

BUSINESS PLAN FOR ILOVE.COM

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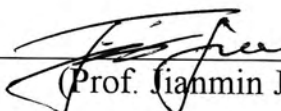


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ABSTRACT

Two reputable independent research institutions conducted two surveys on the Internet and the result of both surveys indicate that the Internet accessibility and on-line spending in Hong Kong will undergo an impressive double-digit growth in the coming years. Capitalising on such encouraging news and the potential of “Love” market, ILove.com is established to provide an all-in-one love services web site to its members from searching information, seeking advice, making reservation and proposing arrangement, with an ultimate goal of becoming a leading provider of premium quality of romantic rendezvous for web surfers in Hong Kong.

ILove.com will provide 12 unique services to cater for the “Love” needs of different people and will derive its revenue from 4 main sources, namely commission, advertising, content and subscription.

To attract registered users and build a critical mass of buyers as the number of buyers accessing the service and number of completed transactions will determine the ultimate success of ILove.com, ILove.com will adopt aggressive and well-organised marketing strategies to achieve its objectives.

On the financial side, ILove.com is expected to breakeven in the 1st 3-year of its operation under the assumption that by average only 5% of the actual on-line shoppers will use its' services per annum and spend a modest HK\$1,700 per person per annum.

TABLE OF CONTENTS

ABSTRACT		ii
TABLE OF CONTENTS		iv
Chapter		
I. BUSINESS OBJECTIVE		1
II. INTERNET INDUSTRY OVERVIEW		2
Development of the Internet Population		2
World Wide Web		3
Asia-Pacific Internet Growth Opportunities		4
Key Internet Business Opportunities		6
Advertising		6
E-commerce		6
Market Potential		7
Hong Kong		8
III. PRODUCT		10
Love Matching		10
Love Chat Room		11
Love Card		11
Love Web Page		11
Love Test		12
Love Horoscope		12
Love Weekend		12
Love Flower		13
Love Restaurant		13
Love Travel & Hotel		13
Love Wedding		14
Love Doctor		14
IV. COMPETITOR ANALYSIS		15
Uniqueness of ILove.com		16

V.	MARKETING	18
	Target Market	18
	Launching Plan	19
	Follow-up Plan	20
VI.	REVENUE, COST & RETURN	21
	Revenue	21
	Short Term	21
	Long Term	22
	Cost	23
	Equipment and Facility Costs	24
	Human Resources and Office Rental Cost	26
	Human Resources Expenditure	26
	Office Rental Cost	27
	Total Operating Cost	28
	Advertising Cost	28
	Return	29
	Breakeven Analysis	29
VII.	MISCELLANEOUS	32
	Membership Registration	32
	Payment Mechanism	32
	APPENDIX	34
	BIBLIOGRAPHY	37
	ILOVE'S WEB SITE LAYOUT	39

CHAPTER I

BUSINESS OBJECTIVE

ILove's business objective is to be a leading provider of premium quality of romantic rendezvous for web surfers. We have identified key business objectives in order to achieve this goal:

Providing an all-in-one love services web site to our members from searching information, seeking advice, making reservation and proposing arrangement. The very aim of this site is to fulfil all the needs and requirements of love affairs nowadays. In another word, no matter whether you have a lover or not; no matter whether you are married or not; not matter whether you have love trouble or not; this web can serve you with all the things related to "Love" you want.

We will achieve the above objectives by offering the following:

- Developing our own database of information related to "Love";
- Forming strategic alliance with reputable companies (e.g. Restaurant, Flower shops and etc.) to provide attractive discount to our privileged members;
- Creating attractive and unique launching strategy to arouse the awareness in town; and
- Maintaining high service quality.

CHAPTER II

INTERNET INDUSTRY OVERVIEW

Development of the Internet Population

The Internet is a global network of interconnected, separately administered public and private computer networks that enables commercial organizations, educational institutions, government agencies and individuals to communicate, access and share information, provide entertainment and conduct business remotely. Use of the Internet has grown rapidly since the start of its commercialization in the early 1990s. International Data Corporation Asia Pacific Ltd. (IDC) estimates that the number of Internet users worldwide will grow from approximately 155.6 million at the end of 1998 to approximately 526 million by the end of 2003. Asian Internet growth is projected to be equally strong, as IDC forecasts that the number of Asian (including Japan) Internet users will increase from approximately 24 million users to approximately 155 million users during the same period.

This rapid growth in the popularity of the Internet is due in large part to increasing penetration of computer, modem and other access devices, reducing Internet connection costs, the emergence of new Internet appliances (such as personal digital assistants, cellular phones and screen phones), development of the web, the introduction of easy-to-use navigational tools and utilities, and the growth in the

number of information, entertainment and commercial applications available on the Internet. Technological advances relating to the Internet have occurred and continue to occur rapidly, resulting in more robust, lower cost and higher capacity infrastructure, improved security and increased value-added services and content. Growth in client/server computing, multimedia personal computers and on-line computing services and the proliferation of networking technologies have resulted in a large and growing group of people who are accustomed to using networked computers for a variety of purposes including e-mail, electronic file transfers, on-line computing and electronic financial transactions. These trends have increasingly led businesses to explore opportunities of providing Internet-based applications and services within their organization and to customers and business partners.

World Wide Web

An important factor in the widespread adoption of the Internet has been the emergence of a network of servers and information available called the World Wide Web. The Web is a network medium which offers content, activities and services. Examples of content available on the web include magazines, news feeds, radio broadcasts, corporate, product, educational, research and political information; activities include chat and web communities, and customer services include reservations, banking, games and discussion groups.

The rapid deployment of the Web has introduced fundamental changes in the way information can be produced, distributed and consumed, lowering the cost of publishing information and extending its potential reach. Companies from many

industries are publishing products and company information or advertising materials and collecting customer feedback and demographic information interactively. The structure of Web documents allows an organization to publish significant quantities of information while simultaneously allowing each user to view selected information that is of particular interest in a cost effective and timely fashion.

Asia-Pacific Internet Growth Opportunities

The Asian region presents a promising market for Internet growth. This can be manifested by IDC research which projects that Internet users outside the United States will surpass U.S. users by the end of year 2000.

IDC has projected high growth in both Internet usage and personal computer penetration, important indicators for Internet accessibility in Hong Kong in which ILove intends to operate. The following table summarizes key historical and projected data in *Hong Kong*:

(Table 1 - key historical and projected Internet data for Hong Kong)

	1998	2003	Projected Compound Annual Growth Rate 1998-2003
	(in millions except penetration rates)		
Number of Internet users ^(a)	0.7	2.3	26.9%
Number of PCs installed ^(a)	1.6	2.7	11.0%
Internet penetration rate ^(b)	10.4%	31.9%	25.1%
PC penetration rate ^(c)	23.9%	37.5%	9.4%
Population ^(d)	6.7	7.2	1.4%

For Asia Pacific (including Japan) ^(e)

(Table 2 - key historical and projected Internet data for Asia Pacific including Japan)

	1998	2003	Projected Compound Annual Growth Rate 1998-2003
	(in millions except penetration rates)		
Number of Internet users ^(a)	23.8	154.6	45.4%
Number of PCs installed ^(a)	38.1	161.0	33.4%
Internet penetration rate ^(b)	0.8%	5.0%	37.3%
PC penetration rate ^(c)	1.3%	5.3%	16.9%
Population ^(d)	2,895.5	3,063.4	1.1%

Notes:

- (a) *Source:* IDC.
- (b) Calculated by dividing number of Internet users by country population.
- (c) Calculated by dividing number of PCs installed by country population.
- (d) *Source:* United States Census Bureau.
- (e) Sum of Japan, New Zealand, Vietnam, Australia, India, South Korea, Indonesia, Philippines, Thailand, Malaysia, Singapore, Taiwan, China and Hong Kong.

The substantial increase in the number of Internet users and web sites and the development of Internet technologies are fueling the expansion of two key Internet business areas: on-line advertising and e-commerce. IDC estimates that worldwide e-commerce revenues will grow from US\$48,422 million as of the end of 1998 to US\$1,303,632 million by the end of 2003, representing a compound annual growth rate of approximately 93.2%. IDC predicts that Asian on-line spending (including

Japan) will increase from US\$3,384 million to US\$118,388 million during the same period.

Key Internet Business Opportunities

Advertising

Advertisers have identified the Internet as a means for mass communication of their messages, similar in many respects to the use of advertising in traditional media such as television and radio broadcasting and print publishing. Many professionals believe that advertisers have also recognized that web-based advertising may be more effective in a number of respects than traditional media advertising, in that the Internet allows advertisers to present messages to specific, targeted audiences and enables users to interact with advertising information presented in web pages. The nature of the Internet permits advertisers to measure the number of impressions, or times that an advertisement is downloaded by users, as well as “click-throughs” or users requests for additional information made by clicking on the advertiser’s banner linking the user to the advertiser’s web site. Advertisers can therefore measure the effectiveness of their advertising.

E-commerce

The rapid technological development of the Internet has fundamentally changed the way that consumers and businesses conduct transactions. As e-commerce becomes more popular, consumers and businesses will increasingly engage in the on-line

evaluation, selection and purchase of goods and services. The increase is fueled by the network effect that consumers rapidly adopt on-line shopping, more traditional retailers embrace on-line shopping, newcomers invade untapped on-line categories, and new technologies enhance on-line shopping experiences. As a result, the volume of business transacted on the Internet is anticipated to grow significantly, IDC estimates that world-wide e-commerce revenues will grow from US\$48.4 billion as of the end of 1998 to US\$1,303 billion by the end of 2003. IDC predicts that Asia-Pacific (excluding Japan) online spending will increase from US\$722.7 million to US\$51.3 billion during the same period.

Market Potential

We believe that the predicted growth in the popularity of the Internet offers substantial potential for ILove's Internet services and that therefore the growing number of Internet users and Internet based applications will benefit our businesses.

The projected growth in the number of Internet users, the amount of time users spend on the Internet, the increase in the number of web sites and the rate of Internet and PC penetration as outlined in the above Table 1 and 2 is being driven by the increasing importance of the Internet as a platform for content resources and consumer services and as an advertising medium. As the medium becomes a more established part of people's lives it is expected that the opportunity to derive revenues from commercial transactions over the Internet and from advertising will grow.

With the increasing popularity of the Internet and the increasing sophistication of online transaction technology, we believe that there is substantial potential for growth in e-commerce activities globally, particularly. Based in part on their forecasted growth in the Internet industry, International Data Corporation Asia Pacific Ltd. (IDC) projects that e-commerce activity will develop significantly in Asia.

According to IDC:

- World e-commerce business is projected to increase by a compound annual growth rate of 93% over the five years ending December 31, 2003; and
- Asian e-commerce business is projected to increase by a compound annual growth rate of 135% over the five years ending December 31, 2003.

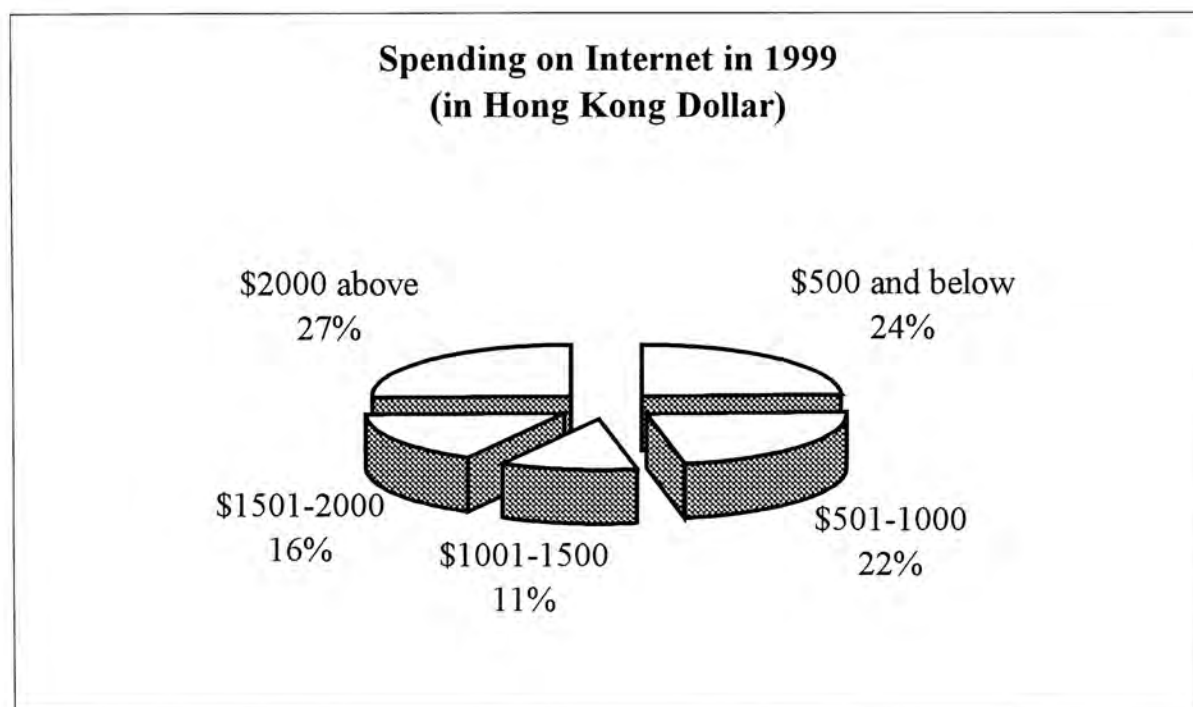
Provided that businesses and consumers around the world increasingly use the Internet as a method of purchasing goods and services, we aim for ILove to capitalise on this trend by generating revenues through advertising and on a transaction basis for business conducted over our Internet service.

Hong Kong

A recent survey conducted by AC Nielson indicates that more than 300,000 people in Hong Kong have conducted business transactions on the Internet, a 2.5-fold increase over the result of a similar survey conducted in March 1999. The average spending per person on the Internet has reached to close HK\$3,000. However, 75% of the

respondents have made purchase worth HK\$2000 or less on average per person. The total expenditure on the Internet is estimated to reach HK\$780 million.

The following pie chart illustrates the spending distribution among the public in Hong Kong in 1999.



In the same survey, around 500,000 Internet users indicate that they would make a purchase on the Internet in the coming 12 months and another 250,000 yet-to-be Internet users indicate that they have the intention to make purchases on the Internet.

CHAPTER III

PRODUCT

To tap the great business opportunity mentioned above, the following 12 core services would be included in our web site. All these services have been carefully created after a thorough net surfing and literature review. With all these services, we are confident that we can satisfy almost 90% of the needs of lovers.

Love Matching

It is intended to help the registered members, be he or she, of ILove to seek people for friendship, romance or so forth. It is an electronic lover matching web-based program. Before using this program, the user, in addition to being a registered member of ILove, also has to provide some basic personal information such as name, sex, age, interests, e-mail address, electronic photo and etc. Our program works out like this: if a male would like to find a female friend or a potential girl friend, he can enter his requirements (e.g. age, interests, and etc.) into the program which would then automatically generate a list of our female members with those requirements. Next, he can send an e-mail to those in the list so as to get acquainted with them. Of course, our female members can also use the same process to search out our male members.

Love Chat Room

It offers online chatting area to both our members and non-members. There is one public chat room for all users and unlimited private chat rooms for our members. The most unique feature in our chat room for members is that it offers different chat room decorations with romantic style for users to choose. This service has a direct connection with the Love matching program that enables our members to invite those in their respective search lists to meet in our chat room at a specific time.

Love Card

It provides a venue where our users could choose and send their preferred electronic romance cards to their lovers. Those cards are similar to those offered by Bluemountain at <http://www.bluemountain.com>. All of our cards are animated with cartoon, natural beauty, flower, bird and etc as background. Again, this service is directly linked to our Love matching program, that is to say our member can immediately send a love card to those in his/her search list through links on the same page.

Love Web Page

This provides the requisite tools to anybody who would like to create his/her own web pages in the space of 5 minutes specially for his/her lovers. This service differs from others in that it offers plenty of different style and wording for users to choose. All users have to do is to choose what they like by clicking on the objects and our program will automatically create their lovely web pages. Needless-to-say, those

styles and wording will only be Love and Romance related and they would no doubt flatter one's loved one.

Love Test

It is a little cutie program forecasting how long one's love story can last. It is an interactive program in that one is required to answer some pre-set questions, then our program would immediately give the answer to him or her.

Love Horoscope

This is an information section providing up-to-date forecast for each horoscope once every month. All horoscopes in our web page will have their respective gif animations and users could click on their own horoscopes and get their unique fortunes.

Love Weekend

It will be one of the most unique services that we offer to our users when comparing with other competitors. Our users just have to key in the style of living, hobbies, length of stay and budget they prefer, our program will automatically generate a tailor-made plan for them to spend a romantic weekend with his or her loved one. The program has direct link to our Love restaurant such that if one accepts the recommended dinning suggestion, then he or she can reserve table instantaneously through our web page without a hitch.

Love Flower

It would not only offer real flowers to our users to buy, but would also offer free of charge electronic flowers to our users via the Internet. In addition, we would also provide information on what each individual flower stands for so that our users could buy the right flowers for the right occasion.

Love Restaurant

It would enable our users to key in the types of cuisine, district and budget they prefer. Based on the information provided, our program will provide a tailor-made list of romantic restaurants for them to choose. It is also our intention that ultimately the users could make the reservations directly with their preferred restaurant through the links in the suggested list.

Love Travel & Hotel

When lovers go along the path, they would plan to have vacation together, and that is the reason for the existence of Love travel & hotel. We offer romantic travel tips together with fantastic hotel recommendations in order to let our users enjoy a fabulous and memorable holidays with his or her other half. Naturally, this section will also include direct online booking for the services suggested above.

Love Wedding

This service will be in partnership with an established wedding service provider. Our Group will promote this wedding service provider's whole range of service packages in return for their commission. The service packages will range from marriage registration to wedding attire leasing, from vacation package to hotel arrangements. In other words, by using the package, one can rid of all the tedious matters associated with a wedding, instead he and she just have to say "I do" in the church and can then off to their honeymoon.

Love Doctor

It is an animated character charged with the responsibility of providing counselling and advice on all love problems that our members might have come across in their daily life. Initially, the person who provides the advice would be a staff within the Group; however, it is the intention of the Group to have an experienced counsellor or even a well-known celebrity to take the seat ultimately.

CHAPTER IV

COMPETITOR ANALYSIS

At present, there are dozens of different web sites offering similar, if not identical, services to the public. These services include:

- posting love letters and poems for users;
- providing horoscope and psychology tests;
- providing opportunity to registered members to meet other members and providing a variety of e-cards including photos of some celebrities;
- providing a variety of shows hosted by different celebrities;
- providing opportunity to registered members to chat with one another through love chat room;
- providing inter-active love fictions;
- providing on-line chat, love strategy; rendezvous and stories;
- providing love games and tips on love gift;
- providing classified membership database and personalized date-seeking advertisements;
- providing engines to search dates according to the regions they live;
- providing engines to search for the right date and a comprehensive contact means including ICQ, telephone and so forth;

- providing a multi-functioned web page – search dates, partners, good/bad friends, contemporary views on love and marriage and so forth;
- providing flower delivery;
- providing selective presents to lovers;
- providing tips on love letter writing; and
- providing love stories, short love memo, romantic poems and songs.

Details as to which web site provides which particular service are outlined in Appendix.

Uniqueness of ILove.com

The strength of ILove's services lies in the area of providing lovers one-stop service relating all love affairs. Through ILove's web site, lovers are no longer required to click several web sites to get what they need. That is to say, if one person would like to send his/her lover e-card, love letter and flowers, as well as making a reservation at a romantic restaurant, he/she can find all of them at ILove's web site without visiting other web sites, thereby saving the time and energy. Moreover, the strategic alliance between ILove and its partners would offer ILove's members benefits which other web sites do not offer, for instance, receiving discounts for dining in restaurants in partnership with ILove.com. In addition, on our partner side, they can have our web site for promotion and save some of their advertising cost. Therefore, we are creating value both to the suppliers and consumers. Most importantly, all of our services are exclusively offered to our members free of charge after their registration with some required basic information. Nevertheless, our members are still required to pay for the

products and services they buy and use from our partners when using **Love Flower**, **Love Restaurant**, **Love Travel & Hotel** and **Love Wedding**. The advantage of using us for such products and services are that they can receive 10-15% discount from the listed priced offered by our partners.

Moreover, we have designed ILove's web site in such a way to make it more user-friendly and appealing to users than other web sites providing similar services. The general layout of ILove's web site is attached at the end of this proposal and you are more than welcome to visit our web site at <http://go.to/ilove>.

CHAPTER V

MARKETING

I Love's current focus are to attract registered users and build a critical mass of buyers as the number of buyers accessing the service and number of completed transactions will determine the success of our service. Ultimately, I Love's success hinges on its brand image and the confidence the users have in the service.

Target Market

Theoretically, our services are suitable to all kinds of net surfers who understand Chinese and have the needs relating to "Love". However, since this will be too broad to concentrate our resources, we will target those who are educated, have middle to high level of income, and enjoy trying new things.

In sum, the market segmentation I Love targets are four-fold:

- Business executives who are either snowed under with work or on overseas trips, yet would like to manifest their love to their loved ones in Hong Kong. They could, via I Love's web site, place orders for flower delivery, make reservation in a restaurant or in a hotel so that during weekend or upon their return, they could

dine with their loved ones in a romantic restaurant or spend a tranquil and fantastic weekend with their other half.

- Hong Kong people studying or living overseas who would like to show their care and love to their loved ones.
- Lovers who would like to spend a romantic occasion at an affordable price by capitalizing on the discounted offer promoted by the strategic partners of ILove, such as restaurants, resorts and flower shops
- Date-seeking people, whether he/she is a teenager or an adult.

Launching Phase

An innovative and attractive competition will be launched with a view to ensuring our web site an instant and controversial topic among the public in the city. In the competition, participants will have the opportunity to win \$52,013.14 (representing “I love you for the rest of my life” when speaking in Mandarin) cash prize.

We will book the taxi pick-up area at the old airport for one day. Participants are required to enter our web page at our pre-set terminals, then use the **Love Weekend** to get their respective event suggestion list. Next, all the suggested places will be treated as the participants’ checkpoints and they are required to visit all these checkpoints immediately in the shortest period of time. All the suggested list are pre-

set in which they all require more or less the same period of time to finish. All checkpoints will have our officers to handle the checking process.

The competition will have two groups, one with cars and one without. Of course, those with cars would have more distant checkpoints.

To promote this event, we will put advertising banners on the buildings at Lan Kwai Fong and work in collaboration with the restaurants in the area by having them to distribute our promotion leaflets, i.e. allow us to leave the leaflets at their tables. Lan Kwai Fong is chosen on the ground of it is the place to be for our target population. Another reason for choosing Lan Kwai Fong is that it is a must be place for tourists, the more people aware of our promotion, the more successful our promotion would be.

Follow-up Phase

After the launching phase, we will monitor the hit rate of our web page, if it is required, we will further our promotion through advertising on the cross-harbour tunnel buses, in the newspapers and magazines; however, it is difficult for us to plan at this stage. The reasons are that our event above may arouse sufficient interest among the media and the public resulting constant company interviews. In other words, our name might be on certain magazines and newspapers as a result of these interviews, as such, we could minimise self-initiated advertisement.

CHAPTER VI

REVENUE, COST & RETURN

I Love's revenue profile will develop over time as its user base increases and its e-commerce business matures. The following revenue streams targeted by the Group reflect I Love's positioning and expected business development profile:

Revenue

Short Term

Commission revenue is generated when a user of I Love.com purchases a product at another web site having been referred by a banner or hyperlink placed on the I Love.com web site. When a commission agreement is in place, the Group will be able to collect a percentage of the final transaction value as commission. All our suppliers in **Love Flower, Love Restaurant, Love Travel & Hotel** and **Love Wedding** are required to offer us 5% commissions on the sales initiated through our web. Depending on the extent of our success and popularity, joining fee might be levied if flower shops, restaurants, and other shops would like to be included in our database.

Long Term

The group will implement several e-commerce models to develop its revenue profile:

- **Advertising-Driven Model**

The advertising-driven e-commerce model generates revenue by selling “banner ads” to other businesses that wish to advertise on ILove.com. The amount of advertising revenue ILove.com could generate will depend on the number of online visitors it can attract and how well it “knows” its visitors. The Group believes the rich content and innovative features of ILove.com will be able to attract a large registered membership base in the form of deep, vertical web communities. Built-in software on ILove.com will allow it to perform demographic profiling on its registered members, hence giving it the ability to generate higher advertising revenue through target marketing.

- **Commission-Driven Model**

The commission-driven model generates income by sharing revenues with business partners which sell products and services through the hosting web site. The Group will develop partnerships with on-line sellers whose products are related to contents on ILove.com, ILove.com will get a share of the revenue in the form of sales commission.

- **Subscription-Driven Model**

The subscription-driven e-commerce model generates revenue by collecting subscription fees from users who wish to access exclusive or premium content not available to the general on-line public. ILove plans to develop and aggregate a set of appealing contents to be offered to users who are willing to pay a premium for it.

- **Content-Driven Model**

As ILove expands its database of original interactive content it will pursue content syndication to both cyber and other media as an additional revenue stream.

Cost

We have come up with the following estimation based upon the assumption of working with one local reputable Internet server. The rationales of collaborating with this server are several-fold. This Internet server is capable of providing a combination of server hosting, 24-hour facilities management, Internet connectivity, systems management and Internet technology services on a commercial basis. These services are designed to provide enterprises with “mission-critical” Internet operations with the security, high performance, scalability and expertise necessary to optimize their Internet operations.

Equipment and Facility Costs

Scheme 1

Rent the smallest shelf of a rack (600mm x 800mm x 445mm):	HK\$2,500
on an annual basis, equivalent to:	HK\$30,000

Scheme 2

Rent a full rack (600mm x 800mm x 2450mm):	HK\$9,000
on an annual basis, equivalent to:	HK\$108,000

The above charge includes the costs of all basic facility services, such as electricity supply, two Internet protocol addresses per 1/5 rack and 768 Kpbs Internet connectivity.

In addition to the above, charges for value added services, such as:

- For bandwidth management per Mbps per month: HK\$10,000
- on an annual basis, equivalent to: HK\$120,000

- For a weekly web traffic report per month: HK\$1,000
- on an annual basis, equivalent to: HK\$12,000

Furthermore, taking out the “Total Solutions” program offered by this server. This program offers a package of hardware, software and facility services, giving us,

ILove.com, a cost effective and quick means of establishing a presence on the Internet.

Hiring cost for the packages:

- Per month for the 1st 12 months: HK\$9,880 to HK\$46,000
on an annual basis, equivalent to: HK\$118,560 to HK\$552,000
- Per month after the 1st 12 months: HK\$2,500 to HK\$8,000
on an annual basis, equivalent to: HK\$30,000 to HK\$96,000

The packages include:

- A Netra-t series, Enterprise 450 or Enterprise 250 server;
- E-commerce solutions from the server's Internet solution partners; and
- The range of services including hardware and software installation and servicing offered by this server.

Estimated total equipment and facility costs for the 1st 3 years of the operation are as follows:

Scheme 1

- 1st year: HK\$280,560 to HK\$714,000
- 2nd year (assuming inflation rate 5%): HK\$201,600 to HK\$270,900

3 rd year (assuming inflation rate 5%):	HK\$211,680 to HK\$284,445

Total:	HK\$693,840 to HK\$1,269,345 ^(a)

Scheme 2

1 st year:	HK\$358,560 to HK\$792,000
2 nd year (assuming inflation rate 5%):	HK\$283,500 to HK\$352,800
3 rd year (assuming inflation rate 5%):	HK\$297,675 to HK\$370,440

Total:	HK\$939,735 to HK\$1,515,240 ^(b)

Human Resources and Office Rental Cost

Human Resources Expenditure

In the initial stage of our development, our Group will have one marketing officer, one administrative officer and one web designer. The marketing officer will be charged with the responsibility of negotiating with restaurants, flower shops and companies offering services relating to “Love”, to form a partnership. The administration officer will have the responsibility of receiving and processing orders from our members, booking the services or products from our partners and sending out the confirmation number to our members through e-mail. The web designer will have the responsibility of maintaining our web site and performing as a system analyst when dealing with the Internet server with whom we hire our equipment and facilities.

1st year salary expenses

	On Monthly Basis	On Yearly Basis
Marketing Officer:	HK\$18,000	HK\$216,000
Administrative Officer:	HK\$7,000	HK\$84,000
Web Designer:	HK\$25,000	HK\$300,000

Total:		HK\$600,000

2nd year salary expenses

Total (assuming inflation rate 5%):	HK\$630,000
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3rd year salary expenses

Total (assuming inflation rate 5%):	HK\$661,500
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Grand Total:	HK\$1,891,500 ^(c)
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Office Rental Cost

In the initial stage of our development, we believe that large office space is unnecessary as the majority of work could be carried out from home. As such, we

would only take out a desk in an office centre. The following is an estimate of the rental charges plus all miscellaneous office expenses.

1 st year:	HK\$24,000
2 nd year (assuming inflation rate 5%):	HK\$25,200
3 rd year (assuming inflation rate 5%):	HK\$26,460

Total:	HK\$75,460 ^(d)

Total Operating Cost

The total estimated operating cost for the 1st 3 years of our operation are:

Scheme 1

(a) + (c) + (d) = HK\$2,660,800 ~ HK\$3,236,305

Scheme 2

(b) + (c) + (d) = HK\$2,906,695 ~ HK\$3,482,200

Advertising Cost

Launching Phase

- Production cost plus design fee for advertisement banner at Lan Kwai Fong: HK\$3,000

• Production cost plus design fee for table leaflets including:	HK\$3,000
• Rental cost for banner ad. space (1 month):	HK\$10,000
• Rental cost for old airport car park space and other related cost	HK\$300,000
• Two prizes	HK\$105,000

Total:	HK\$421,000

Follow-up Phase

• Tunnel bus advertisement per month	HK\$70,000
• Whole page advertisement on newspaper (the Sun) for 1 day	HK\$500,000
• Whole page advertisement on Next Magazine	HK\$250,000

Total:	HK\$820,000

Return

Breakeven Analysis

Taking 3 years as our investment horizon, we have considered the following four scenarios:

- 1) Minimum Total Operating Cost (HK\$2,660,800) plus Advertising Cost
(Launching Phase only – HK\$421,000) \Rightarrow ***HK\$3,081,800***

- 2) Maximum Total Operating Cost (HK\$3,482,200) plus Advertising Cost
(Launching Phase only - HK\$421,000) \Rightarrow ***HK\$3,903,200***
- 3) Minimum Total Operating Cost (HK\$2,660,800) plus Advertising Cost
(Launching & Follow-up Phases - HK\$1,241,000) \Rightarrow ***HK\$3,901,800***
- 4) Maximum Total Operating Cost (HK\$3,482,200) plus Advertising Cost
(Launching & Follow-up Phases - HK\$1,241,000) \Rightarrow ***HK\$4,723,200***

As stated in the beginning of this Chapter, we will collect 5% on the total sales proceeds from our partners as our commission provided such sales are initiated and generated from our web.

Also, as stated in Chapter II, Internet Industry Overview, Market Potential, Hong Kong, about 300,000 Hong Kong people have made purchases on-line with an average spending close to HK\$3,000 per person.

Based on the above, we have come up with the following minimum average spending per person per year required to breakeven our total investment expenditure in the 3-year investment horizon under the four different scenarios.

Scenario 1:	Average spending per person per year:	<i>HK\$1,370</i>
Scenario 2:	Average spending per person per year:	<i>HK\$1,735</i>
Scenario 3:	Average spending per person per year:	<i>HK\$1,735</i>
Scenario 4:	Average spending per person per year:	<i>HK\$2,100</i>

Average spending

HK\$1,735

Assumptions in our analysis are:

- Average 15,000 people make purchases through our web site per annum during the 3-year investment horizon
- Interest expenses are not taken into account
- All investment costs are expended on the 1st day of our 3-year investment horizon

Based on the results of AC Nielson's research as stated in Chapter II, Internet Industry Overview, Market Potential, Hong Kong, we feel that the downside of our analysis will be limited whereas the upside will be unlimited. Reasons are that we have only assumed 15,000 people, 5% of 300,000 people who have actually made purchases on-line, and the average spending per person per year be HK\$1,735, a whopping 73% lower than the actual average HK\$3,000 per person per year consumed between March 1999 and March 2000.

Should the people make more purchases at a greater average value and/or more people make purchases on-line, a very likely scenario according to the research conducted by both AC Nielson and IDC, the breakeven period of our investment would be substantially reduced; thereby offering investors earlier than expected return.

CHAPTER VII

MISCELLANEOUS

Membership Registration

To encourage our members to give more detailed and accurate information, we will state in our registration page that “In order to frequently mail the discount coupons offered by our business associates to you, please provide us true and detailed information. Thanks!”.

The information we require are very straightforward: Name, Sex, Age, Education and Address. However, additional information such as Personal Interest and Preferred Type of lover is required for anyone interested in taking part in the Love matching. Three free dinner coupons will be awarded to those who are willing to have their photos shown on our web page.

Payment Mechanism

Of the 12 services we offer, only four of them involve payment. They are **Love Flower, Love Restaurant, Love Travel & Hotel** and **Love Wedding**. Our web site will not be involved in the payment part. The payment mechanism works out as follows:

Firstly, our members will book their services or products through our web site, then we will communicate with our corresponding partners to get a confirmation number. Next we will email our members the confirmation number so as to confirm their booking. Lastly, the member just has to show his ID card together with the confirmation number to our partner to get the exclusive discount.

In order to offer convenience to our customers, all the services and products will be in packages for selection. Members are required to choose their orders in our web site instead of in the shops or restaurants of our partners. At the end of each month, we will collect our commissions from our partners. Since we have records on what our members have ordered, so the commissions we are going to collect will be “closely estimated”.

To prevent the happening of our members making the orders but do not turn up ultimately, we will offer our members three opportunities of making an order without showing-up before terminating their membership. But, any cancellation before 7 days of booking dates through our web site will not be counted into the three opportunities. On the other hand, our members are required to give their preferred delivery date while placing the orders, once the delivery date has passed, our system will automatically generate an email to our members asking them if they have indeed consume the services or products. Through this mechanism, we can also learn first hand from our members their feedback our services and our partners’ services. With these feedback emails, we can double-check our commissions with our partners.

APPENDIX

Well-known Web Sites

- <http://love.hongkong.com>: posting love letters and poems for users, providing horoscope and psychology tests.
- <http://imsp008.netvigator.com/elover>: providing opportunity to registered members to meet other members and providing a variety of e-cards including photos of some celebrities.
- <http://ilove.ichannel.com.hk>: posting love letters and poems for users and providing a variety of shows hosted by different celebrities.
- <http://www.loverlover.com>: posting love letters and poems to registered members, providing opportunity to registered members to meet other members and love chat room to registered members.
- <http://www.loverlover.com>: providing greeting cards and inter-active love fictions.
- <http://go.to/lovelocation>: providing greeting cards, on-line chat, love strategy; rendezvous and stories.
- <http://www.dotlove.com>: providing on-line chat, love games and tips on love gift.

The following is a summary of the main selling point of other web sites:

General Purposes

- www.personalspage.com/: providing classified membership database and personalized date-seeking advertisements.
- www.asiafriendfinder.com/: providing the largest male and female database, 8 million members in total, and offering a variety of e-cards and on-line chat.
- www.hkwit.com/hkfriend/index.html: providing engines to search dates according to the regions they live in Hong Kong.

- www.tchsing.com/love/: providing engines to search for the right date and a comprehensive contact means including ICQ, telephone and so forth.
- <http://cgi.yxl.net/love/>: providing quick date-matching function (boosts a 100,000 strong membership database) and online chat room.
- www.123love.net: providing a multi-functioned web page – search dates, partners, good/bad friends, contemporary views on love and marriage and so forth.

Flower Delivery

- <http://www.setshopping.com/>: providing other services, such as selling balloons, in addition to flowers selling and delivery.
- http://www.hknet.com/igallery/imap_index.html: providing tailored services depending on each individual's requirement; however, orders must be placed at the multiple of 10.
- <http://www.1netshop.com>: providing a variety choice of flowers at an affordable price.

Gift Selling

- <http://www.1netshop.com>: providing selective presents to lovers.
- www.chowsangsang.com/cproduct.htm: providing a selection of gold and jewelry for sale.
- www.pinkbox.com.hk/: providing a variety choice of presents for friends.

Electronic Card

- sugarhome.hypermart.net/cgi-bin/lovers.htm: providing e-cards with the adorable teddy bears.
- www.bluemountain.com: providing a variety choice of e-cards.
- www.magnet.ne.jp/card/cgi-bin/mpost.cgi: providing e-flowers.
- come.to/ispage: providing e-cards with cartoon characters.

- www1.rock.com.tw/ecard/lovecard.htm: providing e-cards with celebrities on them.

Love Letters

- <http://home.chaozhou.gd.cn/~kingwu/love6.htm>: providing tips on love letter writing
- <http://www.usps.gov/letters/>: providing love letters written by celebrities.
- <http://www.geocities.com/Paris/Metro/5293/>: providing love stories, short love memo, romantic poems and songs.
- <http://www.loveorromance.com/poems.html>: providing love letters by the public.
- <http://members2.easyspace.com/kenjr/love3.htm>: providing 100 different languages for “I love you”.

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- come.to/ispage:
- www1.rock.com.tw/ecard/lovecard.htm:
- <http://home.chaozhou.gd.cn/~kingwu/love6.htm>:
- <http://www.usps.gov/letters/>:
- <http://www.geocities.com/Paris/Metro/5293/>:
- <http://www.lovecorromance.com/poems.html>:
- <http://members2.easyspace.com/kenjr/love3.htm>:

I LOVE'S WEB SITE LAYOUT

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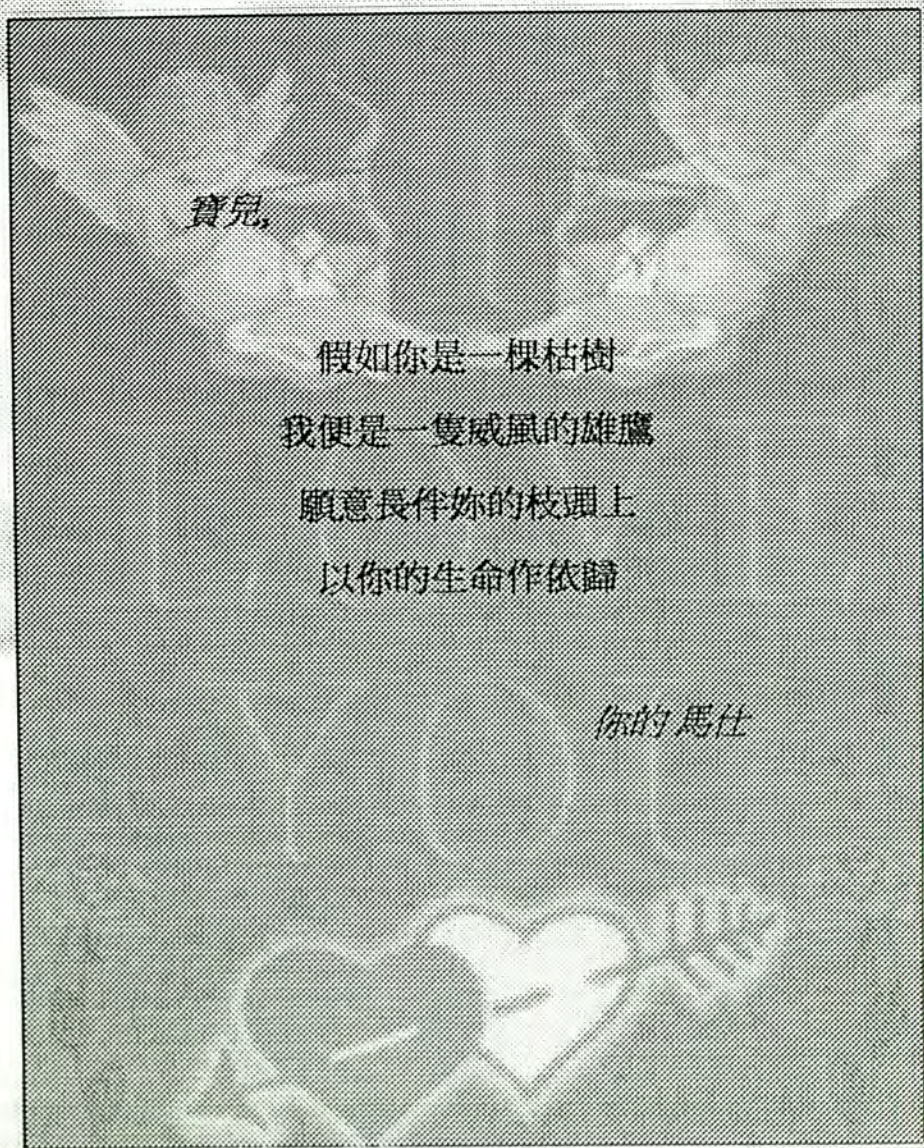
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