

This successful Executive Summary was submitted in the 1998 MIT \$50K Entrepreneurship Competition. The NetPecker team has graciously allowed its use as an example for teams entering the MIT \$50K. The MIT \$50K Organizing Team thanks NetPecker and its members for allowing the use of this document.

NetPecker Inc.

Fully Functional Internet Kiosk Machines
INTERNET ACCESS FOR PEOPLE ON THE GO

Executive Summary

Business Opportunity: Over the past several years the Internet has experienced explosive growth in the total number of users. Current estimates indicate that 750,000 new users go on-line every month. When assessing web growth, it is just as useful to examine the number of uses as it is the number of users. From sending and receiving e-mail, checking stocks, paying bills or ordering groceries, the instant availability of information, products and services has altered traditional methods of communicating, conducting business, relaxing, and doing chores. One of the ironies of the web is that despite the fact that it is a truly ubiquitous medium, access to it is nevertheless limited by the number of entry points and where those entry points actually reside. For most current web users, these points of entry are limited to the home and the office. As the internet becomes increasingly integrated into every facet of our lives, these two avenues for access are rapidly becoming woefully inadequate. Unfortunately, even in an internet-enabled world, people often find themselves in places and in situations where they may need to access email, get the latest weather forecast or make a transaction but don't have the means to do so. Whether your awaiting service at Jiffy lube, or lingering in line at the airport, the hotel, the subway stop, the hair salon or the department of motor vehicles, there currently is no way to quickly and easily access the web-unless of course you happen to have a fully-charged laptop equipped with a wireless modem with you at all times! NetPecker is committed to solving this problem by placing our user-friendly internet kiosks in places where people typically do not have web access but nevertheless have the time and increasingly the inclination to go online.

Product Description: NetPecker Incorporated is a small Massachusetts-based company delivering fully functional kiosk machines which provide Internet access, email services, and a full-fledged advertising venue to the general public. The user interface is highly interactive and easy to work with. Currently two versions of kiosks exist - the 4100 pedestal model and the 4000 sit down model. Both models include Microsoft Windows, Intel Pentium 166 MMX and a 56k modem interface. The kiosks are custom designed, with an open architecture and tamper resistant software. The exterior is rugged, yet aesthetic, with an industrial, spill-proof keyboard and mouse. NetPecker's unique user-friendly software makes getting online almost effortless. The dynamic screenshots(see color advertisement and screen shots) make the entire internet experience fun, enjoyable and most of all **memorable**. The durable, tamper-proof component architecture limit maintenance costs while allowing easy peripheral replacement and software upgrading. Kiosk use is paid for currently through the dollar bill validator, coupon validator, or credit card reader. The kiosks are manufactured at a cost of approximately \$2,500 at a metal fabricating plant in Central Massachusetts. NetPecker usage is presently priced at \$1 per five minutes of usage(\$12 an hour). Sixteen field prototypes have been sold and are currently in use and **earning revenue** by independent operators. This, however, is only the beginning.

The Future: Beyond this solid foundation are a host of potential add-ons and complementary technologies which will enable NetPecker to support and gain from the further convergence of media technologies.

Video conferencing, updating Palm Pilots, and supporting corporate intranets, WebTV, Internet banking, online shopping and others are all possible. Equipped with a printer, the basic kiosk could provide even more flexibility, from a convenient FAX machine to a complete document solution. Ultimately, NetPecker can be the 'virtual office' for people on the go. Future opportunities for NetPecker also include providing user memberships and customized screens for the frequent user using a smart card.

Speed: NetPecker kiosks currently operate using a 56K dialup modem. It is our belief that this speed is inadequate and should be upgraded to T1. NetPecker is currently engaged in discussions with MediaOne as we consider various alternatives for providing a faster internet connection.

Market: Today, there just over 40 million web users in the U.S, 20 million of which are daily internet users. Of the 20 million daily internet users, 80% or 16 million affirm that electronic mail represents their primary web activity. In addition, there are 13 million daily web users for whom general web browsing is their primary internet activity. Unfortunately, most current internet usage projections look solely at aggregate numbers instead of frequency of use. Daily users are the initial segment that NetPecker is targeting. Not only is overall internet use increasing, but the number of daily users has experienced double-digit increases in the last year. The absolute number of internet users is limited among other things by population. The number of internet uses however is infinite. In addition to providing a cheaper communication alternative to regular long phone service for everyday consumers, electronic mail is the lifeline for businessmen and businesswomen, particularly those who happen to be traveling out of the office. Whether waiting in an airport, a hotel check-out line or to be seated at a restaurant for a dinner meeting, a busy professional on the move can count on a NetPecker kiosk to provide a quick way of receiving and transmitting messages without the hassle of booting up a laptop, finding a phone jack and worrying about access or area codes.

A recent Harris poll of web users found that 45% of people online use the web for entertainment or game-playing. The popularity of internet games is spreading daily as people anxiously await the launching of the latest versions of their favorites as well as new games that they have yet to try. We can now begin to recognize the versatility of NetPecker kiosks as we switch gears from e-mail to worldwide video game access. Young college educated twenty and thirty somethings, the primary participants in online games represent another lucrative opportunity for NetPecker. This segment, which could be targetted by placing NetPecker kiosks in malls, bars, coffee houses and other places where young adults congregate is especially attractive because users are more likely to stay online longer which will ultimately generate more revenue per customer.

General Strategy: *CONVENIENCE STORE TO THE INTERNET*-At the heart of NetPecker's overall value proposition is a thorough understanding of what we are providing our customers-dependability and convenience through a familiar and friendly interface. We recognize that people will continue to pay for our service if and only if we provide a speedy, reliable connection and service offering. We believe that the two keys to long term success in the market are 1)rapid market penetration and 2)branding. The consistent delivery of top-quality service is the most effective way to establish and maintain consumer trust. Consumer trust is the essence of effective branding and it is our aim to engender that trust in anyone who uses a NetPecker machine. As we expand our market presence, our intent is to embroil the idea that **NetPecker = web everywhere** into the public consciousness. Inquiries and requests from current and potential customers from around the world and the increasing popularity of our website indicate that NetPecker kiosks ultimately will be a destination for online advertisers. NetPecker intends to expedite our market penetration by establishing a salesforce that will target potential franchisees(most likely vending machine companies) who already have established routes and locations(see mktg/distr section).

Marketing/Distribution: As one of the first players in this marketplace, it is paramount that NetPecker capture as much marketshare and consumer mindshare as possible. Consequently, our goal is to penetrate the market as quickly as possible. We are convinced that the most effective means for penetrating the market is through the franchising of our kiosks. Franchising is a catalyst that provides an incentive to the franchisee to seek as many location agreements as possible. In addition to serving a marketing function, franchising will provide the cashflows necessary to fund the growth of the company. Founder and CEO, Vernon McCoy as managing director of Computrade International has several years of practical experience in developing and managing an entire distribution network for the buying and selling of computer hardware equipment. We plan to enlist an initial salesforce of 5 high-powered salespersons to identify potential franchisees and corporate accounts and earn commission for both. The corporate account commission would be based on the number of machines the company would be willing to buy. The franchise commission would be based on the number of franchises sold as well as a commission per additional machine that the franchiser would buy and place.

Franchise covenant at a glance: A franchisee will pay NetPecker a \$20,000 licensing fee(of which the salesperson will earn 25% or \$5,000) to use NetPecker kiosks as well as a per unit cost of manufacturing the kiosk(\$2,500) as well as shipping cost with an initial minimum of 25 kiosks. The franchisee is then responsible for enlisting potential local proprietors who share a portion of the profit generated by the kiosk(ie. vending machine companies for example who already have an established routes and an established network of clients would be ideal as well as national chains and corporations). The built-in incentive to proliferate the kiosks exists in the feature of the franchise agreement that allocates a portion of the profit generated by each machine back to the franchisee himself(95%). NetPecker will staff at least one kiosk service technician per franchisee(depending on how many additional machines he would be willing to purchase)

Corporate accounts: Corporate accounts will work differently than franchises because there is no intermediary(the franchisee). Therefore, NetPecker in this instance will in essence be the franchisee(except that the company will pay NetPecker \$2,500 for the machine). The company will then take the machine and 75% of the revenues. NetPecker will take 25% of the revenue generated and be fully responsible for the maintenance and repairs of the kiosk. NetPecker will assign a kiosk service technician to maintain our corporate accounts based on the number of machines that they possess.

Competitive Analysis: At present, NetPecker has six competitors(see competitor analysis attachment) none of whom have more than 250 established machines on the market. ATCOM, represent NetPecker's largest competitor with an installed base of 230 machines located primarily in hotels, airports and parks. The machines are owned and operated by ATCOM and are generally larger than the NetPecker kiosks. The ATCOM interface is not as user friendly as NetPecker's interface. NetPecker kiosks, which accept both paper money as well as coins, which fits into the normal mode of behavior that consumers are already accustomed to having used vending machines of this type. Another characteristic that distinguishes NetPecker is its easily recognizable brand and logo-which are noticably absent from ATCOM's kiosks. There is a great opportunity in this space because it is an emerging market in which no one has a great deal of penetration-yet! NetPecker's **proven** appeal coupled with its franchise model can provide the sufficient level of penetration to become the dominant player in the industry.

Estimated First Year Sales per Salesperson

1 franchise per month(25 machines minimum)	25*12 = 300 kiosks
5 additional machines per franchise	12*5 = 60 kiosks
20 corporate machines per month	20*12 = 240 kiosks
Total kiosks sold per salesperson	600
Total kiosk sales(600*5)	3,000

First Year Capital Requirements:

5 initial salespeople(\$20,000 base salary each)	\$100,000
Expense to fix minor functional flaws in kiosks	\$50,000
Full time software developer	\$100,000
Cost to establish the franchise	\$100,000
Service technicians(\$30K salary-1 per 100 machines est. 3,000 sold)#	\$487,500
Salaries to founders(\$30,000 each*5)	\$150,000
#Assumption that 2-3 new service technicians are added each month at a \$30K annual salary	
Total capital requirements	\$987,500

First Year Revenues*#@

1,800 franchised kiosk(5% return, 150 new machines introduced per month)	\$35,100
1,200 corporate kiosks(25% return, 100 new machines introduced per month)	\$975,000
60 franchises(\$20K fee each less salesperson's commission)	\$900,000

Total First Year Revenues **\$1,910,100**

*Usage estimates are based on 2 hr. average daily usage experience from existing NetPecker machines

#NetPecker kiosks charges \$1 per 5 minutes of usage

@Assumption that 250 new machines(150 franchise, 100 corporate) will be added per month

Current Team:

Vernon L. McCoy, Jr.
Gerald W. Lucas II
Maia Hansen
Laxmiprasad Putta
Sanjay E. Sarma

Founders' Roles:

Vernon L. McCoy, Jr.-President/CEO
Gerald W. Lucas II-(business plan author)Vice President-Business Development/Treasurer
Sanjay E. Sarma -Vice President-design/manufacturing
Laxmiprasad Putta-software engineer
Maia Hansen-sales development and training/franchise liaison