

SOMOTRACK BUSINESS PLAN

by

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Abstract

The horse racing sector has been declining for many decades and needs to increase the number of new players to rejuvenate the sector. The goal of this project is not about picking the best horse to win the race, but about enhancing the overall experience of new and casual customers in order to increase the attendance at live horse races.

SomoTrack is offering a mobile web application to help the horse racing track enhance its new and casual customers' experience during live races, potentially turning new customers into recurring customers. The application simplifies the steep learning curve associated with making bets and helps the casual customers to pick horses by eliminating the pain of interpreting raw data from the Daily Racing Form. Additionally, SomoTrack integrates the player's racetrack experience with social networks like Twitter and Facebook, taking advantage of the power of word of mouth advertising.

Executive Summary

Opportunity Statement

The horse racing sector has been declining in terms of wagering dollars and live race attendees for many decades. In comparison with other growing gaming sectors such as casinos and lotteries, which have a comparatively low learning curve for participants, horse racing has a steep learning curve for both new and casual customers. It is difficult to learn how to pick horses that are more likely to win and the rules and criteria for betting are complex. Horse racing tracks are looking for a solution that can help them increase their customer base, particularly amongst males aged 19 to 45.

Business Concept

Social Mobile Track (“SomoTrack”) is offering a mobile web application to horse racing tracks to help them enhance the overall experience of new and casual customers by reducing the steep learning curve associated with making bets, and helping people confidently pick horses.

In addition, SomoTrack’s mobile web application will leverage social media to attract friends of new and casual customers, by sending tweets about their selections, and updating their statuses on Facebook. The tweets and the status updates would act as promotion and marketing tools for the horse racing track, with the goal of getting more people out to the track to see the action. Their participation could potentially turn them into new and recurring customers for the track.

Target Markets

The overall markets for SomoTrack are horse racing tracks all around the world. The initial target markets are the tracks in the Metro Vancouver, with planned expansion to tracks across Canada, in the US, and even outside North America in places such as Dubai and Hong Kong where horse racing is very popular. As of March 2012, SomoTrack has signed its first customer: Hastings Park Race Track in Vancouver.

Essence of Marketing Approach

SomoTrack will position itself as a marketing tool for the horse racing track to enhance the track's ability to deliver a positive and engaging customer experience. SomoTrack is a fresh approach to horse racing betting, which undercuts the complex learning curve associated with the traditional horse racing program.

Technology and Operational Issues

SomoTrack is based on the lean start-up business model, which aims to sell its early prototype to early adopters. SomoTrack is using a cloud-based hosting platform to host and run its application, instead of purchasing its own servers.

The Team

The owners of SomoTrack, Alan Paige and Wayne Hoy, have extensive experience in operating start-ups and building software applications.

Financial Highlights

The owners will inject \$4,000 into the business to start the business in January 2012. The breakeven point will be reached when SomoTrack has its first sale, which it

expects in the fourth month of operation. Positive cash flow will be attained in the fifth month of operation when SomoTrack collects its first account receivable.

Dedicated to my wife Elisa
Understand me every day in every way
Thanks for always being there

My daughters Viola and Adelia
Keeping me company, “working” in my office
Many fun colourful art piece

My supportive parents in Indonesia
Terima kasih

EMBA cohort especially my team
James, Joel, Kishor, and Ulrike
Thanks for friendship and unforgettable time

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1: The Company

1.1 The Company/Concept

SomoTrack is operating as a Corporation based in Vancouver, British Columbia, and will initially serve the horse racing tracks in Vancouver and the Province of British Columbia. The business commenced its operations in January 2012.

The idea for SomoTrack was born when two new horse racing customers, Alan Paige and Wayne Hoy, were not having fun at the horse racing track because they were having difficulty deciphering the Daily Racing Form and did not know how to pick a horse to bet on, or even how to place their bets. The Daily Racing Form is sold on the track or online and contains information about that day's races, the horses that are entered in each of the races, demographics and racing statistics about the horses, demographics and racing statistics about the jockeys, and detailed statistics about each horses' last race (see Appendix A for a sample of the Daily Racing Form). There are a lot of data to decipher in fifteen minutes between races, leaving little or no time to actually experience or enjoy the environment.

Alan Paige and Wayne Hoy combined their experiences in operating start-ups and building software applications to launch SomoTrack. SomoTrack's mission is to enhance the experience of casual and new customers of horse racing tracks during live races at the tracks, and to leverage the social networking potential of those customers to attract new customers to the horse racing tracks.

1.2 The Product

SomoTrack offers a mobile web application to horse racing tracks to enhance the overall experience of new and casual customers of the horse racing tracks by making it easier to pick and bet on horses. SomoTrack is revolutionizing the antiquated Daily Racing Form with an easy to use mobile web application that makes horse betting simple and fun.

SomoTrack is launching its product as a mobile web application (instead of a native application) on several different devices, in order to capture users of a variety of smart phones (iPhones, Android smart phones, Blackberries, etc.) and mobile devices (iPads, Android based tablets, PlayBooks, Windows laptops, Mac laptops, etc.).

SomoTrack is simplifying the users' experience picking horses by eliminating the pain of interpreting raw data from the Daily Racing Form. SomoTrack is allowing users to set their own criteria to pick the horses for upcoming races, and place wagers directly from their mobile devices. Based on the users' selected criteria, SomoTrack will analyze the raw data and will come up with a ranking of the horses for the upcoming race. SomoTrack's product is not about picking the winning horse in a race, but about enabling casual and new customers to pick horses according to criteria they set on their devices. See Appendix B for the prototype of the SomoTrack application.

In addition, SomoTrack's product allows users to share their experiences with their friends via social media by sending tweets and/or updating statuses on Facebook about their activities at the track. The tweets and the status updates are a way of promoting and marketing the horse racing track. Ideally, peer feedback will trigger interest by other

members of the user's social network, and prompt more people to come to the track and enjoy the activities. It acts as both a customer acquisition and retention tool, bringing new customer to the track and making it easy for them to enjoy themselves and want to come back.

1.3 Entry and Growth Strategy

SomoTrack will enter the market through enhancing new and casual customers' experience in horse racing, and actively and persistently pursue connections that can connect SomoTrack with horse racing track management. The goal for the first year is to get one or two horse racing tracks to test the acceptance of the market and help the product evolve and mature.

In year two of operations, the company plans to expand either into the Ontario market or down the west coast of the United States. By year five, the company will have proven its formula and will expand to the rest of the United States and/or enter countries in Asia, such as Malaysia, Dubai, Macao, and Hong Kong, where horse racing is extremely popular.

2: The Industry Analysis

2.1 Market Size and Trends

To understand the horse racing sector, it is important to look at the casino and gaming industry as a whole. The main categories of the casino and gaming industry include casinos (various table games), lotteries (draw tickets, instant tickets, scratch and win, etc.), sports betting and related (thoroughbred, standardbred, greyhound), bingo, and “stand-alone” electronic gaming devices (video lottery terminals, slots, and other electronic gaming devices). Horse racing should be viewed as a sector of the entire gaming industry.

The horse racing sector per se is not defined in the North American Industry Classification System (NAICS). However, certain essentials of the horse racing sector are defined in the NAICS system, such as:

- Industry Section 11 Agriculture, Forestry, Fishing and Hunting defines the production/breeding of the race horses
- Industry Section 31 – 33 Manufacturing defines the production of the accessories to the horse racing such as saddles, whips, etc.
- Industry Section 71 Arts, Entertainment and Recreation defines the operation of the racetracks and the consumption of the racing products from the racetracks

The casino and gaming sector in Canada in 2010 was reported to hold \$16.2 billion in gross gaming win. Gross gaming win is the total amount wagered by customers minus the

total paid out to customers as winnings, before taxes, disbursements to charitable organizations, or other expenses (Datamonitor360, 2011, page 7). That figure represented about 15% of the entire North American market. The Canadian casino and gaming sector's compound annual growth rate from 2006 – 2010 was 2.1% (Datamonitor360, 2011). The table below shows the Canada's gaming sector segmentation in 2010.

Table 1: Canada's casino and gaming sector segmentation by % share in 2010

Category	% Share	\$ Amount (Million)
Casinos	38.8%	\$6,286
Lotteries	21.7%	\$3,515
Sports betting and related	2.5%	\$405
Other	37.0%	\$5,994

Source: Datamonitor360, 2011

In 1996, approximately \$1.8 billion was wagered (“handled”) at all horse racetracks in Canada. British Columbia represented 13% or \$230 million of the Canadian market (PricewaterhouseCoopers, 1999). In 2010, sports betting and related betting represented 2.5% of Canada's total gaming market, or \$405 million (Datamonitor360, 2011). Assuming British Columbia still represents 13% of the Canadian market share, British Columbia had approximately \$52.65 million in gross gaming win in 2010, representing a 77.1% decline.

The horse racing sector has experienced declining revenues for almost 20 years. The horse racing industry and its fans have aged with race track facilities and managers have failed to keep up with the evolution of entertainment, casinos, and other parts of the gaming industry, and have not capitalized on new trends in gaming younger fans demand.

In the spring of 2000, the B.C. government increased the role of British Columbia Racing Commission (BCRC) from just being a regulator to include handling economic development of the horse racing sector. BCRC put together a team of individuals from the horse racing sector as well as individuals from modern sports management to work on marketing and promotion of horse racing, in an effort to pursue economic development for horse racing in BC. (Economic Development Committee, British Columbia Racing Commission, 2001).

Over a decade ago, the Province of British Columbia conducted two studies to investigate the viability of the horse racing sector in British Columbia and develop a recovery plan for the province's horse racing sector: the PricewaterhouseCoopers Horse Racing Review in September 1999 and the BC Racing Commission's (BCRC) Road to Recovery in 2001. The PricewaterhouseCoopers report concluded that the horse racing sector is in decline and would need to increase the number of new players and increase current players' activities. The report concluded that based on the results of the surveys conducted, the current market potential could be increased in the future. The report recommended that "this future potential is contingent upon improvements in a number of areas including quality of facilities, operations of facilities (parking, admissions and program costs), player/horse owner prizes/costs and customer betting education." (PricewaterhouseCoopers, 1999, page 10). The BCRC's report recommended that "new marketing initiatives must be implemented to acknowledge and encourage long-term supporters, win back former customers and create new fans" (Economic Development Committee, British Columbia Racing Commission, 2001, p.7).

In 1982, live racing at Hastings Parks attracted 1.1 million fans who wagered a total of \$146.8 million over 109 racing days. These numbers declined to 357,500 attendees with total wagering of \$36 million by 1999 over the same number of racing days. Average spending per customer dropped by about \$33, not adjusted for inflation, from 1982 to 1999. The numbers declined further in 2000. Fraser Downs race track also showed a similar declining trend. (Economic Development Committee, British Columbia Racing Commission, 2001).

Figure 1: Total wager \$ trend at Hastings Park from 1982 to 1999

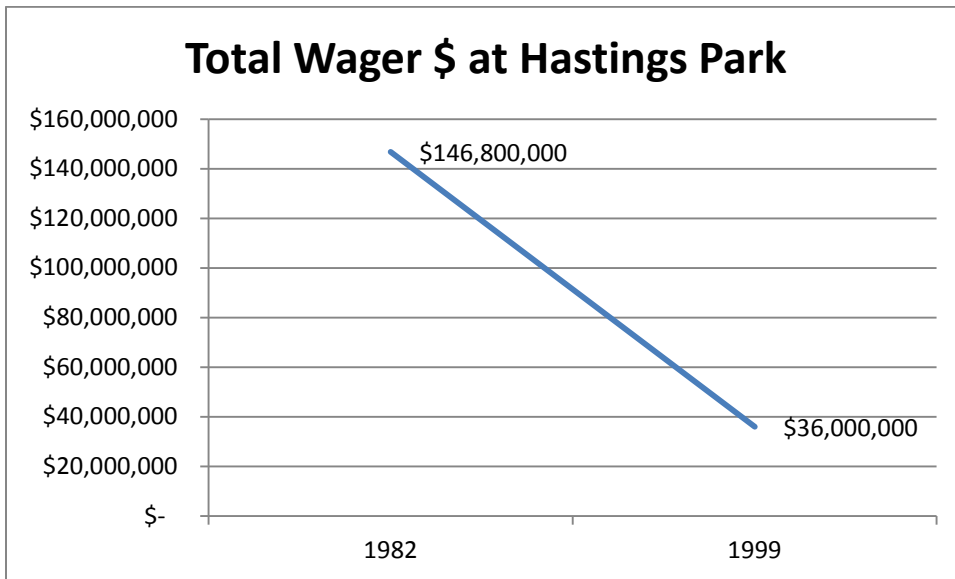
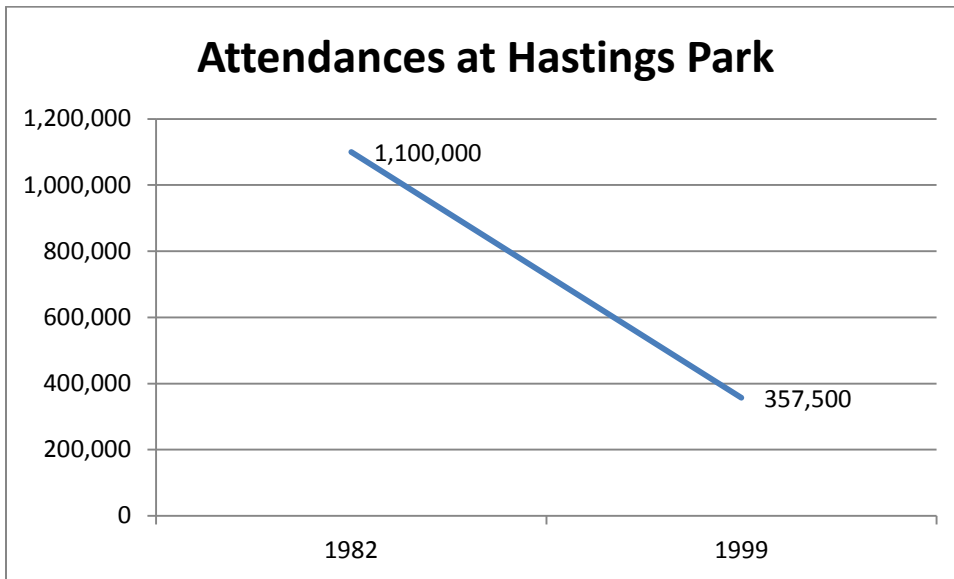


Figure 2: Total attendances trend at Hastings Park from 1982 to 1999



Great Canadian Gaming Corporation (GCGC), the owner and operator of Hastings Park, acquired and consolidated Fraser Downs in Surrey and Sandown Park in North Saanich in December 2004 in an effort to save both venues (Bannerline Communication, 2004). Unfortunately, even with consolidation of the horse race tracks, Sandown Park in North Saanich ran its last harness race in 2006 (“No more harness racing”, 2006).

In 2009, the Minister of Public Safety and Solicitor General (PSSG) formed the B.C. Horse racing sector Management Committee (HRIMC) to tackle the declining revenues in the horse racing sector. HRIMC created a report called “*The next stage in revitalization*” in June 2011 and stated that “improving player interest and participation in B.C. horse racing and wagering” was one of the areas the horse racing sector could improve on (B.C. Horse Racing Industry Management Committee (HRIMC), 2011, p. 3).

2.2 Horse Racing Sector Analysis using Porter’s 5 Forces

The table below shows the summary of a Porter’s five forces analysis of the horse racing sector. The detailed analysis is included as Appendix F.

Table 2: Horse racing sector: Porter’s 5 Forces analysis

Force	Force Strength
Threat of new entrants	The threat of new entrants, such as new horse racing tracks, is high. Even though there are high capital requirements to establish a horse racing track, there is no product differentiation (i.e. horse racing), brand identification, or customer switching costs, and there is easy access to the required technology (i.e. wagering system) and raw materials (i.e. race horses are not exclusive to any tracks).
Threat of substitute products or services	The threat of substitutes is very high because there are many easily accessible substitutes, such as other gaming options (i.e. casinos and lotteries) and other entertainment options (i.e. sports events, arts events, movies, etc.). Moreover, there are virtually no switching costs for customers and the price and value of the substitutes are usually perceived more positively than they are for horse racing; most substitutes have already incorporated customer experience into their entertainment offerings.
Rivalry among	Rivalry among existing competitors is low to medium because there are few competitors in the horse racing sector, and they have a low diversity

<p>existing competitors</p>	<p>of product offerings. For example, there are only two major horse racing tracks in British Columbia, and they are both located in Metro Vancouver (refer to Target Market and Customer Overview section below). Moreover, horse racing tracks are offering a standardized product, and must bear high fixed costs for facilities maintenance despite a declining horse racing sector.</p>
<p>Bargaining power of buyers</p>	<p>Buyers have high bargaining power because there are many substitutes available and there are virtually no switching costs. Moreover, there are comparatively few buyers as a percentage of the total population. For example, according to PricewaterhouseCoopers' public survey of the general population, 3.9 percent of females and 7.2 percent of males of the general population were casual horse race players. (PricewaterhouseCoopers, 1999, page 63).</p>
<p>Bargaining power of suppliers</p>	<p>Suppliers have medium to high bargaining power. There is a limited supply of top racing horses, there are few substitutes available for horses, and good horses contribute to the overall quality of the races offered by the tracks. Furthermore, horse breeders and horse owners can choose to race on tracks with a better purse distribution, which is the percentage distribution of the total race purse to the highest finishers. However, tracks have lowered the bargaining power of suppliers by being able to offer simulcasts of high profile races from any track in the</p>

	world.
Barriers to Exit	There are extremely high barriers to exit for horse racing tracks. The one-time cost to build the tracks was high, and facilities were built specifically as horse racing tracks (i.e. high asset specialization).
Government Actions	<p>It is important to notice the role of government in the horse racing sector in Canada because the sector is regulated by both federal and provincial governments. The Canadian Pari-Mutuel Agency is the federal agency that regulates the horse racing sector in Canada. The Racing Division of the Gaming Policy and Enforcement Branch is the provincial enforcement branch in British Columbia. In addition to regulations, both the federal and provincial governments impose taxes on horse racing revenue.</p> <p>In 2009, the sector's organizations requested the Provincial government's help to revitalize the industry. In 2011, the Horse Racing Industry Management Committee (HRIMC), which is commissioned by the Provincial government, rolled out a \$1.3 million marketing plan. (BCLC and GCGC, 2011).</p>

Even though the threat of new entrants is high, there have not been any new entrants in the horse racing sector for many decades. Similarly, we would expect competition for a standardized product to lead to intense rivalry among existing

competitors, but in reality, many competitors are actually consolidating in order to survive as the sector declines.

There is no silver bullet that will solve a decades-long sector decline, but players in the horse racing sector can start by following the example of one of its substitutes, such as casinos, by looking for ways to enhance the customer experience at their facilities.

2.3 Relevant market and customer overview

Even though the Economic Development Committee estimated that approximately 357,500 people attended horse tracks in 1999 (Economic Development Committee, British Columbia Racing Commission, 2001), there is no reliable data regarding actual attendances at tracks in BC because the attendances at the tracks are not recorded.

In 1996, PricewaterhouseCoopers conducted several surveys to construct the horse racing customer demographic profile. A horse race player survey was conducted on the tracks and captured the views of the people who attended races. These players were referred to as “dedicated players”. A public opinion survey was also conducted outside the tracks and it captured the views of the general population regarding horse racing. These players were referred as “casual players” (PricewaterhouseCoopers, 1999). The table below shows the demographic profile of both customer segments for British Columbia in 1996.

Table 3: British Columbia Horse Racing Sector Demographic Analysis

	"Dedicated Players"		"Casual Players"		British Columbia 1996 Census	
	Male	Female	Male	Female	Male (19+)	Female (19+)
Sex	81%	19%	64%	36%	49%	51%
Age						
19-45	25%	16%	57%	46%	55%	52%
45+	75%	84%	43%	54%	45%	48%

Source: PricewaterhouseCoopers, 1999

According to PricewaterhouseCoopers' public survey of the general population, 3.9 percent of females and 7.2 percent of males of the general population were casual horse race players. (PricewaterhouseCoopers, 1999, page 63). Within the casual players grouping, 64 percent were male and 36 percent were female, compared to dedicated players who were 81 percent male and 19 percent female. The dedicated players were also older than the casual players were. 25 percent of male and 16 percent of female dedicated players were in the 19-45 age category, compared to 57 percent of male and 46 percent of female casual players in the same age category.

In 1999, the PricewaterhouseCoopers summarized that core consumers of the race track were typically males 45 years of age or older. Horse racing only attracted a small segment of British Columbia's population base. Thus, the ability for the horse racing sector to grow was limited unless the sector could enhance its attractiveness to younger demographics as well as female players and increase the number of visits those players made to the tracks.

In 2011, the Jockey Club, which is a "self-styled breed registry for all Thoroughbred horses in North America" commissioned McKinsey to do in-depth study for horse racing sector. The report summarized that "betting handle is projected to drop 25 percent by the end of this decade", average age of the fans is 51 years old and the

sector is projected to “lose 2 percent of its fans per year from attrition (a nice way to say they will die).” McKinsey continued to state that average age of the fans will climb to 57 years old if the present trends continue. McKinsey recommended, “a free-to-play racing website focused on wagering”, and “creation of social game” among its nine recommendations to reverse the trends (Kling, 2011).

2.4 Market Potential

The most important factor for retaining players is to ensure they have a good experience during their visit. When customers have a good experience at the track, they will tell their friends and will be more willing to come back to the track and bring more people with them. There are many alternative places to go instead of the track for entertainment, so the track has to offer attractive events and modern conveniences to enhance its customers’ experience.

Assuming that a track could improve any or all of the factors that determine why customers repeatedly come to the track, this section will estimate the market potential of the British Columbia horse racing sector. The following factors will be used to estimate market potential based on the players’ habits identified in the PricewaterhouseCoopers’ survey;

- Percentage of adult population (aged 19+) in British Columbia
- Number of visits per year
- Amount spent per visit

The table below shows the horse racing players' habits and SomoTrack's estimation based on the habits.

Table 4: Horse racing players' habits

	“Dedicated Players”	General population	SomoTrack - Estimated range
Propensity to game	NA	3.9-7.2%	4%-7%
Annual visit per person	113	24	15-25
Average spent per visit	\$140.90	\$46.15	\$35-\$60

Source: PricewaterhouseCoopers, 1999

According to PricewaterhouseCoopers public survey of the general population, 3.9 percent of females and 7.2 percent of males indicated they were casual players in horse track racing (PricewaterhouseCoopers, 1999, page 63). Assuming that these percentages have stayed the same since the survey was conducted; tables below illustrate the estimated number of British Columbians who represent casual and new customers.

Table 5: British Columbia market potential estimate

2006 Census	Males	%	Females	%	Total	%
British Columbia	2,013,985	49%	2,099,495	51%	4,113,480	
British Columbia over 20	1,524,905	37%	1,635,410	40%	3,160,315	77%
Age 20-45	680,410	17%	710,825	17%	1,391,235	34%
Age 45 above	844,495	21%	924,585	22%	1,769,080	43%

Source: Statistics Canada, 2006

Table 6: British Columbia – estimated casual and new customers

New and Casual Players	Males (7.2% of total)	Females (3.9% of total)	Total
British Columbia over 20	109,793	63,781	173,574
Age 20-45	48,990	27,722	76,712
Age 45 above	60,804	36,059	96,862

Based on the number of estimated casual and new customers in combination with the estimated frequency of visits to the track, the range for potential total annual wagers is illustrated in the table below.

Table 7: Value of new and casual customers in British Columbia

	Low Range	High Range
Estimated casual and new customers (2006)	173,574	173,574
Annual visits per person	15	25
Average wager per visit	\$ 35	\$ 60
Value of a customer annually	\$ 525	\$ 1500
Total annual wagers for BC	\$ 91,126,428	\$ 260,361,225

In summary, a casual new horse track customer in British Columbia is worth anywhere from \$175 to \$600 annually. The market potential for casual and new customers in British Columbia is worth somewhere between \$91.1 million to \$260.4 million.

It is estimated that the number of casual and new players in British Columbia in 2006 was 173,574 people. According to the 2006 Census (illustrated in Appendix C), about 51% of BC's population lived in Vancouver. Therefore, the estimated number of casual and new players in Vancouver in 2006 was 88,523 people. The table below shows the potential value of casual and new players in Vancouver.

Table 8: Value of new and casual customers in Vancouver based on 2006 Census Data

	Low Range	High Range
Estimated casual and new customers (2006)	88,523	88,523
Annual visits per person	15	25
Average wager per visit	\$ 35	\$ 60
Value of a customer annually	\$ 525	\$ 1500
Total annual wager for Vancouver	\$ 46,474,478	\$ 132,784,224

For SomoTrack's initial target market, the market potential for casual and new customers in Vancouver is worth between \$46.5 million and \$132.8 million.

In general, the horse racing sector can boost their wagering total by increasing wagering from the dedicated players or the casual players. The table below shows the result of public opinion survey conducted by PricewaterhouseCoopers in 1996.

Table 9: Public Opinion Survey Results

	Horse Race Players		Non-Horse Race Players	
	% Respondents Agree	Total Respondents	% Respondents Agree	Total Respondents
More likely to attend if racetrack had better facilities and amenities	57%	84,741	52%	851,575
More likely to wager on horse racing if racetrack had "family atmosphere"	28%	41,627	36%	661,278
New players would be more likely to wager on horse racing if handicapping and wagering were explained	78%	115,962	41%	603,001

Source: PricewaterhouseCoopers, 1999

As illustrated in table above, horse race players as well as non-horse race players responded that better education about handicapping and wagering would help increase number of new players.

2.5 Insights and Implications

In response to the declining horse racing sector in British Columbia, in 2009 the sector's organizations requested the Provincial government's help to revitalize the industry. In 2011, the Horse Racing Industry Management Committee (HRIMC) rolled out a marketing plan with a \$1.3 million budget. One of the goals of this plan was to increase attendance at live races and boost live handles/wagers at both Hastings Park and Fraser Downs (BCLC and GCGC, 2011).

The horse racing sector is in decline because of its inability to attract new and casual players, because it has been selling standardized commodity of horse racing

wagering instead of selling experience. For new and casual players, live wagering is not all about winning. It is about the experience at the track. For example, Las Vegas is the experience capital of America from the slot machines in the airport to the casino resorts at the Strip (Pine & Gilmore, 1999). For most people, it is about the experience in Vegas and not about the winning. “Experiences are as distinct from services as services from goods.” (Pine & Gilmore, 1999).

The new players face a daunting challenge: learning to play the races is difficult, intimidating, and time-consuming. What do all these numbers in the racing form mean? What kinds of bets are available? When do I win? What do I say to the cashier? The current Daily Racing Form is not geared towards new and casual players (See Appendix A for a sample of a Daily Racing Form). The Daily Racing Form contains a large amount of information about each horse and each race. However, it is complex, not self-explanatory, and is geared towards dedicated players. Even though players can easily pick a horse for an upcoming race, they also won't automatically know how to place a bet on the counter. It is not as easy as buying a lottery ticket or playing a slot machine. SomoTrack is attempting to reduce the learning curve for horse race betting by offering a simplified way to pick potential winning horses and make a bet at the counter. SomoTrack is about elevating the new and casual customers' experience at the live track, and not just about picking the best winning horses.

Ultimately, customers can have a better experience if they know how to pick a horse and then cheer for that horse as the race takes place. The horse racing sector has lagged behind other entertainment alternatives in promotion and awareness. In today's era where people are connected everywhere they go via smart phones and mobile devices,

players can broadcast their experiences on the track on social media, such as Facebook and Twitter, as free promotion to the racetrack. SomoTrack is leveraging social media to increase awareness of horse racing as an alternate form of entertainment.

2.6 Summary

There are three major issues facing the horse racing sector. The first issue is that horse racing tracks are competing with other forms of entertainment for the same consumer dollars, and other forms of entertainment are winning out. The reasons that horse racing tracks are losing this competition include a lack of consumer awareness and minimal promotion of horse racing sports entertainment compared to other entertainment alternatives, a lack of marquee events to draw new customers, and a lack of entertainment between races to keep the crowd entertained.

The second issue is that while the sector's dedicated customers are aging, there is no influx of customers from a younger demographic. This is because there is no targeted promotion of horse racing sports entertainment to a younger demographic, tracks have not been upgraded to appeal younger new and casual players, and innovative products have not been developed to attract a younger generation.

The third issue is declining revenue and lower customer participation at live racing events. New and casual customers are not having a good experience at the track, there is not enough promotion and education for new players, and betting is not simple enough for beginners.

3: The Market Analysis

3.1 Target Market and Customer Overview

3.1.1 Horse Racing Track

The overall target customers for SomoTrack are horse racing tracks all around the world. The initial target market is the tracks in Metro Vancouver: Hastings Park in Vancouver and Fraser Downs in Surrey. There are three more horse racing tracks in British Columbia: Sagebrush Downs in Kamloops, Sunflower Downs in Princeton, and Kin Park in Vernon, but they are not as active as the tracks in Metro Vancouver. Hence, those tracks outside Metro Vancouver in British Columbia will not be SomoTrack's target market because of its minimal number of races. The table below shows the number of races for each track.

Table 10: Number of races for tracks in British Columbia in 2012

City	Race Track	Number of Races in 2012
Vancouver	Hastings Parks	71 races (Hastings Park, 2012)
Surrey	Fraser Downs	82 races (Fraser Downs, 2012)
Kamloops	Sagebrush Downs	2 races in 2011. 2012 race dates will be posted when available
Vernon	Kin Park	4 races
Princeton	Sunflower Downs	2 races

Source: Ministry of Public Safety and Solicitor General, n.d.

The Marketing staffs of the horse racing tracks are looking for products or services that can increase both live race attendance and live handles/wagers. SomoTrack can address this requirement.

3.1.2 Horse Racing Customers

Horse racing customers are not SomoTrack's direct customers, but as the tracks' customers they will be the primary users of the application. The target customers for SomoTrack are new and casual horse racing track customers aged 19 to 45 who want to participate in horse racing sports. They want a new form of entertainment that offers an enjoyable experience and has little or no learning curve.

3.2 Horse Racing Application Analysis using Porter's 5 Forces

The table below shows the summary of Porter's five forces analysis for mobile applications for horse racing. The detailed analysis can be found in Appendix G.

Table 11: Horse racing application Porter's 5 Forces analysis

Force	Force Strength
Threat of new entrants	<p>The threat of new entrants, which are companies that build applications for horse racing tracks, is very high because very little capital is required to start a company that builds application for horse racing tracks. Also, there is no brand identification or economy of scale, and every new entrant has access to mobile technology. New entrants can create applications to differentiate themselves from the incumbents' (e.g. Equibase) desktop PC applications; such differentiators could include mobile web applications that work across all platforms (SomoTrack's strategy), or native iPhone or iPad applications (Infinite Monkey's strategy).</p> <p>When the target buyers are horse racing tracks instead of consumers, there are switching costs for the buyers and more restricted distribution for the application, which is limited for use at the horse racing tracks.</p>
Availability of Substitutes	<p>The threat of availability of substitutes is medium, because even though there are many available substitutes from the traditional Daily Racing Form to websites with racing tips, the current substitutes are not offering high value to buyers. The current substitutes are offering services but not</p>

	customer experience, and are being sold directly to consumers.
Rivalry among Competitors	Rivalry among existing competitors is high because there are many equal competitors (i.e. small companies) that can build horse racing applications with low fixed costs. Competitors are diverse and include websites with general horse racing tips, sophisticated PC desktop applications for dedicated players, mobile web applications for all platforms (like SomoTrack), and native iPhone or iPad applications.
Bargaining Power of Buyers	Buyers have high bargaining power because there are many substitutes available and switching costs are low. Moreover, there are few buyers as a percentage of the total population.
Bargaining Power of Suppliers	Suppliers have low bargaining power because there are many suppliers that can offer website hosting, server hosting, and software tools. There are low switching costs when moving to other suppliers. Suppliers are generally competing against each other on price.
Barriers to Exit	There are low barriers to exit for companies building applications for the horse racing sector. The one-time costs to start a company are low, and there is no asset specialization. Additionally, no strategic relationships typically exist with specific horse racing tracks, and there are no social or government restrictions.
Government Actions	The government treats these types of companies as general high-tech companies with no specific regulations or protection. There are also no special treatments given to any of SomoTrack's competitors.

In summary, there is virtually no barrier to entry for new entrants to develop applications for horse racing. There is also high rivalry among competitors, and they fight for few buyers (i.e. only a small percentage of the total population participates in horse race wagering). If the targeted buyers are the horse racing tracks, there are even fewer of those than there are horse racing customers. However, the application has the potential to contribute more to the quality of the track's offering, as well as increase the track's profitability by enhancing the horse racing customers' experience as part of the track's offering.

3.3 Competition

3.3.1 Marketing Agencies

Marketing agencies are considered indirect competition because they are hired by horse racing tracks to accomplish specific marketing goals and objectives. Examples of marketing agencies in Metro Vancouver are Hot Tomali, 6S Marketing, Spring Advertising, and many others.

SomoTrack is positioning its product as a mobile marketing tool for the horse racing track, so in many cases, SomoTrack will need to work with the marketing agency hired by the track to accomplish the track's mobile marketing strategy. SomoTrack can maintain a mutually beneficial working relationship with marketing agencies. For example, if SomoTrack won a contract with a track that had no mobile marketing experience, SomoTrack could refer the marketing agency to help the track. Likewise, if the marketing agency won a contract with a track for developing a mobile strategy, the

marketing agency could introduce SomoTrack to the track or leverage SomoTrack's application as part of a mobile marketing scheme.

3.3.2 Race Track Itself

The race track's goal is to attract a bigger live audience, which translates to more wagering revenue. Marketing is one of the tools used to attract a bigger audience, but the race track has many other operations to deal with, from running the facility and organizing live races, to dealing with the government. One of the strategies a track can use to achieve the goal of growing its audience is to incorporate mobile applications into its marketing scheme. As part of its mobile marketing, the track may decide to build a mobile application itself or evaluate existing applications that can add value to its mobile marketing.

Race tracks are considered indirect competitors or lost opportunities for sale if they decide to build their own mobile applications. For example, Del Mar Race Course in Southern California, in partnership with Verizon, built its own mobile application, Del Mar mobile, which allows on-track mobile wagering, streaming of live races, etc.

3.3.3 Existing Horse Racing Technology Companies

Existing horse racing applications are considered direct competitors. For example, Equibase (<http://www.equibase.com/>) is the official supplier of racing information and statistics to other companies such as ESPN, MSNBC, The Jockey Club, etc. Equibase also sells Daily Racing Forms for all races throughout the United States, as well as information about horses, jockeys, trainers, and tracks. Equibase encourages social

interaction by offering a Virtual Stable game and has started to venture into mobile through Equibase Mobile.

Equibase Mobile is a mobile web browser that works across all platforms and allows users to place late wagering entries and procure information about races. It is an alternative to the website, and is geared towards dedicated players. It is not a handicapping application or an application intended to enhance consumer experience. See Appendix H for a screenshot of Equibase Mobile.

3.3.4 New Entrants

New entrants creating horse racing applications are considered direct competitors. The majority of these players focus on dedicated players, such as the application iHandicapRaces, made by Infinite Monkey, LLC (<http://www.ihandicapraces.com/>). iHandicapRaces is a native application for iPhone, iPad, and iPod. iHandicapRaces offers users the ability to build their own handicapping for horses and create their own weighting system using mobile devices. See Appendix I for a screenshot of iHandicapRaces.

iHandicapRaces's strategy is to offer a flexible and customizable application to give sophisticated and dedicated users control over how to add weighting and handicapping based on the original raw data, which can be purchased from iHandicapRaces or entered manually.

3.4 On-going Market Evaluation

SomoTrack will be working with Hastings Park to track the number of users who access the mobile web application during race day. SomoTrack will be using Hastings Park to build and mature its product as well as evaluate acceptance by the industry. SomoTrack is offering its first release of the mobile web application to Hastings Park at a reduced fee and will be on site during live races to gather feedback on how to improve or add features to the application.

If the product proves to help Hastings Park increase live race attendance and wagers, it will be an easier sell to other race tracks in British Columbia, across Canada, in the US, and even outside North America in places such as Dubai and Hong Kong where horse racing is very popular.

3.5 Opportunities and Directions

The Horse Racing Industry Management Committee (HRIMC) is actively looking at innovative ways to increase live race attendance and live handles/wagers at Hastings Park and Fraser Downs to tackle the declining revenues and attendances in the horse racing sector in the last few decades, as well as attract a new customer base (B.C. Horse Racing Industry Management Committee, 2011).

3.6 Recommendation

The horse racing tracks are looking for a solution that can help them increase their customer base; particularly males aged 19 to 45. In 1999, PricewaterhouseCoopers recommended that the sector need to enhance its attractiveness to younger demographics as well as female players and increase the number of visits those players made to the

tracks (PricewaterhouseCoopers, 1999). Furthermore, in 2011, McKinsey recommended to create “a free-to-play racing website focused on wagering” and create a social game (Kling, 2011).

SomoTrack is enabling the horse racing track to use the mobile web application as a marketing, education, and promotional tool to enhance the experience of its target players. The promotional plan will include:

- Focusing on new and casual customers aged 19 to 45 years old
- Introducing a mobile browser application that can be used in any smart phone or mobile device. The application will allow users to rank characteristics that they think are important when picking the potential winning horse. This approach will redefine the way new and casual customers pick horses, and they will no longer have to interpret the traditionally complex horse racing program. This will alter and simplify the learning curve for horse racing betters. See Appendix B for the SomoTrack’s prototype.
- Allowing the users to publish their horse picks and activities on social media using the application. The application provides an innovative product for a younger demographic and increases awareness of horse racing through social media.

SomoTrack will be collaborating closely with its first target customer (e.g. Hastings Park) to improve the application. These efforts will include:

- Continuously innovating and launching inexpensive beta versions by tweaking and refining the product based on customer feedback

- Keeping the cost minimal while finalizing the product and getting the market's response

The recommended timeline to implement this strategy is as follows:

- Short term (first six months)
 - Approach Hastings Park in Vancouver to demo and sell the product
 - Collaborate closely with Hastings Park's marketing department to be ready for the start of the 2012 horse racing season
- Medium term (six months to one year)
 - Deploy the application during live racing in 2012
 - Work with Hastings Park to incorporate additional features
 - Continuously innovate based on user feedback
 - Approach Fraser Downs in Surrey to demo and sell the product
- Long term (one to two years)
 - Finalize the application for standard offering to other race tracks
 - Analyze live racing attendance and betting trends before and after application deployment

4: The Economics of the Business

4.1 Revenue Sources and Profit Margin

License and support revenue is the only revenue stream for SomoTrack, as shown in the table below.

Table 12: Revenue drivers, year 1

Services	Revenue	% Revenue
Horse Racing Track Segment		
License and support	\$17,500 - \$21,300	100%
Horse Racing Customer Segment		
Standard package (Free)	\$0	0%

SomoTrack has considered two pricing options for its application. The first is the traditional business to business (B2B) method of a licensing and support fee. The other pricing option is a business to consumer (B2C) method, and uses software as a service (SaaS) model where SomoTrack charges the track according to the number of gaming customers using the application.

Based on the discussion with Hastings Park, SomoTrack has decided to pursue the more traditional licensing and support fee because it can sell directly to the horse racing track (i.e. one customer) and then work with the track to increase customer attendance and wagers. This model is more straightforward for the horse racing track because the license fee would be a fixed amount of the track's marketing budget per race or per

month instead of number of customers using the application. SomoTrack would not charge any additional support or professional services fees for the first year because its first customer would be a test platform for gathering feedback and input to improve the application.

If the track has mobile strategy for its marketing, SomoTrack will work with that team to integrate SomoTrack into the mobile marketing promotion. If the track is new to the mobile strategy for marketing, SomoTrack will advise the track on the best way to promote the application to ensure sufficient uptake of the application by the gaming customers. The track may include the web address to access SomoTrack’s on the Daily Racing Form and/or as banner on the track itself. The gaming customers will associate the application with the race track itself, and not SomoTrack.

4.2 Fixed and Variable Costs

The table below illustrates the cost structure of SomoTrack in year 1.

Table 13: Cost structure, year 1

	Costs	% of Total
Variable Costs		
Hosting cost (\$1000/month)	\$ 7,000	97%
Web site cost (\$15/month)	\$ 180	3%
Fixed Costs		
Salary	\$ 0	0%
Total	\$ 7,180	100%

Source: SomoTrack Pro Forma Income Statement Year 1

The server cost is directly related to race days. SomoTrack is using cloud-based hosting platform from Heroku (www.heroku.com) to host its application and database. By using cloud-based hosting platform, SomoTrack does not need to incur any capital to buy and maintain server by itself as well as deployment and scaling of the servers to potential customers. SomoTrack can start with minimal hosting package. When the number of clients grows, SomoTrack can scale the server and performance by upgrading to a better package from the hosting provider.

SomoTrack needs dedicated database regardless of whether there are races or not, which is \$15 per month. However, during racing months from April to October, SomoTrack will need to upgrade its hosting package to ensure enough capacity and concurrent access for customers to access SomoTrack's application. In summary, the application hosting costs \$1000/month during race months and \$15/month during no-race months.

The management team will not take any salaries from the business in the first five years. Any revenue generated will be put back into growing the business. In future years, the management team may decide to take dividends as form of payments from the business.

4.3 Start-Up Costs

The table below illustrates the one-time start-up costs for SomoTrack.

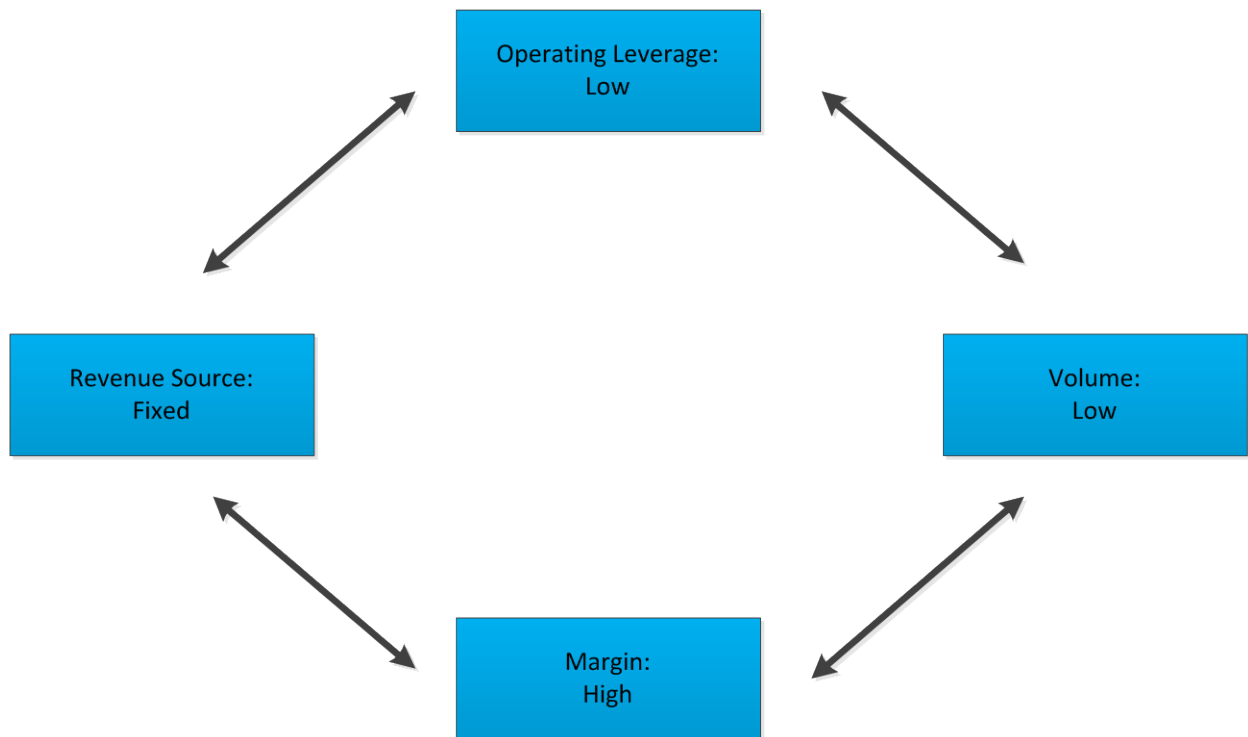
Table 14: One time start-up costs

One-time start-up costs	Costs
Legal and professional fees (business incorporation)	\$500
Office supplies – projector, iPad dongle, etc.	\$500
Software development tools	\$250
Sub-total	\$1250
Depreciable start-up costs	
Computers and software – use personal	\$0
Sub-total	\$0
Total start-up costs	\$1250

4.4 Overall Economic Model

The figure below illustrates the overall economic model of SomoTrack.

Figure 3: Overall Economic Model



SomoTrack has no debt because the operation will be self-funded by the owners with very low start-up capital (total of \$4,000). SomoTrack is also leveraging pay-per-use hosting server so that it does not have to incur large initial capital. Initially, there are only two target customers (Hastings Parks and Fraser Downs) with one fixed revenue source, which is licensing and support. SomoTrack has very high margins because the initial cost of development is considered sweat labor by the owners.

4.5 Profit Potential and Durability

The potential profit for SomoTrack is not in the acceptance of its proprietary technology for picking winning horses, but its ability to transform the traditional Daily Racing Form with a modern era mobile application as well as reduce the learning curve for new and casual customers to participate in horse racing. There is no guarantee that the users' criteria are the right criteria to determine the winning horse, but the technology simplifies the learning curve and enhances the users' experience at the race track as well as draws new customers via social networks.

There is virtually no barrier to entry to create the application. As a new entrant, SomoTrack is attempting to collaborate with the biggest customer in British Columbia, Hastings Park, to prove to the track that the application increases live race attendance and wagers. Successful implementation will create a switching cost for the track and create a barrier for other new entrants.

5: Marketing Plan

5.1 Overall Marketing Strategy

SomoTrack will position itself as a marketing tool for a horse racing track to enhance the track's customer experience. SomoTrack is a fresh approach to horse racing betting, which undercuts the complex learning curve associated with the traditional horse racing program in an effort to attract new players. Other horse racing handicapping applications are simply transforming the traditional Daily Racing Form into an application with the same complexity and steep learning curve, and targeting dedicated gaming customers. SomoTrack is attempting to attract new gaming customers through a simplified application that is accessible from any mobile device.

During its initial selling efforts, SomoTrack will target horse racing tracks in Metro Vancouver while it works on maturing the application and building a reputation in the horse racing sector. Furthermore, following a lean startup business model (Ries, 2011), SomoTrack is targeting a local market in order to reduce unnecessary product development costs (such as travel expenses) and to work closely with its initial clients to bring the prototype to the market. The business will start in Metro Vancouver and will later expand to either Ontario or the west coast of the United States.

SomoTrack's unique selling proposition is to help the horse racing track enhance its new and casual customers' experience during live races, potentially turning new customers into recurring customers.

As of March 2012, SomoTrack has signed Hastings Park as its first customer. Hastings Park sees the value of SomoTrack's approach in enhancing the overall experience for new and casual gaming customers as well as reducing the learning curve associated with the Daily Racing Form. SomoTrack will collaborate with Hastings Park to enhance the customers' experience at the track during live races, and solicit input from the tracks on future enhancements to the application.

5.2 Pricing

The pricing strategy of SomoTrack will be set to recruit and retain horse racing tracks in order to mature the product and prove its feasibility. Based on early discussion with Hastings Park, SomoTrack has set a target price of \$500/race or \$5000/month, but as illustrated in the economic model, SomoTrack has high margins and can offer luminary pricing to its first client. In order to recruit early adopters, SomoTrack is offering a luminary pricing of \$300/race and will increase that pricing after two years by \$100 per race to a maximum of \$500 per race. Refer to section "Sales Forecast" below for the detail sales forecast.

SomoTrack is offering two pricing models. The first one is the traditional business to business (B2B) method of a licensing and annual support fee. The alternative available pricing option is software as a service (SaaS) pricing model where SomoTrack would charge according to the number of gaming customers using the application.

In both pricing schemes, SomoTrack is responsible for maintaining and upgrading the application and will not require the client to purchase any server hardware.

SomoTrack is using cloud-based hosting platform from Heroku (www.heroku.com) to host its application and database.

SomoTrack’s pricing illustration will be based on the number of live races scheduled at Hastings Park in 2012, and the 2006 BC Census data.

5.2.1 Licensing pricing scheme

SomoTrack offers a more traditional business to business (B2B) method of licensing involving bundled license and support fees. No additional fees will be charged on top of the license fee. There are no restrictions as to how many gaming customers can use the application.

Based on the Hastings Park 2012 racing calendar (Hastings Park, 2012), there are 71 races between April and October. SomoTrack can offer either fee per race or fee per month as illustrated in the table below. Once the track licenses the application, the track can use it as it wishes, such as incorporating the SomoTrack’s application into its own mobile strategy, allowing universal access or allowing access only to customers who buy the Daily Racing Form.

Table 15: Licensing pricing scheme

Month	No of Races	Fee per race (\$300)	Fee per month (\$2500)
April	6	\$1,800	\$2,500
May	10	\$3,000	\$2,500
June	13	\$3,900	\$2,500
July	14	\$4,200	\$2,500
August	14	\$4,200	\$2,500
September	9	\$2,700	\$2,500
October	5	\$1,500	\$2,500
Total	71	\$21,300	\$17,500

SomoTrack will the pricing to be quite attractive for its first customer in order to break into the market more easily. The price will be increased to \$500 per race or \$5000 per month for subsequent customers.

SomoTrack predicts that most horse racing tracks will opt for the B2B pricing scheme as that is the typical way tracks do business with technology vendors. SomoTrack is advocating this pricing model because it is a simpler contract and creates a steadier revenue stream.

5.2.2 SaaS pricing scheme

If necessary, SomoTrack could offer alternative software as a service (SaaS) pricing model where SomoTrack would charge according to the number of gaming customers using the application. There is neither an up-front fee nor a monthly fee in this pricing scheme. However, the client can pre-buy a set number of accesses to get a volume discount. The SaaS pricing scheme presents some difficulty because tracks often do not record the number of people who attend each race day.

Assuming that 2012 will have the same number of casual and new customers as there were in 2006, there are approximately 116,744 new and casual players in Vancouver (see Table 8: Value of new and casual customers in Vancouver). Looking at the average number of visits, each new and casual player will visit the race track 8 times in a season out of 71 live races, which is about 11% of the full season. The table below illustrates the SaaS pricing scheme.

Table 16: SaaS pricing scheme

Total estimated customers	116,744
11% attendances per race	12,842
Total number of races	71
Price per customer access	\$0.03
Total	\$27,353.12

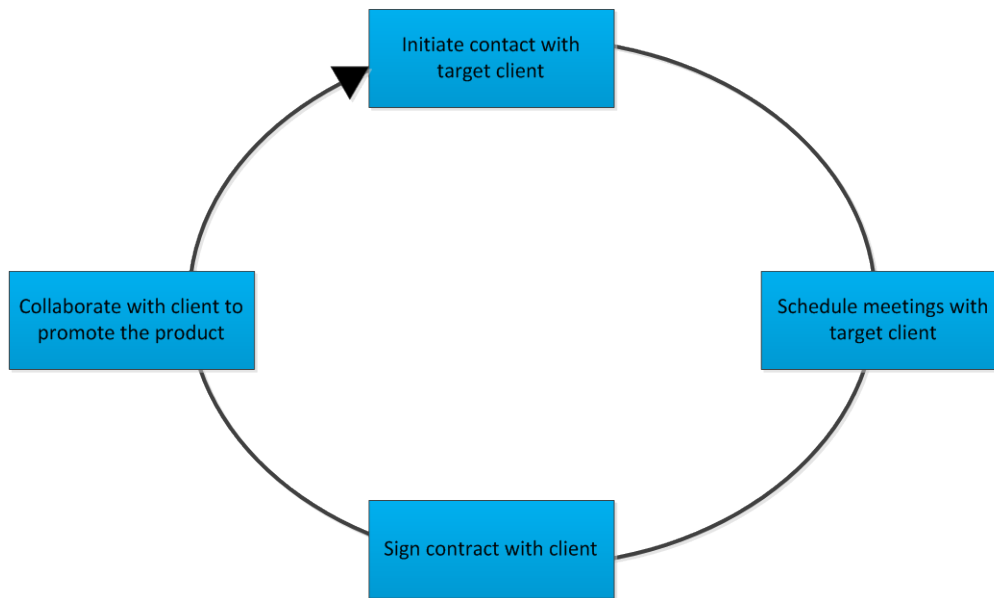
Because of the risk associated with not knowing the actual number of attendances as well as how many will access the application, SomoTrack is proposing to set 3 cents per customer access. This could potentially generate more revenue than the licensing pricing scheme, but is more uncertain.

SomoTrack will not be presenting this pricing option unless the tracks absolutely will not go with the licensing pricing scheme.

5.3 The Selling Cycle

The figure below illustrates the selling cycle of SomoTrack to the horse racing track.

Figure 4: The Selling Cycle



Horse racing tracks will be presented with SomoTrack's unique selling proposition for increasing the number of and enhancing the experience of live racing audiences, especially new and casual gaming customers. SomoTrack will meet with the target client [potentially multiple times] and demonstrate how the product can help the target clients to gain more new and casual gaming customers. After a contract is signed, SomoTrack will work together the track's marketing agency or the marketing agency hired by the track to accomplish the track's mobile marketing strategy to ensure that link to the SomoTrack's application is placed on the Daily Racing Form as well as any mobile marketing materials from the track.

There is no official sales force for SomoTrack. For now, both members of the management team will be involved in all sales. Alan Paige will handle the business discussion and Wayne Hoy will handle the technical discussion.

5.4 Advertising and Sales Promotion

SomoTrack is targeting horse racing tracks, and is not marketing directly to gaming customers. SomoTrack's marketing strategy is to demonstrate to the horse racing tracks that SomoTrack can help the tracks improve the experience for new and casual players.

SomoTrack's website is targeted to the horse racing tracks and will provide information about the value that its innovative products offer, which is to attract a younger generation by simplifying the learning curve for new players. The website will illustrate how horse racing tracks could use the mobile web application as a marketing, educational, and promotional tool to enhance the experience of the tracks' new and casual players.

SomoTrack will work with the track's marketing team or its contracted marketing agency to handle mobile marketing and promotion for the track. SomoTrack's clients will use SomoTrack's application as one of several marketing tools to promote the race track. Additionally, SomoTrack will 'piggy-back' on the track's media exposure to get free media advertising for the application. Ultimately, SomoTrack will use the track and its mobile marketing success story as a testimonial for potential new clients.

Additionally, SomoTrack integrates the player's racetrack experience with social networks like Twitter and Facebook, taking advantage of the power of word of mouth advertising. When consumers use social media to spread the word about their experience, a universe of recommendation marketing opens up for both the track and SomoTrack, which is inaccessible through traditional broadcast approaches. The next time people come, they are more likely to bring their friends.

5.5 Distribution

SomoTrack's distribution strategy is to offer innovative browser-based products that are accessible on any mobile device. SomoTrack's application is distributed through the latest cloud-based computing and software-as-a-service technologies, which means clients do not need to purchase any hardware in order to deploy the application.

This mobile web strategy is also targeted to enhance the experience of the younger generation by allowing easy access to the application without the need to download and install it. SomoTrack will work with the track to include the application's website address (URL) on the track's website, promotional newsletters, Daily Racing Forms, and pamphlets throughout the tracks during the race day. Furthermore, SomoTrack will ensure that the track places QR codes throughout the race tracks in order to entice customers to access the application by scanning the code.

Figure 5: QR Code to access www.somotrack.com



5.6 Sales Forecast

SomoTrack's sales forecast for years 1 to 5 are illustrated in the tables below. It is assumed that there are same numbers of races per year for all tracks (based on Hastings Park's 2012 schedule).

In order to recruit its initial customer, SomoTrack is offering luminary pricing of \$300/race for its initial three clients. SomoTrack will start with one customer in its first year and work closely with that client to mature the prototype and bring it to the market.

SomoTrack plans to obtain two customers in its 2nd year, two customers in its 3rd year and then maintain a growth rate of 35% in subsequent years after that. The sales forecast uses a fee per race licensing model with a price of \$300 per race for its first customer as well as for its 2nd and 3rd customers. 4th to 6th customers will be charged \$400 per race, and 7th customer and beyond will be charged \$500 per race. SomoTrack will increase the pricing after two years by \$100 per race to a maximum of \$500 per race.

Table 17: Fee per race scheme

Hastings Parks in 2012		\$300/race	\$400/race	\$500/race
Month	No of Race	Fee per race	Fee per race	Fee per race
April	6	\$1,800	\$2,400	\$3,000
May	10	\$3,000	\$4,000	\$5,000
June	13	\$3,900	\$5,200	\$6,500
July	14	\$4,200	\$5,600	\$7,000
August	14	\$4,200	\$5,600	\$7,000
September	9	\$2,700	\$3,600	\$4,500
October	5	\$1,500	\$2,000	\$2,500
Total	71	\$21,300	\$28,400	\$35,500

Table 18: Sales Forecast Year 1 to Year 5

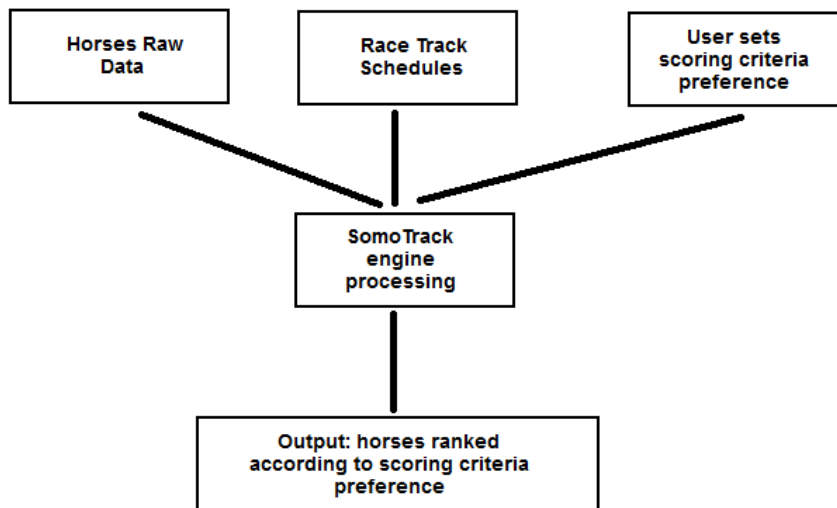
Sales projection	Year 1	Year 2	Year 3	Year 4	Year 5
Hastings Parks, BC	\$21,300	\$21,300	\$28,400	\$28,400	\$35,500
Fraser Downs, BC		\$21,300	\$21,300	\$28,400	\$28,400
Emerald Downs, WA		\$21,300	\$21,300	\$28,400	\$28,400
Woodbine, ON			\$28,400	\$28,400	\$35,500
5th track			\$28,400	\$28,400	\$35,500
6th track				\$28,400	\$28,400
7th track				\$35,500	\$35,500
8th track					\$35,500
9th track					\$35,500
10th track					\$35,500
Total	\$21,300	\$63,900	\$127,800	\$205,900	\$333,700
% Sales growth		67%	50%	38%	38%
# clients forecast	1	3	5	7	10

6: Design and Development Plan

6.1 SomoTrack Model

The figure below illustrates SomoTrack design model.

Figure 6: SomoTrack Model



On the “back-stage” of its operation, SomoTrack’s focus is on ensuring that the web mobile application is ready for race day. At the beginning of the race season, SomoTrack will create the live race schedules for each track based on their existing racing schedules. Each track needs to buy the horses’ raw data from a third party in order to produce their Daily Racing Forms prior to the races. Each track will electronically supply their horses’ raw data to SomoTrack prior to the scheduled race date.

On the race day, the users will set their scoring criteria preference, and SomoTrack processing engine would take all three inputs into account to rank the horses for the users.

6.2 Product Improvement and New Products

SomoTrack is based on the lean start-up business model (Ries, 2011). SomoTrack has finished its early prototype (see Appendix B) and is selling the prototype to early adopters (e.g. Hastings Park). SomoTrack is building minimum viable product, getting feedback and testing the product at the user's environment. Any future development will be done in partnership with the early adopters, which means SomoTrack will be able to renew the contracts for subsequent years to fuel further development.

SomoTrack will need to hire one developer when it has two tracks, one more developer when it has signed five tracks, and one more additional developer when it has ten tracks. The strategy is to hire developers that are willing to work for an equity share with minimal salary to limit the expenses. Everyone will be contractors until SomoTrack has at least five personnel.

7: Operations Plan

SomoTrack's operations will be primarily focused on servicing its customers, ensuring any updates or enhancements are available immediately, and maintaining integration with the tracks' databases to access the horses' raw data and live race schedules.

7.1 Operation Model

SomoTrack's application will be placed on a cloud-based hosting platform, so any updates or enhancements will be available to all customers as soon as they are completed. No manual upgrades are required and tracks do not have to maintain different versions of the application. Any updates or enhancements will be done by the owner that is responsible for the "back-stage" operation until the management team believes that it needs to hire another developer to ease the workload.

On the "front-stage" of its operation, SomoTrack's focus is to be a tool that the tracks' marketing departments can use to enhance their customers' experiences. The actual gaming customers will use SomoTrack's application as part of the track's service offering. The mobile web application will be re-branded with the track's logo and colour.

7.2 Physical Location

SomoTrack's office will be based in the home of the owners, with occasional meetings in nearby coffee shops. The physical location of SomoTrack's office is not important to the tracks because SomoTrack will meet with the clients at the clients' sites.

8: Management Team

8.1 Organization and Management Personnel

The owners of SomoTrack, Alan Paige and Wayne Hoy, have combined their experiences in operating start-ups and building software applications in order to launch SomoTrack. There will be no formal titles at SomoTrack until it has at least five personnel.

Alan Paige has extensive experience running all aspects of a start-up company including operations, financial management, and communication with the board of directors and partners. Alan Paige is handling business discussions with potential clients. He is the “front-stage” personnel.

Wayne Hoy has a profound background in technology from being a software developer to working as a product manager. Wayne has a Master of Business Administration (MBA) degree from the University of Western Ontario. Wayne is handling all aspects of the developing the application, including design, development, testing, release and maintenance. He is the “back-stage” personnel.

There is no intention to have a board of directors at this time.

8.2 Management Compensation and Ownership

Alan Paige and Wayne Hoy will have an equal share of 50% of the company. Neither of them will withdraw any money from the company for at least the first three

years, and will reinvest any profit back into the company. The owners will be involved in the day-to-day operations and be responsible for multiple roles in the operation of SomoTrack.

9: Internal Analysis

To gain competitive advantage over its competitors, SomoTrack is looking into its internal advantages: simplicity, owners' experience, and agility. The table below analyses SomoTrack's internal advantages using VRIO.

Table 19: VRIO Analysis

Resources and Competencies	Value	Rarity	Imitability	Organization	Competitive Advantage
Simplicity	Yes	No	Yes	Yes	Parity
Owner's Experience	Yes	Yes	Yes	Yes	Temporary Advantage
Agility	Yes	No	Yes	Yes	Parity

Value

The target of SomoTrack is to offer simplicity in picking a horse and to enhance gaming customers' experience during live races. In addition, SomoTrack wants to make the application accessible from all mobile platforms on the racing days. SomoTrack is embracing a lean start-up business model by starting with a prototype and being agile in

enhancing the prototype by collaborating with its client. The owners bring their experiences in operating start-ups and building software applications to SomoTrack.

Rarity

The inputs to the horse racing application, such as the horses raw data and race track schedule are widely accessible to SomoTrack and the competitors as well. There are many products competing for a small segment of horse racing customers. Instead of targeting the same target market, SomoTrack is targeting the horse racing tracks by offering simple web mobile application to enhance the experience of new and casual horse racing customers on the tracks. It would be the owners' experience in being lean and agile that would allow SomoTrack to react quickly to the changing market and demand.

Imitability

Currently, there are few products in the market offering similar features to SomoTrack's offering. Most of the products in the market are fighting for a piece of the dedicated players' market. SomoTrack has the first mover advantage in simplifying the complex Daily Racing Form for the new and casual players. Additionally, SomoTrack has to act fast and secure more clients before the competitors decide to shift their strategies and start to target the new and casual players. If SomoTrack is able to show its values and increases the number of new and casual players for its clients, the competitors will show up to fight for this target market by imitating SomoTrack's concept. In addition, all of the competitors attempting to imitate SomoTrack would have gotten the chance to see SomoTrack's application.

Organization

The owners have combined their experiences in operating start-ups and building software applications in order to launch SomoTrack. SomoTrack has done an excellent job in following a lean start-up business model by keeping the capital and expenses low, and building a minimum viable product to go to market (Ries, 2011).

Conclusion

SomoTrack has found a niche in targeting the new and casual players in the declining horse racing sector. SomoTrack's application is simple and accessible on any mobile browsers. Any substitutes are generally too complicated and include large number of unnecessary features for the new and casual players. However, competitors could potentially imitate SomoTrack's concept and application because the inputs to the applications are not rare and the competitors would have had access to SomoTrack's application.

10: Overall Schedule

SomoTrack commenced operations in Metro Vancouver in January 2012. Detail of the timeline for the first five years of operations is shown in Appendix D.

11: Critical Risks, Problems, and Assumptions

The table below shows the risks, problems, or assumptions that may occur and the mitigation factors for each of the identified risks, problems, or assumptions.

Table 20: SomoTrack's risk/problem/assumption

Risk/Problem/Assumption	Risk Level	Mitigation Factor
SomoTrack not achieving sales projections	High	<p>SomoTrack needs to review its sales funnel and revise the sales forecast if necessary.</p> <p>The probability of this is quite high because any future sales are contingent on the success stories from its existing customers.</p> <p>Not achieving sales projections would affect SomoTrack heavily on financial because this is the only revenue source.</p>
<p>Attractiveness of competitors to enter the market</p> <p>Low barrier of entry</p>	High	<p>SomoTrack has to get to the market early and establish its presence.</p> <p>The probability of this is quite high especially if SomoTrack is successful in its first few years of operation.</p> <p>If many competitors were entering this sector, SomoTrack had to act faster to gain more customers as soon as possible (“land-grab”) in order to reach the sales projection.</p> <p>SomoTrack needs to establish good relationship with the horse racing tracks and use them as references to gain more tracks.</p>
The racetrack may fail to promote SomoTrack’s	Medium	SomoTrack will work together with the track’s marketing team or the marketing agency hired

<p>application and there may be insufficient uptake as a result</p>		<p>by the track to promote the mobile web browser application</p> <p>The probability of this is medium especially if the track has not done any promotion with mobile devices, but can be mitigated by suggesting to the track the importance of a mobile marketing strategy.</p> <p>Insufficient uptake of SomoTrack’s application especially at early adopters’ tracks would impact SomoTrack financially because the majority would be looking at early adopters’ for sign of success or failure.</p>
<p>Takeover is possibility before SomoTrack is ready to exit</p>	<p>Low</p>	<p>SomoTrack needs to establish its exit strategy and be familiar with its own valuation.</p> <p>The probability of this is low even though SomoTrack is successful in early stages, because there would have been many new entrants that would copy SomoTrack or the potential buyers could build the application themselves.</p> <p>Competitors (such as Equibase) or the tracks themselves are the possible buyers of SomoTrack.</p>
<p>Unable to capture Hastings Park as its first customer</p>	<p>Low</p>	<p>As of March 2012, Hastings Park has signed contract with SomoTrack</p>
<p>Strained relationship between the owners</p>	<p>Low</p>	<p>Each owner has defined its own area of responsibilities in the company. One owner handles the “front-stage” and the other handles the “back-stage”.</p> <p>The probability of this is low because the owners had work together in the past successfully.</p> <p>The financial impact of the strained relationship between the owners would be big because the energy of the owners would not be channelled towards the business, and the start-</p>

		up would be impacted severely.
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12: Financial Plan

12.1 Highlights of Financial Statements

The owners will inject \$4,000 into the business to start the business in January 2012. Other than that, SomoTrack has no investor money, no debt, and no assets to amortize. In addition to that, the owners will not be withdrawing any money from the business for the first three years.

With his experience in managing the operations and financial of start-up company, Alan Paige will be monitoring the costs closely and will use all measure to control unnecessary expenses. For example, SomoTrack will not be renting any space for operation and everyone will be on contract instead of full-time employee until SomoTrack has at least five personnel.

SomoTrack is leveraging the cloud-based hosting platform instead of owning its own servers to host and run its application. Hence, SomoTrack does not need huge initial capital to buy physical servers for its operation.

The breakeven point will be reached when SomoTrack has its first sale, which it is in the fourth month of operation. Positive cash flow will be attained on the fifth month of operation when SomoTrack collects its first account receivable.

12.2 Key Financial Assumptions

The following are key financial assumptions to build the financial projections:

- Account Receivable - Assume collection period of 30 days. Since the horse racing is seasonal between April and October, it is assumed that all money will be collected by the end of the year. Hence, there is no amount in account receivable at the end of the year.
- Cost of good sales – Since SomoTrack is using cloud-based hosting platform, the cost of hosting and website is directly associated with the number of clients, and is part of the variable cost to run the business.
- Marketing and sales - Travel and expenses budget to obtain new clients. Most initial meetings and product demonstrations will be done electronically using WebEx or similar desktop sharing application to reduce costs.
- Income tax – For simplicity, a combined federal/provincial rate of 30% has been used. Taxes will be paid in full the following year.
- Salaries – SomoTrack will hire one contractor at year three, one at year four, and one at year five.

12.3 Financial Statements (See Appendix E)

13: Exit Strategy

If the mobile web application is proven to enhance customers’ experience, and results in increasing live attendances and wagers on the tracks, SomoTrack may be in a position to be bought out by a major horse racing application’s company within five years.

Assuming that the sales forecast is obtainable, the company’s revenue is projected to grow at 35% from year 3 onwards. SomoTrack’s exit strategy will use a valuation model assuming 35% growth as illustrated in the table below.

Table 21: Net Present Value of SomoTrack

35% growth	Revenue	Present value of year's revenue
Year 1	\$ 21,300	\$15,777.78
Year 2	\$ 56,800	\$42,074.07
Year 3	\$ 127,800	\$94,666.67
Year 4	\$ 198,800	\$147,259.26
Year 5	\$ 305,300	\$226,148.15
Year 6	\$ 412,155	\$305,300.00
Year 7	\$ 556,409	\$412,155.00
Year 8	\$ 751,152	\$556,409.25
Year 9	\$ 1,014,056	\$751,152.49
Year 10	\$ 1,368,975	\$1,014,055.86
Total Present value		\$3,564,998.52

In summary, SomoTrack is worth \$3.5 million based on 35% annual revenue growth for 10 years.

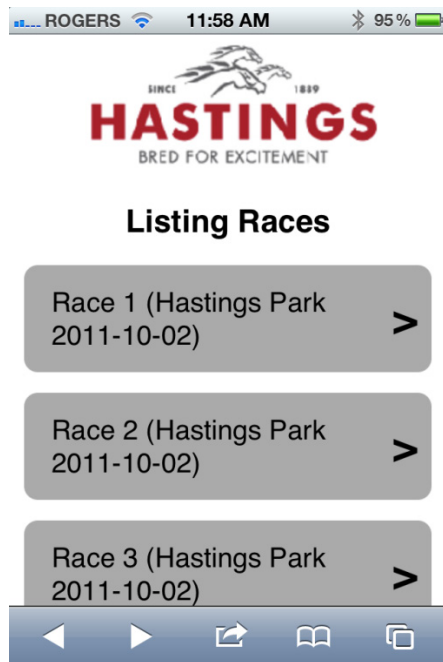
Appendices

Appendix B - Prototype of SomoTrack Application

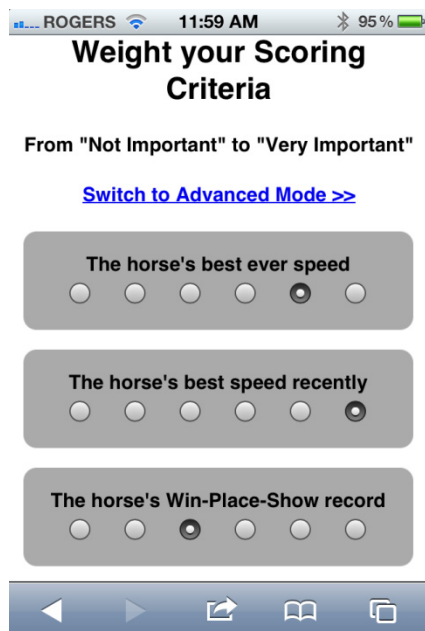
Step by step easy to use application on your mobile devices' or smart phones' browser

Step 1: Go to the racetrack provided URL (via scanning QR code or link)

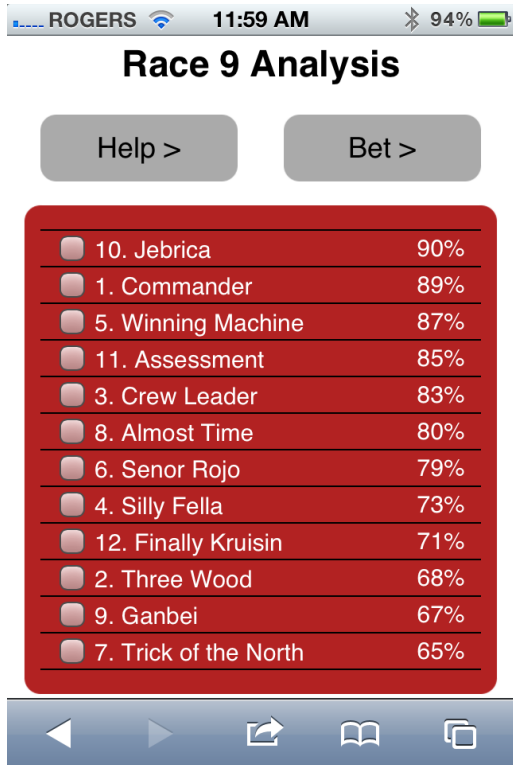
Step 2: Pick the races for today's race



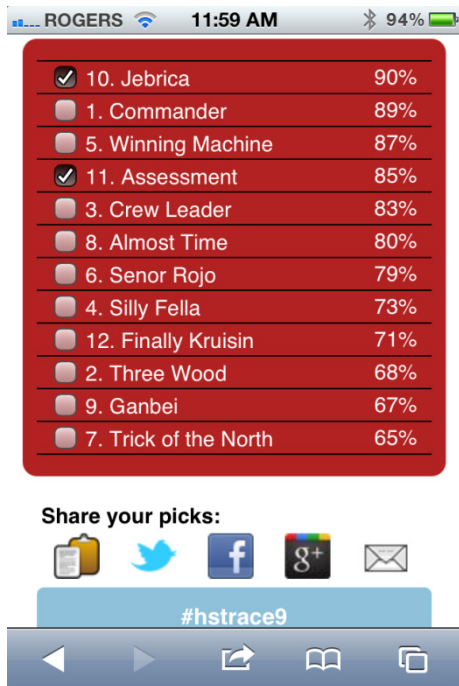
Step 3: Weight your scoring criteria



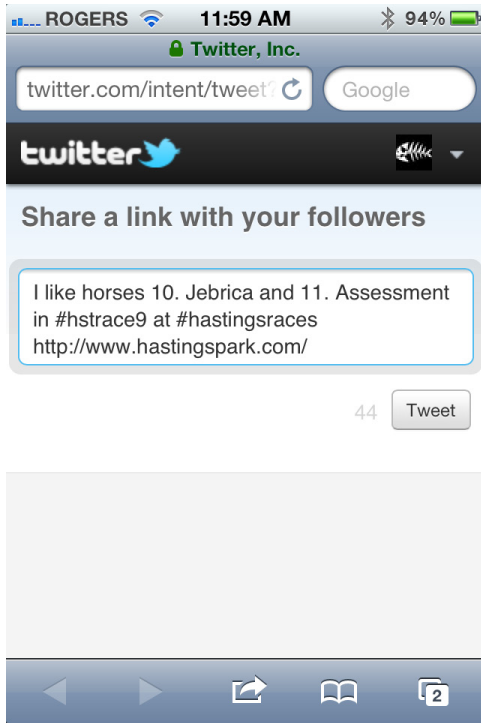
Step 4: Horses sorted according to your criteria



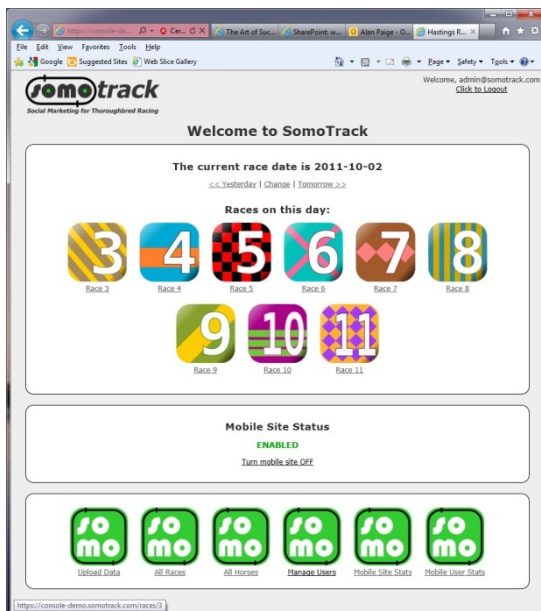
Step 5: Share your picks to your friends



Step 6: Your selection is posted in your social media (e.g. Twitter)



Sample of the Administration Page for SomoTrack



Appendix C - Census 2006 for Vancouver and British Columbia

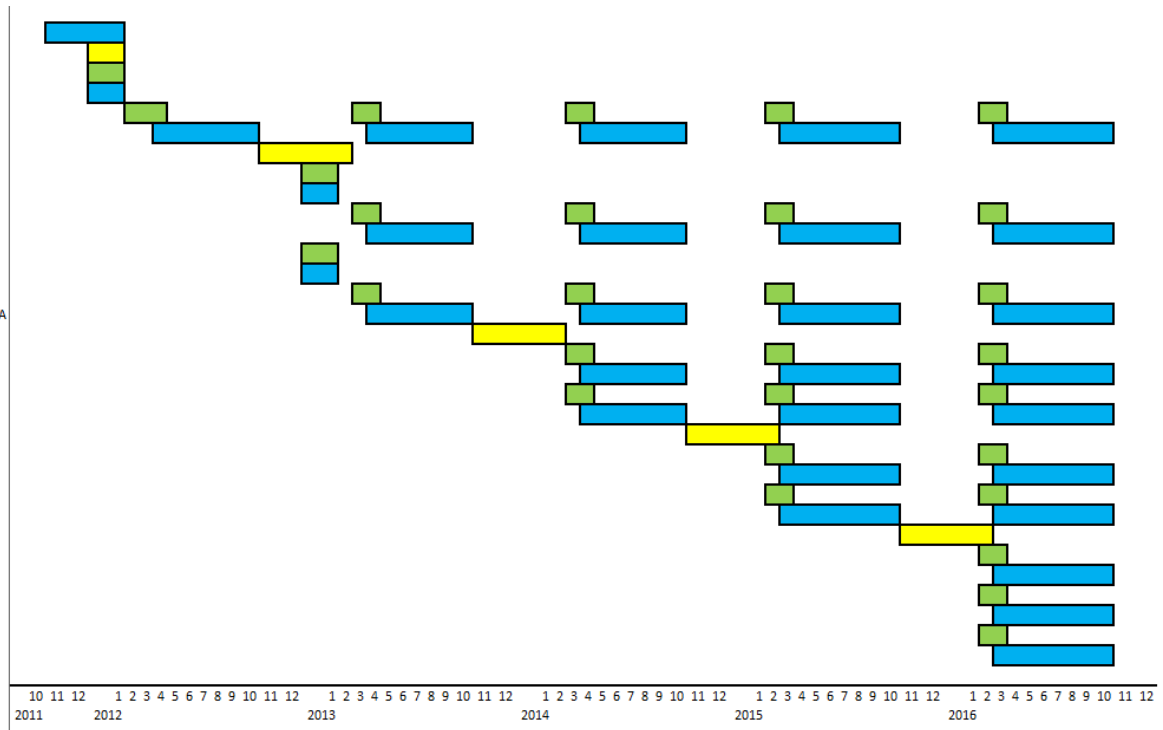
Source: Statistics Canada, 2006

2006 Census Census Snapshot	Vancouver, BC		British Columbia	
		%		%
Total Population	2,116,585		4,113,480	
Males	1,032,445	49%	2,013,985	49%
Females	1,084,140	51%	2,099,495	51%
2006 Population by Age	2,116,585		4,113,480	
0 to 4 years	105,280	5%	201,885	5%
5 to 19 years	377,650	18%	751,280	18%
20 to 24 years	148,510	7%	265,905	6%
25 to 34 years	289,710	14%	499,850	12%
35 to 44 years	347,785	16%	625,480	15%
45 to 54 years	338,385	16%	664,255	16%
55 to 64 years	237,790	11%	505,015	12%
65 to 74 years	141,145	7%	313,395	8%
75 to 84 years	94,830	4%	210,365	5%
85 years and over	35,490	2%	76,050	2%
Average age of population	39.0		40.0	
Median age	39.1		40.7	

2006 Census Population by Age and Sex Comparison	Vancouver, BC			British Columbia		
	Total Population	Males	Females	Total Population	Males	Females
Population by Age	2,116,585	1,032,445	1,084,140	4,113,480	2,013,985	2,099,495
0 to 4 years	105,280 5%	53,980 5%	51,300 5%	201,885 5%	103,295 5%	98,590 5%
5 to 9 years	112,270 5%	57,910 6%	54,360 5%	220,695 5%	113,175 6%	107,520 5%
10 to 14 years	128,185 6%	66,295 6%	61,890 6%	257,020 6%	132,275 7%	124,745 6%
15 to 19 years	137,195 6%	70,340 7%	66,855 6%	273,565 7%	140,335 7%	133,230 6%
20 to 24 years	148,510 7%	74,420 7%	74,090 7%	265,905 6%	134,085 7%	131,820 6%
25 to 29 years	143,305 7%	69,765 7%	73,540 7%	245,275 6%	120,260 6%	125,015 6%
30 to 34 years	146,405 7%	70,065 7%	76,340 7%	254,575 6%	122,835 6%	131,740 6%
35 to 39 years	165,640 8%	79,795 8%	85,845 8%	290,645 7%	140,555 7%	150,090 7%
40 to 44 years	182,145 9%	88,785 9%	93,360 9%	334,835 8%	162,675 8%	172,160 8%
45 to 49 years	178,250 8%	86,395 8%	91,855 8%	344,140 8%	167,040 8%	177,100 8%
50 to 54 years	160,135 8%	78,385 8%	81,750 8%	320,115 8%	156,595 8%	163,520 8%
55 to 59 years	139,650 7%	68,655 7%	70,995 7%	289,425 7%	142,575 7%	146,850 7%
60 to 64 years	98,140 5%	48,360 5%	49,780 5%	215,590 5%	106,815 5%	108,775 5%
65 to 69 years	76,575 4%	36,610 4%	39,965 4%	169,765 4%	83,050 4%	86,715 4%
70 to 74 years	64,570 3%	30,850 3%	33,720 3%	143,630 3%	70,200 3%	73,430 3%
75 to 79 years	54,180 3%	24,300 2%	29,880 3%	120,435 3%	55,635 3%	64,800 3%
80 to 84 years	40,650 2%	16,060 2%	24,590 2%	89,930 2%	36,895 2%	53,035 3%
85 years and over	35,490 2%	11,470 1%	24,020 2%	76,050 2%	25,690 1%	50,360 2%
65 years and over	271,465 13%	119,290 12%	152,175 14%	599,810 15%	271,470 13%	328,340 16%
Average age	39.0	38.1	39.9	40.0	39.2	40.8
Median age	39.1	38.3	39.9	40.7	40.0	41.4
Dominant age group	40 to 44 years 9%	40 to 44 years 9%	40 to 44 years 9%	45 to 49 years 9%	45 to 49 years 8%	45 to 49 years 8%

Appendix D – Overall Schedule for SomoTrack

- Build prototype
- Incorporate SomoTrack
- Initiate contact with Hastings Park
- Demo to Hastings Park
- Implementation for Hastings Park
- Deployment and operation at Hastings Park
- Enhance application - release 2
- Initiate contact with Fraser Downs
- Demo to Fraser Downs
- Implementation for Fraser Downs
- Deployment and operation at Fraser Downs
- Initiate contact with Emerald Downs, WA
- Demo to Emerald Downs, WA
- Implementation for Emerald Downs, WA
- Deployment and operation at Emerald Downs, WA
- Enhance application - release 3
- Implementation for client #4
- Deployment and operation at client #4
- Implementation for client #5
- Deployment and operation at client #5
- Enhance application - release 4
- Implementation for client #6
- Deployment and operation at client #6
- Implementation for client #7
- Deployment and operation at client #7
- Enhance application - release 5
- Implementation for client #8
- Deployment and operation at client #8
- Implementation for client #9
- Deployment and operation at client #9
- Implementation for client #10
- Deployment and operation at client #10



Appendix E – Financial Statements

SomoTrack Pro Forma Income Statement As at December 31, 2012 (\$)

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	YEARLY	%
Revenue (Sales)														
Hastings Parks license and support	0	0	0	1,800	3,000	3,900	4,200	4,200	2,700	1,500	0	0	21,300	100.0
Total Revenue (Sales)	0	0	0	1,800	3,000	3,900	4,200	4,200	2,700	1,500	0	0	21,300	100.0
Cost of Sales														
Hosting and website	15	15	15	1,015	1,015	1,015	1,015	1,015	1,015	1,015	15	15	7,180	33.7
Total Cost of Sales	15	15	15	1,015	1,015	1,015	1,015	1,015	1,015	1,015	15	15	7,180	33.7
Gross Profit	-15	-15	-15	785	1,985	2,885	3,185	3,185	1,685	485	-15	-15	14,120	66.3
Expenses														
Salary expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Outside services	0	0	0	500	0	0	0	0	0	0	0	0	500	2.3
Supplies (office and operating)	500	0	0	0	0	0	0	0	0	0	0	0	500	2.3
Marketing and Sales	0	50	0	0	0	1,200	0	2,000	0	0	0	0	3,250	15.3
Software tools	250	0	0	0	0	0	0	0	0	0	0	0	250	1.2
Accounting and legal	0	450	1,000	0	0	0	0	0	0	0	0	0	1,450	6.8
Telephone	0	0	0	100	100	100	100	100	100	100	50	50	800	3.8
Total Expenses	750	500	1,000	600	100	1,300	100	2,100	100	100	50	50	6,750	31.7
Net Profit before Tax	-765	-515	-1,015	185	1,885	1,585	3,085	1,085	1,585	385	-65	-65	7,370	34.6
Income Taxes (30%)	-230	-155	-305	56	566	476	926	326	476	116	-20	-20	2,211	10.4
Net Profit After Tax	-536	-361	-711	130	1,320	1,110	2,160	760	1,110	270	-46	-46	5,159	24.2
Owner Draw/ Dividends														
Adj. to Retained Earnings	-536	-361	-711	130	1,320	1,110	2,160	760	1,110	270	-46	-46	5,159	24.2

SomoTrack
Pro Forma Income Statement
As at December 31, 2012, 2013, 2014, 2015, 2016 (\$)

	2012	%	2013	%	2014	%	2015	%	2016	%
Sales	\$ 21,300	100.00%	\$ 63,900	100.00%	\$ 127,800	100.00%	\$ 205,900	100.00%	\$ 333,700	100.00%
Cost/ Goods Sold (COGS)	7,180	33.71%	21,540	33.71%	35,900	28.09%	50,260	24.41%	71,800	21.52%
Gross Profit	<u>\$ 14,120</u>	<u>66.29%</u>	<u>\$ 42,360</u>	<u>66.29%</u>	<u>\$ 91,900</u>	<u>71.91%</u>	<u>\$ 155,640</u>	<u>75.59%</u>	<u>\$ 261,900</u>	<u>78.48%</u>
Operating Expenses										
Salary (Office & Overhead)	\$ -	0.00%	\$ -	0.00%	\$ 50,000	39.12%	\$ 100,000	78.25%	\$ 150,000	117.37%
Outside Services	500	2.35%	-	0.00%	-	0.00%	+	0.00%	-	0.00%
Supplies (off and operation)	500	2.35%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Marketing and Sales	3,250	15.26%	6,500	10.17%	13,000	10.17%	13,000	10.17%	13,000	10.17%
Software tools	250	1.17%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Accounting and Legal	1,450	6.81%	1,500	2.35%	1,500	1.17%	1,500	1.17%	1,500	1.17%
Telephone	800	3.76%	1,200	1.88%	1,800	1.41%	1,800	1.41%	1,800	1.41%
Total Expenses	<u>\$ 6,750</u>	<u>31.69%</u>	<u>\$ 9,200</u>	<u>14.40%</u>	<u>\$ 66,300</u>	<u>51.88%</u>	<u>\$ 116,300</u>	<u>91.00%</u>	<u>\$ 166,300</u>	<u>130.13%</u>
Net Profit Before Tax	7,370		33,160		25,600		39,340		95,600	
Income Taxes (30%)	2,211		9,948		7,680		11,802		28,680	
Net Profit After Tax	5,159		23,212		17,920		27,538		66,920	
Owner Draw/ Dividends	-		-		-		10,000		30,000	
Adj. to Retained Earnings	<u>\$ 5,159</u>		<u>\$ 23,212</u>		<u>\$ 17,920</u>		<u>\$ 17,538</u>		<u>\$ 36,920</u>	

SomoTrack
Pro Forma Balance Sheet

For Month/Year Ended December 31, 2012 (\$)

	as of 01/01/2012	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Assets													
Current Assets													
Cash	\$ -	3,235	2,720	1,705	90	775	1,460	4,245	5,330	8,415	10,000	11,435	11,370
Account receivable	-	0	0	0	1,800	3,000	3,900	4,200	4,200	2,700	1,500	0	0
Inventory	-	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid expenses	-	0	0	0	0	0	0	0	0	0	0	0	0
Income taxes recoverable	-	230	384	689	633	68		0	0	0	0		
Total Current Assets	\$ -	3,465	3,104	2,394	2,523	3,843	5,360	8,445	9,530	11,115	11,500	11,435	11,370
TOTAL Assets	\$ -	3,465	3,104	2,394	2,523	3,843	5,360	8,445	9,530	11,115	11,500	11,435	11,370
Liabilities and Equity													
Current Liabilities													
Credit		0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	\$ -	0	0	0	0	0	0	0	0	0	0	0	0
Taxes payable	-	0	0	0	0	0	408	1,334	1,659	2,135	2,250	2,231	2,211
Notes, short-term (due within 12 months)	-	0	0	0	0	0	0	0	0	0	0	0	0
Current part, long-term debt	-	0	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	-	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	\$ -	0	0	0	0	0	408	1,334	1,659	2,135	2,250	2,231	2,211
Total Liabilities	\$ -	0	0	0	0	0	408	1,334	1,659	2,135	2,250	2,231	2,211
Owners' Equity													
Invested capital	\$ -	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Retained earnings - current	-	-536	-896	-1,607	-1,477	-158	952	3,112	3,871	4,981	5,250	5,205	5,159
Total Owners' Equity	\$ -	3,465	3,104	2,394	2,523	3,843	4,952	7,112	7,871	8,981	9,250	9,205	9,159
Total Liabilities & Equity	\$ -	3,465	3,104	2,394	2,523	3,843	5,360	8,445	9,530	11,115	11,500	11,435	11,370

SomoTrack
Pro Forma Balance Sheet

For Years Ended 2012, 2013, 2014, 2015, 2016 (\$)

	2012	2013	2014	2015	2016
Assets					
Current Assets					
Cash	11,370	33,160	25,600	39,340	95,600
Account receivable	0	0	0	0	0
Inventory	0	0	0	0	0
Prepaid expenses	0	0	0	0	0
Income taxes recoverable	0	0	0	0	0
Total Current Assets	11,370	33,160	25,600	39,340	95,600
TOTAL Assets	11,370	33,160	25,600	39,340	95,600
Liabilities and Equity					
Current Liabilities					
Credit	0	0	0	0	0
Accounts payable	0	0	0	0	0
Taxes payable	2,211	9,948	7,680	11,802	28,680
Notes, short-term (due within 12 months)	0	0	0	0	0
Current part, long-term debt	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Total Current Liabilities	2,211	9,948	7,680	11,802	28,680
Total Liabilities	2,211	9,948	7,680	11,802	28,680
Owners' Equity					
Invested capital	4,000	4,000	4,000	4,000	4,000
Retained earnings - current	5,159	19,212	13,920	23,538	62,920
Total Owners' Equity	9,159	23,212	17,920	27,538	66,920
Total Liabilities & Equity	11,370	33,160	25,600	39,340	95,600

SomoTrack
Pro Forma Cash Flow
For Month/Year Ended December 31, 2012 (\$)

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Beginning Cash Balance	0	3,235	2,720	1,705	90	775	1,460	4,245	5,330	8,415	10,000	11,435
CASH RECEIPTS												
Collections fm CR accounts	0	0	0	0	1,800	3,000	3,900	4,200	4,200	2,700	1,500	0
Loan/ other cash inj.	4000					0	0	0	0	0	0	0
TOTAL CASH RECEIPTS	4,000	0	0	0	1,800	3,000	3,900	4,200	4,200	2,700	1,500	0
Total Cash Available (before cash out)	4,000	3,235	2,720	1,705	1,890	3,775	5,360	8,445	9,530	11,115	11,500	11,435
CASH PAID OUT												
Hosting and website	15	15	15	1015	1015	1015	1015	1015	1015	1015	15	15
Gross wages (exact withdrawal)	0	0	0	0	0	0	0	0	0	0	0	0
Outside services	0	0	0	500	0	0	0	0	0	0	0	0
Supplies (office & oper.)	500	0	0	0	0	0	0	0	0	0	0	0
Marketing and sales	0	50	0	0	0	1200	0	2000	0	0	0	0
Software tools	250	0	0	0	0	0	0	0	0	0	0	0
Accounting & legal	0	450	1000	0	0	0	0	0	0	0	0	0
Telephone	0	0	0	100	100	100	100	100	100	100	50	50
Taxes	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL	765	515	1,015	1,615	1,115	2,315	1,115	3,115	1,115	1,115	65	65
Loan principal payment	0	0	0	0	0	0	0	0	0	0	0	0
Owners' Withdrawal	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH PAID OUT	765	515	1,015	1,615	1,115	2,315	1,115	3,115	1,115	1,115	65	65
Ending Cash Balance	3,235	2,720	1,705	90	775	1,460	4,245	5,330	8,415	10,000	11,435	11,370

SomoTrack
Pro Forma Cash Flow
 Years 2012 to 2016 (\$)

	Year 1 - 2012	Year 2 - 2013	Year 3 - 2014	Year 4 - 2015	Year 5 - 2016
Beginning Cash Balance	0	11,370	30,949	15,652	21,660
CASH RECEIPTS					
Collections fm CR accounts	21,300	63,900	127,800	205,900	333,700
Loan/ other cash inj.	4000	0	0	0	0
TOTAL CASH RECEIPTS	25,300	63,900	127,800	205,900	333,700
Total Cash Available (before cash out)	25,300	63,900	127,800	53,900	333,700
CASH PAID OUT					
Hosting and website	7,180	21,540	35,900	50,260	71,800
Gross wages (exact withdrawal)	0		50,000	100,000	150,000
Outside services	500				
Supplies (office & oper.)	500				
Marketing and sales	3,250	6,500	13,000	13,000	13,000
Software tools	250				
Accounting & legal	1,450	1,500	1,500	1,500	1,500
Telephone	800	1,200	1,800	1,800	1,800
Taxes	0	2,211	9,948	7,680	11,802
SUBTOTAL	13,930	32,951	112,148	174,240	249,902
Loan principal payment	0	0	0	0	0
Owners' Withdrawal	0	0	0	10,000	30,000
TOTAL CASH PAID OUT	13,930	32,951	112,148	184,240	279,902
Ending Cash Balance	11,370	30,949	15,652	21,660	53,798

Appendix F - Porter's 5 Forces Analysis for Horse Racing Sector

Tables below analyse the Porter's 5 Forces for the horse racing sector:

THREAT OF NEW ENTRANTS (BARRIERS TO ENTRY)		Very Ugly	Neutral	Terrific
Economies of Scale	Small			x
Product Differentiation	Little	x		
Brand Identification	Low	x		
Switching Cost	Low	x		
Access to Distribution	Ample		x	
Capital Requirements	Low			x
Access to Technology	Ample	x		
Access to Raw Materials	Ample		x	
Experience Effect	Un-NB		x	

AVAILABILITY OF SUBSTITUTES		Very Ugly	Neutral	Terrific
Available Close Subs	Large	x		
Users Switching Costs	Low	x		
Aggressiveness	High	x		
Price/Value	High	x		

RIVALRY AMONG COMPETITORS		Very Ugly	Neutral	Terrific
Number of 'Equals'	Large			x
Industry Growth Rate	Slow	x		
Fixed Costs	High	x		

Product Features	Commodity	x					Specialty
Capacity Increases	Large hunks			x			Small
Diversity of Competitors	High					x	Low
Strategic Stakes	High			x			Low

BARGAINING POWER OF BUYERS		Very Ugly		Neutral		Terrific	
Number of NB Buyers	Few	x					Many
Substitute Availability	Many	x					Few
Switching Costs	Low	x					High
Threat of Backward Integration	High			x			Low
Threat of Forward Integration	Low			x			High
Contribution to quality	Small			x			Large
Total Buyers Cost	Large Bit					x	Small Bit
Buyers Profitability	Low	x					High

BARGAINING POWER OF SUPPLIERS		Very Ugly		Neutral		Terrific	
Number of NB Suppliers	Few	x					Many
Substitute Availability	Low	x					High
Switching Costs	High					x	Low
Threat of Forward Integration	High			x			Low
Threat of Backward Integration	Low			x			High
Contribution to Quality	High	x					Small
Total Suppliers Cost	Large Bit	x					Small Bit
Suppliers Profitability	Small				x		Large

BARRIERS TO EXIT		Very Ugly	Neutral	Terrific
Asset Specialization	High	x		Low
One Time Costs	High	x		Low
Strategic Relationship	High	x		Low
Emotional Barriers	High	x		Low
Government and Social restrictions	High	x		Low

GOVERNMENT ACTIONS		Very Ugly	Neutral	Terrific
Industry Protection				x
Industry Regulation				x
Consistency of Policies	Low			x
Intercountry Capital Move	Restricted			x
Custom Duties	Restricted			x
Foreign Exchange	Restricted			x
Foreign Ownership	Restricted			x
Assistance to Competitors	Lot			x

Appendix G - Porter's 5 Forces Analysis for Horse Racing Mobile Web Application Industry

Tables below analyze the Porter's 5 Forces for the horse racing mobile web application industry where SomoTrack will be competing in:

THREAT OF NEW ENTRANTS (BARRIERS TO ENTRY)		Very Ugly	Neutral	Terrific
Economies of Scale	Small	x		Large
Product Differentiation	Little	x		Big
Brand Identification	Low	x		High
Switching Cost	Low	x		High
Access to Distribution	Ample	x		Restricted
Capital Requirements	Low	x		High
Access to Technology	Ample	x		Restricted
Access to Raw Materials	Ample	x		Restricted
Experience Effect	Un-NB		x	Very-NB

AVAILABILITY OF SUBSTITUTES		Very Ugly	Neutral	Terrific
Available Close Subs	Large	x		Small
Users Switching Costs	Low	x		High
Aggressiveness	High	x		Low
Price/Value	High			x Low

RIVALRY AMONG COMPETITORS		Very Ugly	Neutral	Terrific
Number of 'Equals'	Large	x		Small

Industry Growth Rate	Slow	x					Fast
Fixed Costs	High					x	Low
Product Features	Commodity	x					Specialty
Capacity Increases	Large hunks					x	Small
Diversity of Competitors	High	x					Low
Strategic Stakes	High			x			Low

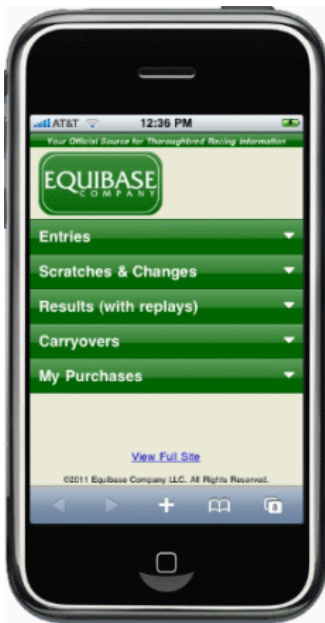
BARGAINING POWER OF BUYERS		Very Ugly	Neutral	Terrific
Number of NB Buyers	Few	x		Many
Substitute Availability	Many	x		Few
Switching Costs	Low	x		High
Threat of Backward Integration	High		x	Low
Threat of Forward Integration	Low		x	High
Contribution to quality	Small		x	Large
Total Buyers Cost	Large Bit			x Small Bit
Buyers Profitability	Low	x		High

BARGAINING POWER OF SUPPLIERS		Very Ugly	Neutral	Terrific
Number of NB Suppliers	Few			x Many
Substitute Availability	Low			x High
Switching Costs	High			x Low
Threat of Forward Integration	High		x	Low
Threat of Backward Integration	Low		x	High
Contribution to Quality	High			x Small
Total Suppliers Cost	Large Bit			x Small Bit
Suppliers Profitability	Small		x	Large

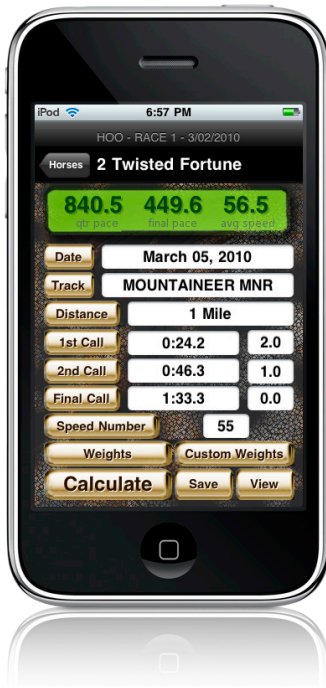
BARRIERS TO EXIT		Very Ugly		Neutral		Terrific	
Asset Specialization	High					x	Low
One Time Costs	High					x	Low
Strategic Relationship	High					x	Low
Emotional Barriers	High					x	Low
Government and Social restrictions	High					x	Low

GOVERNMENT ACTIONS		Very Ugly		Neutral		Terrific	
Industry Protection				x			
Industry Regulation				x			
Consistency of Policies	Low					x	High
Intercountry Capital Move	Restricted					x	Unrestricted
Custom Duties	Restricted					x	Unrestricted
Foreign Exchange	Restricted					x	Unrestricted
Foreign Ownership	Restricted					x	Unrestricted
Assistance to Competitors	Lot					x	Little

Appendix H - Equibase Mobile



Appendix I - iHandicapRaces



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