure.
User's needs and preferences for product characteristics	• The training structure of Toonari offers a dynamic possibility to this group learns and practices. • The software which allows the worldwide group gets together and build a functional network is one different feature offered.	• There are other websites offering news updates, but the Toonari's goals are to offer high variety and good content. • The desired features to this group are applications offered by the company, which make available the content access in different types of gadgets (mobile/smart phone, tablets, and e-readers).	• The Toonari fast growth is really attractive for companies willing to advertise in its website. • High traffic rates, loyalty of users are important rates measured by the companies willing to advertising on Toonari's website.

Source: Author's analysis based on Johnson (1993: 102)

- **Critical Success Factors**

In this analysis it is important to indentify which characteristics are valued by the market segments and which key tasks are needed to support this.

The goal is to highlight the important factors where the company must outperform in order to get a better positioning regarding competitors and customer perspective. The critical success factors will come out from the combination between what customers want and what competitors are doing; the objective is be superior in both aspects. This also helps the decision-makers of the company to be focused on what really matter to the company.

Johnson (1993: 330) recommends a manageable list and the constant focus on the company's core business. For the on-line news and media industry where Toonari News and Media is part of, it is possible to verify three critical success factors and its respective key tasks:

1. **Software features**: High quality of software features; experts to use all advantages offered by the software; training of all contributors about the used software.

2. **Networking/relationship development:** Interactivity between e-readers and contributors; increase relationship with software supplies; increase the networking between contributors in other to potentiate the quality of work.

3. **Variety of content with high quality and speed of update:** Train the contributors and identify leaders to be able to manage teams and act about publishing news; offer news with different point of views to give a critical opinion to the readers.

4.1.3. Internal Analysis

The internal analysis provides to Toonari, according to Pearce (2007: 151), a "*realistic awareness and appreciation of their firm's internally generated advantages*". With this purpose the following analysis are developed:

- SWOT: to help the company with the awareness about opportunities and strengths, and also threats and weaknesses;

- Resource analysis: to identify the resources of the company and how valuable they are;

- Value chain analysis: to identify which activities are the most important for the company.

<u>**SWOT Analysis**</u>

Toonari News and Media presents in its business plan (2012: 15) a SWOT analysis, which in this case is assessed and improved.

SWOT analysis is like a snap shot of one specific moment, like a picture from real life, in this case, this snap shot cannot be one-time event and this second moment it is valuable to the company in order to understand the changes that may have happened.

- **Strengths**
- → <u>Development of international contributor</u>: The University of Navarre in Spain is the first university to sign in to the Toonari network. Students will begin interning with Toonari, while Educators from the University will offer training opportunities through webinars and training sessions for contributors. Additional schools will continue to sign in, creating a large student and educator pool for contributors to network and gain experience. These agreements improve the brand awareness of the company and its reliability with customers. It is totally aligned with the actual mission of the company and its goals.
- → <u>Interactive Global Network</u>: Toonari's contributors are spread around several countries and cultures. The contributors, known as Toonarians, provide unique stories and networking opportunities. The level of international contributors provides to Toonari a global perspective in its content and consequently increases its competitiveness. Other advantage of global contributors is the 24/7 content production, because of the different time-zones around the globe.
- → <u>Identification of leaders</u>: The global network also gives to Toonari the possibility to find the best ones and be able to develop their skills on the same time they push the company to the best performance. There are no geographical limits to find the best ones.
- → <u>Unique blend of original content</u>: Due to the global reach of the team, Toonari's publications provide more than just mainstream news. The writers pride themselves on providing sound, original insights on mainstream, breaking news and entertaining local news stories from each of their respective countries. Users have especially taken Toonari Post as the publication is seeing 99% of the visitors going on to explore other pages within the site and going on to average 5 page views per visit.

➔ Experienced online marketing team: The management team has over 20 years of Online Marketing experience building brands' online market share, increasing sales and web site traffic for several Fortune 500 companies, including Nelnet, Capital One, Dollar Thrifty Auto Group and Discover Card.

➔ Cross-training opportunities building multi-disciplinary opportunities to contributors: All contributors work with a team of editors and experienced professionals to enhance their skill set. In addition to hands-on trainings in their specific discipline, Toonarians are cross trained in other disciplines and are able to attend training sessions offered by other Toonarians such as language sessions, software tutorials, etc. The actual system is able to develop the capabilities and skills of contributors and consequently add value to the company through the high quality of human resource.

➔ Effective virtual environment for training already established: Toonari presents through different software the ability to deal with real-time trainings of Toonarians around the world in the same time. An effective schedule and team allow the activity to happen without constraints.

• **Weaknesses**

➔ Cost factor associated with initial expansion: Toonari is facing significant growth in the amount of contributors coming on board. To continue providing the top-level training, editing and organization, Toonari needs to hire experienced editors to train and organize each of the news desks.

➔ Numbers of experts are not following the number of contributors: As explained in the previous topic, it is necessary more experts in order to follow the growth and consequently maintain the quality of publications. The quality is also related to real time publications that may not happen when the few experts are over charged with work.

➔ Contributor turnover: Since non-paid contributors generate the majority of the content, long-term retention may not be as high as desired. To combat the turnover rate, Toonari must continue to recruit new contributors from around the globe and provide high quality training sessions to increase retention rates. However if the contributors obtain positions in larger organizations due to their experience with Toonari, the turnover can be used as strength through the promotion of testimonials and reviews.

➔ Industry experts for seasonal trends: Due to the consistency with which Toonarians contribute, sometimes gaps appear for seasonal trends such as summer travel, holiday content, etc.

➔ No mobile format: Due the lack of investment cost and experts, any of other formats were developed to smart/mobile phones, tablets or e-readers. So far, the company can focus on development of it is website first, and then increase the different numbers of formats.

➔ Cost factor associated with keeping state-of-the-art hardware: Keeping up with the technology of the Internet is an expensive undertaking. Toonari needs to balance technology needs such as mobile applications with the other needs of the business. One aspect of the business can't be sacrificed for the other. A list of priorities must be handled.

➔ Lack of market share: Due to the freshness of the site, Toonari's sites are still struggling to gain market share; however with a strong social media campaign, SEO activity and working through partnerships, the Toonari sites will be able to effectively penetrate the market place.

➔ No physical structure to develop the hands-on training: Toonari also has as goal the hands-on sections developed in its Learning Center, which will be opened just in June. But so far, this goal has not been developed yet.

• **Opportunities**

➔ Growing population of the Internet users: The Internet is increasingly becoming a staple in how the majority of the population shares and consumes information. The online population is expected to reach over 75% of the US population by 2014. Traditional news agencies have been slow to respond to the online trend and have not been able to successfully adapt.

➔ Consumer behavior changing regarding news consumption: Due the Internet usage growth and the time management changes, consumer behavior related to news is changing to online formats. Consequently, the newspaper industry is in the decreasing stage of life cycle, opening opportunities to online formats of news and media industry.

➔ Evolution of mobile devices: The use of mobile devices and tablets are increasing rapidly. In 2010, smart phone users reached 25% of the US population. Accessing

news and information was one of the top three activities performed on a smart phone just behind texting and photo taking. To meet the needs of the growing and changing population, Toonari must develop a mobile site and mobile applications to provide the users with the news that is relevant to them and be able to deliver the information on their terms.

➔ Popularity of social networking: Social media continues to grow in popularity with 90% of the population accessing a social networking site each month and accounts for 12% of all time spent online. Toonari must be expanding the social media presence of each for each of the sites to increase visitors and loyalty.

➔ Expanding video usage: The online video market continues to increase with over half the population watching videos each month. Engagement levels have also increased as the average American spent over 14 hours watching video online (12% increase from 2009). Toonari is looking to capitalize on the popularity by providing stories in video format both on the site and on networks such as YouTube.

➔ Partnerships and advertising market: With the growing interest in digital marketing, more and more companies are looking for partnerships and advertising opportunities in new, digital areas. A comScore report shows a 20% increase in digital brand advertisers in 2010. Toonari must develop a special communication to reach companies willing to partnerships and advertising.

➔ Professional market, more and more competitive: Because of the changes in the facility to reach a bachelor degree and the amount of universities and courses around the world a way to select candidates is related to their work-experience. Toonari can fulfill this need of the companies about workers with training and in the same time offer internship to students to prepare them better to their future jobs.

- **Threats**

➔ Increasing competition: Currently, Toonari is one of the few to offer a development platform for amateur journalists; however several companies follow a similar business model can potentially follow suit. To stay ahead of the competition, Toonari will need to focus on proper training for each of the contributors to provide quality content to the users and prosperous learning experience for the contributors.

➔ High level of opportunities to Toonari contributors: Contributors can go to find new opportunities on the job market really fast regarding the on-line opportunities. Since

Toonari relies heavily on contributors, the quality of in-depth training sessions and portfolio building seminars will be essential to continue contributor recruitment and retention.

➔ <u>Invisibility in on-line environment:</u> The level of business on line has been increasing and can make hard contributors and consumers reach Toonari. In this case, constant campaigns and SEO development are crucial.

After the identification of the strengths, weaknesses, opportunities and threats as recommendation to deal with each one, the company must be sure that is developing the strengths in the best way to take advantage of the opportunities and consequently decrease the weakness and threats.

- **Limitations of SWOT**

According to Pearce (2007: 157) it is important to be aware about SWOT limitations to take the best analysis based on the reality. There are few limitations that must be taken in consideration on the development process of this analysis:

1. Overemphasizing internal strengths and downplay external threats
2. Static aspect can ignore changing circumstances
3. A strength is not necessarily a source of competitive advantage

To avoid these limitations it is important explore all four groups of SWOT avoiding to focus just on strength. The knowledge of weaknesses and threats can be as important to the company as strengths and opportunities if well-explored. A constant SWOT update is also important to follow the dynamic characteristic of internal and external environment.

<u>**Resource based view**</u>

Analyze Toonari's resources in order to identify possible competitive advantages comes through two steps: identify and assess. According to Pearce (2007: 166) this method it is applied taking in consideration the tangible and intangible assets as the organizational capabilities. Also, VRIO's framework presented by Barney (2006, 78) will complement this Resource-Based view. Checking if the resources are Valuable, Rare, Inimitable and exploited by the Organization. Understanding if the resource has also a dynamic characteristic must be taken in consideration because of this is needed in an industry which works on line.

Table 5. Identification and assessment of Toonari's resources and capabilities

Resource	Relevant Characteristics	V	R	I	O	D	Strength or weakness
Tangible Resources							
Financial resources	The capitalization of Toonari will come from investments and advertising sales, but at this moment is relying on the director's investment that is limited. The company is still working unprofitable regarding the short period on the market and the time needed to build a steady financial status.	-	-	-	+	-	Weakness
Physical resources	As the main activity of the company is on the on-line environment, at this moment there is no physical structure. The Internet supports the human resource activity, marketing and sales. Actually the company's pursue 2 laptops, 1 Ipad, 2 desktops.* *From June one Learning Center will be opened allowing the hands-on training sessions and physical location. From there the company will have besides the building (17000m2), 8 desktops, projector, headphones, speakers and office materials.	+	-	-	+	+	Strength
Intangible Resources							
Technological resources	Company runs two main websites, one about the organization (www.toonarinews.com) and other about the news update (www.toonaripost.com). Both are developed based on hybrid server with Wordpress software. The company owns the licenses of the needed software: Microsoft Office, Outlook, Adobe CS4. Free software are highly explored for the company.	+	-	-	+	+	Strength

Reputation	The Toonari's reputation has been developed through the collaborators - Toonarians - and the actual growth of the company seems to be positively impacted by their references and work.	+	-	+	+	+	Strength
Accumulated experience within the company	Toonari's management team is a group of accomplished, world-class team of online marketers, award-winning journalists and recruiting professionals. The founders have combined for over 20 years in online marketing/ web site development and content creation experience. (**Annex 5**)	+	+	+	+	+	Strength
	The worldwide contributors allow Toonari to be open to new knowledge. Training sessions make possible to share the knowledge and train skills. The goal must be how to retain qualified people with high level of knowledge as usually the internships last for a small period of time.	+	+	+	-	+	Strength
Organizational Capabilities							
International training sessions	Through the international training sessions the management team or identified team-leaders are able to share information, train, delegate responsibilities and develop actions to reach the company's goal.	+	+	+	+	+	Strength
Multicultural environment in order to produce unique content	The variety of content is real time produced for a multicultural team spread around the world offering a different point of view. Through this, Toonari can reach the interest of different people in the same time.	+	-	-	+	+	Strength

Source: Author's analysis

After the analysis, it is possible to identify the weakness related with the lack of financial stead structure. The actual financial resources impacts negatively the others.

As the Toonari system is interconnected between profit and the social benefit maximization, the development of the strengths must be empowered to consequently impact the financial resources.

The physical resources will be empowered by the Learning Center. For the intangible resources as technological aspects, a constant update of the new software is necessary. Regarding the reputation, a communication strategy can be developed combining different approaches inside the social networks, websites, reviews and references. The accumulated experience within the company can be maximized through a system inside the internal networking developed to spread news and good achievements after the training sessions. The organizational capabilities are related to the Toonari's system combining education and production of content and it is empowered when the contributors are engaged with high quality, consequently the constant motivation of them is crucial.

Value-Chain Analysis

Identify the activities that are critical to buyer satisfaction and market success and develop one unique configuration of the process can help Toonari to reach one unique place in the market. The combination between resources and structure is unique for each company and hard to copy, or at least, should be.

The value chain must be aligned with the goal of the company, if is low cost for instance, to primary and support activities must focus on reduce the costs, and if is about differentiation the structure must support this idea.

The following Value-Chain Analysis (**Figure 10**) is related to the actual system and activities of Toonari. From June this will be changed because of the opening of the Learning Center and the beginning of the physical activities as hands-on training to Toonarians, in this case, one new value chain may be necessary later to include the updates.

Regarding Toonari's mission, vision and system it is possible to state that the main activities are related to the human resources, technological and services department. In this case, Toonari must seek for high efficiency and effectiveness on the development of this activities to be sure that the company is reinforce its strengths.

Figure 10. Toonari's value chain

Firm infrastructure: Web based company; On-line relations between stakeholders; Coordination and integration off all units based on internet; Information system supporting strategy and decisions.

Human resource management: Web based recruitment; Web based training; Internet-based sharing and dissemination of company's information (e-mail, social network applications, website, etc.); Web based career planning.

Technological development: Collaborative "production" development across locations and multiple participants; Increasing quality of management, sharing and controlling software; Openness to new software and suggestion of collaborators.

Procurement: Internet enable demand planning and forecast system; Internet enable multiple contributors to feed the webpage; Web based channel to reach investors and advertising buyers.

support activities

margin

margin

| **Inbound Logistics:** Real time integrated scheduling and planning across the contributors; Dissemination throughout the company about the inbound and in-progress work; 24/7 planning and working based on internet and different time-zones . | **Operations:** Productivity relying on internet technology to make the inbound pass though the collaborators spread in different locations; Real-time information available impacting the market & sales in advance. | **Outbound Logistics:** Efficiency of deliver of news on the website; Collaborative information to impact the marketing and sales. | **Marketing & sales:** On-line sales channel (web-site and presence on social networks); Real time access to customer ; On-line advertising; Real time feedback and control of impact through web applications | **Service:** On-line support to customers and collaborators; Real-time possibility of customer review |

primary activities

Source: Author's analysis based on Porter's value chain (2001)

Competitive Advantage

After the internal assessment of Toonari and its business plan (Toonari News and Media, 2011), it is possible to identify the competitive advantages of the company. The ones able to help the company to reach its goals in a long run in a sustainable way and where the company must keep the coherence and high quality.

- **International network of contributor developmental program**;
- **Reinforcing activities between the target segments developing a sustainable system** - By creating the largest journalistic professional network (segment 1); users will be given more unique news content than the traditional news sources, affecting the traffic and developing the visitor-base (segment 2); consequently increasing the traffic the company will develop the brand awareness and become an attractive option to other companies willing to increase their social responsibilities and the brand image as advertise inside the on-line market (segment 3);

- **Sustainable system combining profit maximization and social benefit maximization.**

The clear understanding about the advantages of Toonari it is important for the decision makers keep the focus on develop them.

4.1.4. Strategic Analysis and Choice

The next step following Pearce's strategic process, after external and internal assessment, is to analyze the possible strategic choices. The strategy must rely on mission, activities and capabilities of the company, and identification of competitive advantage.

According to Porter's generic strategies (1980, 35) it is possible to develop the three following strategic options to Toonari News and Media:

1. Cost leadership

This strategy is focused on constant cost-cutting and low price. Toonari has already one strict structure because of its cash balance and limited investments. Reducing costs doesn't affect the competitiveness of the company because it will not be a differential for the end customers (Group 1, 2 or 3).

The cost leadership is not an attractive position to Toonari News and Media and the company doesn't present the necessary skills, resources or organizational behavior for this option.

According to Pierce (2007: 236) to apply a cost leadership strategy it is necessary to have an intense focus on cost-control through the processes, the management should rely in frequent and detailed control reports, have a continuous improvement and benchmarking orientation and work with quantitative targets.

This strategy is not sustainable to Toonari.

2. Differentiation

The differentiation strategy is concerned with building the competitive advantage of the service/product based on be different from competitors. This means the development of a strategy harder to copy generating sustainability in a long run.

Toonari is able to choose this strategy positioning because of its skills, resources, capabilities and organizational behavior constant worried with customer (group 1, 2 and 3) satisfaction.

For instance, the company presents strong marketing abilities, creative environment and talents, strong cooperation with collaborators, strong coordination skills, trying to build a brand image based on the values that the company can offer.

Toonari wants to stand in different place on market's mind. Related to the previous market analysis, the company doesn't want just be a website offering news, there are no differential to be competitive, so, the different service of Toonari can be:

➔ Segment 1: Offer a unique opportunity to professionals, offer training sessions and students to be trained in journalistic skills inside one professional and young environment. Toonari is the incubator, the step right before enter in the professional market making the difference in the student chances to compete on the market. As also the company offers the opportunity to professionals contribute with society.

➔ Segment 2: Visitors searching for actual news from different subjects, places and with a critical point of view from people around the world. Chance to find news not mainstreamed from other companies.

➔ Segment 3: Offer a unique chance for companies to be connected with a social benefit and increase their brand image as the company social responsibility. There is also the possibility of companies advertise on Toonari's website and reach the on-line public.

The combination of the activities developed to reach the three groups provides to the firm a distinguish characteristic in comparison with its competitors. The focus on quality of service can be used as a base to all activities in Toonari.

Differentiation strategy is highly suitable with the company's mission and goals.

3. **Focus**

According to Porter (1980: 38) the focus strategy is a good option when the company is willing to focus on a "*particular buyer group, segment of the product line, or geographic market*".

Regarding Toonari characteristics, this strategy could not allow the company to grow because, firstly, it is necessary to work out the three segments of market because they reinforce each other. Secondly, the aim of the company is to reach all locations, no geographic boundaries as also various publications with several types of contents.

Focus strategy could restrict the development of the company impacting its growth negatively, so this might not be a sustainable choice to Toonari.

On the next step the definition of one strategy will be made taking in consideration the one aligned with Toonari mission, vision and core business.

4.1.5. Definition of strategy and long-term objectives

After analyzing three previous options of strategy, the most suitable to Toonari is the differentiation positioning. Toonari has shown enough competitive advantage to position itself on the market and offers values to customers that are different of the competitors.

Taking this as background, it is important in this moment define first, the strategy objectives, and second the long-term objectives.

According to Pearce (2007: 202), there are many options related to strategy objectives as growth, market development, product development, innovation, horizontal integration, vertical integration, and diversification.

Toonari News and Media, as a young start up, must have strategy objectives connected with growth, this means, company's long-term objectives must be:

- Market growth: Toonari Media has the experience, skills, drive and resources to create the world's largest amateur-journalist & professional development network, featuring writers, broadcast journalists, photo journalists and marketers from around the globe

- Employees' development: The Toonari network must strive to produce and train aspiring professionals so that they may launch their advance in their specific professions.

- Profitability: Toonari network must impact the website traffic through the network development and constant growth becoming a valuable channel of advertising for companies and increasing the sales to capitalize itself.

- Reputation: The professionals and system developed must be focused on build a strong respectful reputation of Toonari worldwide.

Pearce (2007) also emphasizes seven criteria that the long-term objectives must present in order to be classified as good ones and it is applied to Toonari's long-term

objectives: acceptable (AC), flexible (FL), measurable (ME), motivating (MO), suitable (SU), understandable (UN), achievable (AH).

Table 6. Criteria assessment of Toonari's long-term objectives

Long-term objectives	AC	FL	ME	MO	SU	UN	AH
Market Growth	+	+	• Reach over 2M visits a month and 15M page views within three-years; • Grow the Toonarians network to 5,000 by the end of the first year; • Increase $4.75M in gross revenue of advertising to in year three and continue to grow substantially each year thereafter.	+	+	+	+
Employees' development	+	+	• Grow the Toonarians network to 5,000 by the end of the first year; • Increase the career development of Toonarians by the number of successful cases.	+	+	+	+
Profitability	+	+	• To gain a substantial market share of the $76b Online Advertising industry, produce $4.75M in gross revenue (0.05% of the $9 billion total display revenue) in year three and continue to grow substantially each year thereafter.	+	+	+	+
Reputation	+	+	• Increase the share of voice about the company on the following 3 years. It can be measured about the traffic increase and employment rates.	+	+	+	+

Source: Author's analysis

Observation: It is possible to see on Table 6 few points on the measurable column repeated because they are so interconnected that the same measurement can be applied for assess different objectives.

4.2. Strategy Process: IMPLEMENTATION

Following the formulation stage of strategy process, which embraces mission, vision, values, external environment analysis, internal assessment, strategic choice and long-term objectives definition; the second step is the implementation of the strategy.

The implementation is related to the organizational actions to reach the goal of the company and it comprehends the development of short-terms, action plan, tactics and adoption of policies inside the company.

Pearce (2007: 293) says that the implementation process will "*give guidance to people who actually 'do the work' and tell them what they need to do. It is the changing from 'planning to work' to 'working the plan'*." The characteristics of the short-terms and tactics are related to the achievability in less than one year, they must be measurable and specific.

In this section, Toonari's short-term objective, tactics and policies are assessed and developed.

4.2.1. Short-term objectives, functional tactics and policies

In order to develop the short-terms objectives of Toonari, it is necessary the linkage with the long terms and the definition of measurable outcomes to be used on the feedback and control stage. To each long term-objective, sorts of short-terms are stated, as applicable tactics and the manager responsible to the activity.

Table 7. Short-term objectives, tactics and responsible manager related by long-term objectives

Long-term objectives		Short –term objectives	Tactics	Responsible Manager
Market Growth	Reach over 2M visits a month and 15M page views within three-years;	**1.** The visits must growth according to the estimated data (Annex 4) **2.** The page views must increase according to the estimated data (Annex 4).	• Post 100 articles, video reports and podcasts per day; • Develop social media campaign and controlled by the free software as Google analytics and Hootsuite. • Constantly improvement of SEO.	• Social Media Manager • Editor-Chief • SEO Manager

Employees' development	• Grow the Toonarians network to 5,000 by the end of the first year; • Increase the career development of Toonarians and develop a job placement program; • Fair reward and payment to collaborators.	**3.** Recruitment of 375 interns per month; **4.** Forge partnerships with 7 colleges and universities from around the world until the end of year 1; **5.** Development of career path to Toonarians as soon as they get together with Toonari and run a job placement program; **6.** Develop reward and motivation system to the year;	• Advertising of internship opportunities in related websites around the world; • Reach universities and colleges focused on journalism and develop agreements; • Structure career path to Toonarians; • Structure a strong motivation and reward system.	• Human resources manager; • Financial Manager; • Business Developer.
Profitability	Produce $4.75M in gross revenue (0.05% of the $9 billion total display revenue) in year three and continue to grow substantially each year thereafter.	**7.** Follow the estimated goals to revenue on the website according to Annex 4. **8.** Reach companies related to the core business workout the sales force.	• Develop strong communication to possible buyers; • Develop proposals to companies; • Localize possible buyers through related core business and send relevant information about Toonari in order to offer advertising.	• Financial Manager • Public relations manager; • Business Developer
Reputation	Increase the share of voice about the company on the following 3 years. It can be measure about the traffic increase, page views per visit and employment rates.	**9.** Increase the company's awareness on the target group; **10.** Increase the number of Toonari references – at least one in each 10 until the end of year 1; **11.** Develop high level of satisfaction inside Toonarians during the year.	• Increase the number of communication about the company around social media, and websites; • Develop a survey to measure the satisfaction level of Toonarians and suggestions to improve the brand awareness; • Develop reference section in Toonari website.	• Human resource management; • Public relations manager; • Social media manager;

Source: Author's analysis

Regarding the policies, the company must develop the ones that are aligned with its core business and able to reinforce its competitive advantages and strengths as:

- **Empowerment of Toonarians**: relying on strong training season, the Toonarians must be available to take faster decisions in order to reach Toonari's goals;

- **Encouraging creativity**: the company must be open to new ideas and drain the international contribution through Toonarians around the world;

- **Information flow facilitated within the company**: Improve the use of the internal networking to reach everybody connected with the company in a better way.

4.2.2. Organizational structure

Analyzing Toonari News and Media organizational structure, it is possible to classify as a simple organizational structure according com Pearce (2007: 328): "*structure in within there is an owner and a few employees and where the arrangement of tasks, responsibilities, and communication is highly informal and accomplished through direct supervision*."

So far, it has been working for Toonari because of the high level of communication between the whole team provided by Internet technologies as Skype, Yammer (the social network of Toonari), and e-mails. The president is directly connected with all activities and supports most of them.

But it is important to emphasize the fast growth speed of Toonarians and the prospective according to the goals, where in the beginning the company count with 9 people in total including the Directors and volunteers, nowadays there are over 500 Toonarians around the world. Based on this, the definition of an organizational structure could be better to anticipate the demand.

The formal characteristics of a functional organizational structure doesn't match totally with the cultural behavior of the company, because of this one mix combining the informal environment with a well-develop and spread structure can help with the information flow.

When the company reach the 5000 Toonarians it is expected a structure to manage and control all, actually the company works with teachers and leaders who start to develop a cycle of training and it is based on the following structure.

Regarding this concerns, the director was able to present an organizational structure (**Graph 7**) involving the actual activities and also the ones that will start from June with the Learning Center.

The action regarding this point must be the knowledge spreading of this structure to enable contributors to understand the company and allow them to contact or report relevant data when needed. The Toonari's organizational structure can impact the speed of the activities and consequently impact the service quality in general.

Graph 7. Toonari's organizational structure
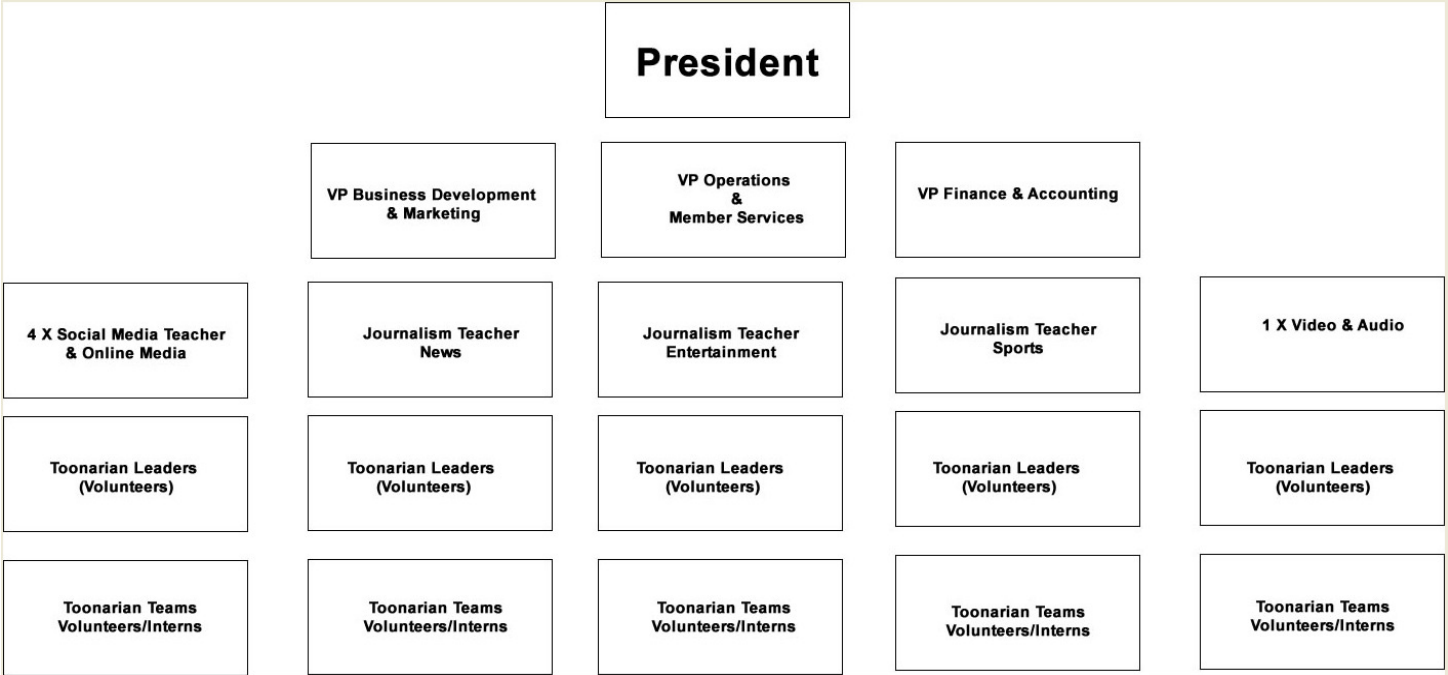
Source: Author's analysis and Toonari's direction

4.3. Strategy Process: CONTROL

Concerning the strategy process, the last step is the strategic control that actually develops a constant loop for controlling and feedback. It is about "*management efforts to track a strategy as it is being implemented, detect problems or changes in its underlying premises, and make necessary adjustments*" (Pearce, 2007: 391).

The adjustments mentioned can be as in the formulation or in the implementation stage. For instance, the control stage is important to update the entry data on the formulation process, be aware of changes on the environment and develop a new snapshot of the company through SWOT and other tools when needed.

Mentioned above in this work, the strategy process must be flexible for needed changes, but it is important to track them and identify which ones don't add value to Toonari. The goal is always keep the activities of the company aligned with its core business, mission and goals.

In general, for Toonari, this controlling step can be developed combining different ways of assessment:

- **Monitoring strategic projects**: Frequent observation of projects by responsible managers in order to identify problems, delays, difficulty to finish and constraints. The responsible must have an analytical perspective and in case of Toonari must be empowered to solve the problem if it is possible, when not, the problem communication must reach some person able to do it.

- **Milestones reviews**: In specific points in time evaluate the position of the company regarding what it supposed to be and determine what to do or not depending on results. Toonari (Toonari News and Media, 2012: 20) already applies milestone review procedure and so far presents the following points in time:
  - ➔ **January 2012 –** Toonari's Spanish site launches featuring content for our Spanish readers around the globe.
  - ➔ **April 2012** - University of Navarre partnership begins, allowing University of Navarre students to come to the US to begin their hands-on training.
  - ➔ **May 2012** - Toonari starts hiring personnel to continue growing and refining the processes to become more efficient.
  - ➔ **August 2012** - Toonari Post reaches 1M monthly page views. Reaching 1M monthly page views is an important milestone, as it will validate the interest of users and the long-term revenue potential for Toonari.
  - ➔ **December 2012 -** Toonari completes Start-Up funding. This funding will provide Toonari the resources to build out the team and acquire the resources needed to begin driving users and ultimately revenue.
  - ➔ **January 2013** - Toonari Post will diversify its revenue stream by launching video advertisements on the site within the number of video reports. The e-mail newsletter system is launched and Toonari will reach 1M monthly visitors.

- **Monitoring and evaluating performance deviation**: Once set the monthly goals (Annex 4), Toonari must monitor the results and evaluate the reason for reach or not the

goals and define what could be done in order to improve the results. For instance, according to the actual data.

Goals				
Month	Site Visitors	Daily Visitors	Page Views	PV/ Visitor
Jan/12	31.841	*1.061*	*179.906*	*6*
Feb/12	29.787	*993*	*168.299*	*6*
Mar/12	31.277	*1.043*	*187.659*	*6*

Actuals				
Month	Site Visitors	Daily Visitors	Page Views	PV/ Visitor
Jan/12	34.415	1.147	196.822	5,72
Feb/12	37.335	1.287	208.886	5,59
Marc/12	20.913	675	113.529	5,43

Control				
Month	Site Visitors	Daily Visitors	Page Views	PV/ Visitor
Jan/12	Over	Over	Over	Over
Feb/12	Over	Over	Over	Over
Mar/12	Under	Under	Under	Under

Source: Toonari News and Media

In this case, regarding March 2012 it is important identify why the goals were not reached and the possible actions the Toonari team should take:

Regarding site visitors and daily visitors:
➜ Develop more visibility through marketing campaigns directed to the target market;
➜ Identify the actual trend in news and motivate Toonarians to write about it;
➜ Increase the number of subjects posted to reach different interest of people.

Regarding page views and page views/visitor:
➜ Increase the number of related articles;
➜ Increase the attractiveness of the content;
➜ Develop linking systems between pages.

Doing the actions as soon as possible, maybe Toonari will be able to over-reach the next goals. The responsible for the control stage will be facing different challenges every day and the whole team must be prepared for action when needed.

Company uses free tools as Google Analytics (Annex 6) to access the whole information regarding its outlet website Toonari Post. Results are full of useful information to develop actions and monitor the objectives of the company.

- **Updating analysis and awareness to changes:** It is important define periods of time where the analysis from the formulation process must be updated and re-evaluated in order to improve and fix problems. The managers can define these periods internally in one specific time, or externally when changes on the environment impact the company demanding something new. The directors and managers are directly connected with this issue and in case of Toonari News and Media it is important to track the growth or quickly adjustments if needed.

5.   Conclusion

5.1.   Key findings and contributions

This thesis was developed in order to assess Toonari News and Media strategy process to generate recommendations and improvement on actual company's strategy.

Based on the relevant literature it was possible to apply the strategy concepts and tools of analysis in a business strongly related to internet technologies, reinforcing the idea that Internet per se cannot generate a competitive advantage.

The traditional news and media industry is in decreasing phase and the Internet allows the development of the industry, but in a different configuration inside a different environment, this means a digital format inside the electronic environment.

The electronic environment, after the external analysis, is characterized as highly competitive with positive and negative points in the same time. There are unlimited opportunities to grow independently of geographic boundaries, but in the same time unlimited competition from other companies, or substitutes.

This thesis follows Pearce's (2007) strategy process to understand and build a strategy through the formulation, implementation and controlling steps. This model can be applied to all companies, which work in physical or virtual environment, but taking in consideration the individual characteristics of each company.

According to the strategy model, Toonari's mission, vision, goals and objectives are exposed and it is taken in consideration in all consecutive analysis to always prior the alignment and consistency of the company.

The external analysis offers to Toonari News and Media the possibility to identify where the company must focus, for instance: development of mobile applications to follow the trend of smart/cell phones, e-readers and tablets; keep a constant eye on the high-priority scenarios developed based on the key drivers; focus on its sustainable system in order to generate differentiation from competitors; development of the three market segments of the company; position the Toonari Post to a general approach from a high variety of subjects and format to a 18-34 years old public.

The critical success factors of the company are related to development of high quality content to its outlet Toonari Post, development of social networking and the reinforcing system of the company, and, application of technology able to support the activities of the company with high efficiency.

The internal analysis enables the company to reinforce strengths and evaluate opportunities in the same time of identifying the weakness and threats to respectively try to decrease and avoid.

In this context, Toonari News and Media must focus on its strengths as development of international contributors; interactive global network; identification of leaders; unique blend of original content; experienced online marketing team; cross-training opportunities building multi-disciplinary opportunities for contributors; effective virtual environment for training has already been established. The action needed is the constant improving of the identified points.

The main weaknesses are related to the cost factors associated with initial expansion; number of experts is not following the number of contributors; contributor turnover; industry experts for seasonal trends; any mobile format; cost factor associated with keeping state-of-art hardware; lack of market penetration; no physical structure to develop the hands-on training.

In this case, Toonari can, regarding its financial limitations at moment, improve the market share through actions exposed on Table 7, combining mainly marketing and human resource department. About the lack of experts to follow the growth of the company and contributor turnover, Toonari can actually train Toonarians to become experts in certain level as develop a motivation and rewarding system to stimulate Toonarians to stay and get more and more involved. The gap of content about seasonal trends can be decreased through orientation from the Editor Manager to Toonarians giving suggestions about what to write. The physical structure is going to open in June and consequently the hands-on training session will begin to happen. It can be interesting for the company also to develop a satisfaction survey with the Toonarians and be able to improve the level of loyalty through actions.

About the opportunities, there are: growing population of Internet users; consumer behavior changing regarding news consumption; evolution of mobile devices; popularity of social networking; expanding video usage; partnerships and advertising market and professional market more and more competitive. Toonari must focus on its strengths in order to enjoy the market opportunities and develop its business. The company can develop a list of priorities to reach step by step the opportunities, for instance, probably is more important focus on expanding the video usage than develop a mobile format.

Concerning the threats there are: the increasing competition; high level of opportunities to Toonari contributors; and, risk of on-line invisibility must be combated. The first one shows the importance of the company to keep focused on its competitive advantages and search for differentiation, and for the two others, actions regarding Toonarians and users loyalty must be developed.

The on-line presence of the company can grow through the networking development but a good on-line marketing strategy involving search engine optimization, campaigns and social networks, advertising, references and linkage process are also necessary. This work takes in consideration the limitations of SWOT analysis and suggests a constant update that can minimize these limitations.

Following the internal analysis, it is necessary classify and assess Toonari's resources and capabilities, once again to identify the strength and weakness specially based on how valuable, rare, inimitable, dynamic and exploited for the company they are. The conclusion is that the company presents a lot of strengths like the physical resources; intangible resources (technological resources, reputation, accumulated experience) and organizational capabilities that are unique from Toonari. However, the strong weakness of Toonari is the financial resources that avoid the better development of the company and actions aiming profit maximization must be prioritized.

A channel of communication with companies willing to increase their brand image and their social responsibility must be developed to increase the sponsorships/partnerships as also the development of the advertising revenue. Through this action Toonari will be able to increase its financial area.

Another conclusion related to the resources and capabilities is that Toonari owns unique organizational capabilities, hard for competitors to copy, which has resulted from a unique combination of resources, for example, international training sessions and multicultural environment in order to produce unique content.

Afterwards, the value-chain of the company is assessed to understand how the company works through the primary and support activities. It's possible to say that the competitive advantages and sustainable system of Toonari value mainly the Human Resource management, technological, marketing and sales and service departments. The other activities are also important but the cited ones work reinforcing each other and are helping the company to develop a strategic positioning.

Related to the Human Resource Management as is the main part to push Toonari growth, it could be interesting develop a reward and motivation system to challenge the Toonarians and involve them more with the company and consequently increase the loyalty. This action could fight against weakness and threats related to the high level of turnover and retain leaders.

So far, the competitive advantage of Toonari is exactly the reinforcing activities; international network of contributor developmental program and sustainable system combining profit maximization and social benefit maximization.

About the generic strategies that Porter (2001) proposes, the company must choose one that is suitable and aligned with its mission, vision and values; in this case, Toonari works with differentiation strategy. The differentiation is related to the system developed and the services offered for the three segments identified. Through this strategic option, the company is able to grow even in a highly competitive environment.

Once the strategy is chosen, taking into account the company's profile, the long terms objectives is established: market growth; employees' development; profitability and reputation.

The long term objectives are used as a base to start the implementation stage of the strategic process orienting the short-term objectives and functional tactics that the company must follow (Table 7). The policies best related to the company are: empowerment of Toonarians; encouraging creativity; and, information flow facilitated within the organization.

The Toonari's organizational structure is developed to be aligned with its business and segment markets. It works in an informal way but with the contributors growth it is highly recommended to develop one structure able to guide the managers, leaders, contributors, tasks and activities. Toonari's director proposes the organizational structure exposed on Graph 7 and already involves the activities of the Learning Center that will be opened in June 2012.

The last stage in the strategy process – Control – is able to generate a loop to develop an endless process of continuous improvement. Toonari news and media controlling stage

must combine monitoring of strategic projects; milestone reviews; monitoring and evaluation of performance deviation; updating of analysis and awareness to changes.

The company has a strong free tool already in use, Google Analytics, able to offer many valuable data for the company about its outlet website Toonari Post. For instance is possible reach data as how many visitors per month, what visitors see, from where they reach the website (search engines, direct traffic, referral traffic), their engagement, demographic information about location and language, the behavior inside the website, mobile access, as a visitor flow. It is highly recommended Toonari track all this information to define which actions must be taken to reach its objectives.

In conclusion, this thesis seeks to contribute to the company in order to understand its strategy better and to develop actions to establish itself in the competitive market relying on its differentiation strategy and sustainable competitive advantages. Other companies can take advantage from this thesis about the strategy process application, analysis, actions suggested and conclusions. Nevertheless it is important emphasize the need of adaptation of the study with the characteristic of each company to have a proper feedback.

5.2.   Limitations and suggestions for future studies

The study doesn't finish the strategy study of Toonari, because is an endless process and every day there is more information able to be taken in consideration. Constants updates happen on a daily bases and it can be tracked through on line tools. It was necessary define a final date to develop this work, in this case 12th March, otherwise, it could not be possible to write the conclusion of this work. Inside of the company this is not a limitation, as the process must be developed continuously. The data may change with the time and the company needs to be aware, but Toonari must be focused on its core business and strategy that is chosen.

This thesis suggests future studies for other perspectives of the strategy for example the comparison of the strategy process from different companies and different industries to understand what are the common points or not and also what can be applied. Another study can be focused on the comparison between companies that work physical, virtual or both environments.

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Annex

Annex 1. Toonari Post homepage

Source: www.toonatipost.com

Annex 2. Competitor's home page

- The Huffington Post

Source: http://www.huffingtonpost.com/

- The Daily Beast

Source: http://www.thedailybeast.com/

- Bleacher Report

Source: http://bleacherreport.com/

- Examiner

Source: http://www.examiner.com/

- Mashable

Source: http://mashable.com/

- Ohmynews

Ferrari driver beat up by youths caught on video

26
03 2012

by Curator-in-chief
posted in You Gotta be Kidding
3 Comments

There's no winner in this one. According to Singapore Seen, a middle-aged Ferrari driver almost hit some pedestrians at a crosswalk. The driver got out of his car and challenged a man to fight. He promptly got beaten up by a gang of youths.

Some comments from the post:

masterchief

Well, if he dare to challenge others, he should be prepared. Furthermore, he is obstructing traffic by coming out of his car. So in short, he really deserves it.
isthissafe

Looks more like when Umpha Lumphas go bad.
harveykid2

The police should charge the Ferrari driver for dangerous driving and not also stopping before the zebra crossing for people to cross.
He is asking for it. He could be an AH BENG just because he drives a Ferrari.

Icelander said

They should all be hauled up for justice but honestly, the guy in the Ferrari was asking for it.

Not only did he not stop and nearly killed someone, he had the temerity to come out of his car in such an aggressive manner instead of showing some remorse.

If you have even been in a situation where a driver didn't stop his car while you were crossing a Zebra Crossing, which I have, let me tell you that you will be extremely pissed off too.

And from the video, it looked like if his friend didn't intervene, that young guy would have been the one beaten half to death.

If it had been a mother with her young child, that arrogant Ferrari driver would have gotten away unpunished.

And the fact is a lot of deaths on the road have happened at Zebra Crossings.

Still, justice must be meted out to all.

become a curator

Recent Comments

Curator-in-chief: When I lived in Germany the custom was that if a pedestrian was anywhere near a crosswalk that a...

CPY: Well, I think both is at fault. One thing for sure, I believe Singaporean must change their mindsets on the...

Jk: The ferrari driver deserved it! This is to punish him for being arrogant and not feeling remorseful after what he...

Curator-in-chief: I suggest you read "Rise and Fall of the Third Reich."

Floyd: Facists... were national socialists. Obama has a lot more in common with Hitler than Bush ever did.

Top Curators

Curator-in-chief
148 posts

NACJ trainer
47 posts

omni
22 posts

Deborah Hobson
12 posts

Yejinhong
7 posts

Sopappas
6 posts

Barbara K Iverson
5 posts

Claudia Costa
3 posts

Source: http://international.ohmynews.com/

Annex 3. Toonari News and Media's financial data
- Profit and loss

Pro Forma Profit and Loss	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	$751	$788	$851	$953	$1,907	$4,290	$7,508	$9,009	$9,910	$10,406	$20,048	$24,734
Direct Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,041	$3,005	$3,473
Other Costs of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,041	$3,005	$3,473
Gross Margin	$751	$788	$851	$953	$1,907	$4,290	$7,508	$9,009	$9,910	$8,365	$17,044	$21,260
Gross Margin %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	80.39%	85.01%	85.96%
Expenses												
Payroll	$0	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500
Marketing/Promotion				$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Depreciation	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267
Rent	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Utilities	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Hardware	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667
Software	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525
Web site Hosting	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Travel Shows	$875	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400
Total Operating Expenses	$47,334	$120,359	$120,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359
Profit Before Interest and Taxes	($46,583)	($119,571)	($119,508)	($121,406)	($120,452)	($118,069)	($114,851)	($113,350)	($112,449)	($113,994)	($105,315)	($101,099)
EBITDA	($40,316)	($113,304)	($113,241)	($115,139)	($114,185)	($111,802)	($108,584)	($107,083)	($106,182)	($107,727)	($99,048)	($94,832)
Interest Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes Incurred	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit	($46,583)	($119,571)	($119,508)	($121,406)	($120,452)	($118,069)	($114,851)	($113,350)	($112,449)	($113,994)	($105,315)	($101,099)
Net Profit/Sales	-6205.85%	-15170.73%	-14039.57%	-12734.40%	-6317.20%	-2752.09%	-1529.76%	-1258.14%	-1134.67%	-1095.49%	-525.30%	-408.75%

• Cash Flow

Pro Forma Profit and Loss	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	$751	$788	$851	$953	$1,907	$4,290	$7,508	$9,009	$9,910	$10,406	$20,048	$24,734
Direct Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,041	$3,005	$3,473
Other Costs of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,041	$3,005	$3,473
Gross Margin	$751	$788	$851	$953	$1,907	$4,290	$7,508	$9,009	$9,910	$8,365	$17,044	$21,260
Gross Margin %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	80.39%	85.01%	85.96%
Expenses												
Payroll	$0	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500	$72,500
Marketing/Promotion		$2,000		$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Depreciation	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267	$6,267
Rent	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Utilities	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Hardware	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667	$15,667
Software	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525	$19,525
Web site Hosting	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Travel: Shows	$875	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400
Total Operating Expenses	$47,334	$120,359	$120,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359	$122,359
Profit Before Interest and Taxes	($46,583)	($119,571)	($119,508)	($121,406)	($120,452)	($118,069)	($114,851)	($113,350)	($112,449)	($113,994)	($105,315)	($101,099)
EBITDA	($40,316)	($113,304)	($113,241)	($115,139)	($114,185)	($111,802)	($108,584)	($107,083)	($106,182)	($107,727)	($99,048)	($94,832)
Interest Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes Incurred	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit	($46,583)	($119,571)	($119,508)	($121,406)	($120,452)	($118,069)	($114,851)	($113,350)	($112,449)	($113,994)	($105,315)	($101,099)
Net Profit/Sales	-6205.85%	-15170.73%	-14039.57%	-12734.40%	-6317.20%	-2752.09%	-1529.76%	-1258.14%	-1134.67%	-1095.49%	-525.30%	-408.75%

- Balance Sheet

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Assets													
Cash	$700,900	$2,704,282	$2,591,485	$2,478,245	$2,365,039	$2,250,854	$2,139,052	$2,030,468	$1,923,385	$1,817,204	$1,711,381	$1,611,260	$1,515,934
Inventory	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,041	$3,005	$3,473
Other Current Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Current Assets	$700,900	$2,704,282	$2,591,485	$2,478,245	$2,365,039	$2,250,854	$2,139,052	$2,030,468	$1,923,385	$1,817,204	$1,713,422	$1,614,265	$1,519,407
Long-term Assets													
Long-term Assets	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300	$472,300
Accumulated Depreciation	$0	$6,267	$12,534	$18,801	$25,068	$31,335	$37,602	$43,869	$50,136	$56,403	$62,670	$68,937	$75,204
Total Long-term Assets	$472,300	$466,033	$459,766	$453,499	$447,232	$440,965	$434,698	$428,431	$422,164	$415,897	$409,630	$403,363	$397,096
Total Assets	$1,173,200	$3,170,315	$3,051,251	$2,931,744	$2,812,271	$2,691,819	$2,573,750	$2,458,899	$2,345,549	$2,233,101	$2,123,052	$2,017,628	$1,916,503
Liabilities and Capital													
Current Liabilities													
Accounts Payable	$0	$39,698	$40,206	$40,206	$42,139	$42,139	$42,139	$42,139	$42,139	$42,139	$46,084	$45,976	$45,949
Current Borrowing	$4,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Current Liabilities	$4,000	$47,698	$48,206	$48,206	$50,139	$50,139	$50,139	$50,139	$50,139	$50,139	$54,084	$53,976	$53,949
Long-term Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Liabilities	$4,000	$47,698	$48,206	$48,206	$50,139	$50,139	$50,139	$50,139	$50,139	$50,139	$54,084	$53,976	$53,949
Paid-in Capital	$2,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000	$4,015,000
Retained Earnings	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)	($845,800)
Earnings	$0	($46,583)	($166,154)	($285,662)	($407,068)	($527,520)	($645,589)	($760,440)	($873,790)	($986,238)	($1,100,232)	($1,205,548)	($1,306,646)
Total Capital	$1,169,200	$3,122,617	$3,003,046	$2,883,538	$2,762,132	$2,641,680	$2,523,611	$2,408,760	$2,295,410	$2,182,962	$2,068,968	$1,963,652	$1,862,554
Total Liabilities and Capital	$1,173,200	$3,170,315	$3,051,251	$2,931,744	$2,812,271	$2,691,819	$2,573,750	$2,458,899	$2,345,549	$2,233,101	$2,123,052	$2,017,628	$1,916,503
Net Worth	$1,169,200	$3,122,617	$3,003,046	$2,883,538	$2,762,132	$2,641,680	$2,523,611	$2,408,760	$2,295,410	$2,182,962	$2,068,968	$1,963,652	$1,862,554

Annex 4. Monthly Goals

Month	Site Visitors	Daily Visitors	Page Views	PV/ Visitor	Revenue	
Jan/12	31.841	1.061	179.906	6	$	-
Feb/12	29.787	993	168.299	6	$	-
Mar/12	31.277	1.043	187.659	6	$	750,64
Apr/12	32.840	1.095	197.042	6	$	788,17
Mai/12	35.468	1.182	212.805	6	$	851,22
Jun/12	39.724	1.324	238.342	6	$	953,37
Jul/12	79.447	2.648	476.684	6	$	1.906,74
Aug/12	178.756	5.959	1.072.539	6	$	4.290,15
Sep/12	312.824	10.427	1.876.943	6	$	7.507,77
Oct/12	375.389	12.513	2.252.331	6	$	9.009,33
Nov/12	412.927	13.764	2.477.564	6	$	9.910,26
Dec/12	433.574	14.452	2.601.443	6	$	10.405,77
Jan/13	737.075	24.569	4.422.453	6	$	20.048,45
Feb/13	903.913	30.130	5.423.476	6	$	24.733,84
Mar/13	1.159.807	38.660	6.958.845	6	$	46.024,61
Apr/13	1.037.296	34.577	6.223.773	6	$	41.661,57
Mai/13	1.193.365	39.779	7.160.188	6	$	51.805,70
Jun/13	1.159.441	38.648	6.956.649	6	$	50.844,70
Jul/13	1.126.904	37.563	6.761.426	6	$	50.154,29
Aug/13	1.318.948	43.965	7.913.688	6	$	90.666,24
Sep/13	2.466.846	82.228	14.801.077	6	$	167.907,63
Oct/13	3.113.605	103.787	18.681.632	6	$	212.461,90
Nov/13	2.486.805	82.894	14.920.833	6	$	187.506,02
Dec/13	1.835.142	61.171	11.010.854	6	$	141.687,36
Jan/14	2.085.035	69.501	12.510.210	6	$	298.542,96
Feb/14	2.242.821	74.761	13.456.926	6	$	322.560,25
Mar/14	2.133.218	71.107	12.799.309	6	$	309.568,28
Apr/14	2.298.523	76.617	13.791.136	6	$	334.678,82
Mai/14	2.185.436	72.848	13.112.615	6	$	321.258,27
Jun/14	2.448.446	81.615	14.690.676	6	$	371.020,14
Jul/14	2.482.559	82.752	14.895.354	6	$	378.363,78
Aug/14	2.432.201	81.073	14.593.203	6	$	373.619,91
Sep/14	2.819.977	93.999	16.919.864	6	$	431.698,10
Oct/14	2.678.125	89.271	16.068.748	6	$	414.162,21
Nov/14	2.685.856	89.529	16.115.134	6	$	419.561,23
Dec/14	2.742.005	91.400	16.452.032	6	$	444.288,80
Jan/15	2.933.099	97.770	17.598.593	6	$	477.072,51
Feb/15	2.930.618	97.687	17.583.709	6	$	481.396,83
Mar/15	2.704.653	90.155	16.227.919	6	$	452.507,42

Source: Toonari News and Media

Annex 5. Management Summary

- **Brian Binder, Co-Founder, Managing Director Business Development**

Brian Binder is accomplished in online and direct marketing and has won journalism awards for his sports coverage. Brian Binder is accomplished in online and direct marketing and has won journalism awards for his sports coverage. In marketing, he has managed campaigns for clients such as Discover Card, Nelnet, Dollar Thrifty Group, Donna Karen and several other Fortune 500 clients. Before entering into online marketing, he was a stringer for the Pittsburgh Post-Gazette and a freelance writer for Gateway Newspapers (subsidiary of the Pittsburgh Tribune-Review), where he was a part of the team which won the Keystone Journalism Award for their pre-season high school football preview.

Mr. Binder holds a BA in Broadcast Journalism from Point Park University in Pittsburgh, PA.

- **Sherol Ziegenbein, Co-Founder, Managing Director Membership Services**

Born in London, England but relocated to the United States at a young age, Sherol holds a Bachelor's Degree in Psychology from the University of South Florida and a Master's Degree in Mental Health Counseling from Argosy University. She has managed a therapy group for severe and persistently mentally ill and has extensive experience in psychological assessment. Sherol also possess excellent communication and interpersonal skills and has professional experience with counseling and HR, for both planning and execution purposes. She also has experience with administrative duties and has additional competences such a problem solving, organization, writing and coordination of timetables and data processing.
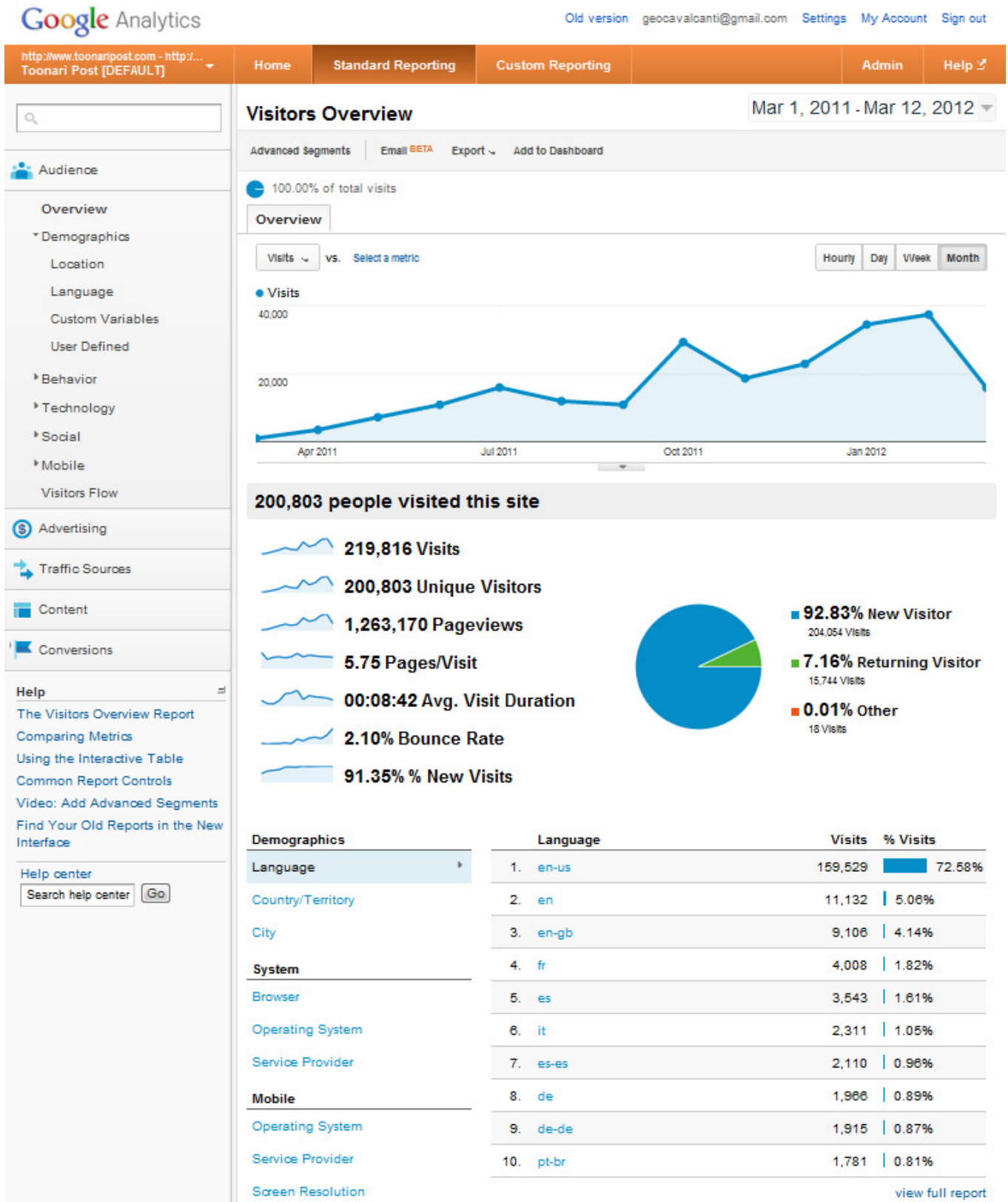
She has the responsibility for maintaining and growing the membership services and the Toonarian network.

- **Karhrman Ziegenbein, Co-Founder, President**

Karhrman is extremely well-versed with over 15 years in web/ product development, graphic design, content management, and online marketing. Karhrman got his start in online marketing in Germany during the 1990s and then moved to the U.S.A., where he went on to head the execution of Capital One's global marketing activities and became a member of the executive team at Nelnet Interactive, where he also worked directly with the executives at Nelnet, including the CEO.

Karhrman has also spent the same time developing and managing workflow processes, policies and procedures, and Profit and Loss in an advertising and marketing environment. In the daily running of Toonari News & Media, Karhrman manages site development and technology, content development, analytics, and assists with social media and marketing efforts.

Annex 6. Toonari Post's Google Analytics

Source: Google analytics