



Business plan for 'LevelUP'

Business model, Industry analysis, and Internationalization strategy

A Digital Battlefield: How to Compete Against the Internet Giants

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Executive summary

LevelUP is a **two-sided business venture** that serves two customer segments; companies with a **business problem** and students who **lack experience**. The specific business idea is to **create a platform** that solves the problem of students not having the required amount of experience when applying for a job. LevelUP works as an **intermediary** between the two customer segments with on the one side; the companies having a problem related to their business, that they want to get solved by the students. The students can then **submit solutions** and will be credited with practical experience that they can write on their summary, or maybe a job position at the company.

Most of the revenue comes from the money-side of the business model with the companies looking for **solutions to their problems**. They pay a **usage fee** to put up a 'problem' to be solved. If the company does not receive at least three submissions to their problem within 7 days they will get a 90% refund. In order to attract the money-side further, the first upload of a problem is free of charge. If a problem gets more than 10 solutions from the students, an additional fee has to be paid in order to see these solutions.

The **biggest threat** to this business venture is well-established consulting firms that have a pool of consultants to draw knowledge from. The largest advantage that LevelUP has to compete against these firms is the price of getting solutions to the money-side's problems. It is very costly to hire a consulting firm compared to what a service like LevelUP is offering with the use of **crowd sourcing**.

When creating an **internationalization strategy**, the physical distance can be a decisive factor if the company wants to hire the student in a position at their firm. **A good initial strategy** would therefore be to expand firstly to the Scandinavian countries, where the languages are similar as well as the culture. The next step would be to use physical distance as a metric to choose countries such as Great Britain, Germany and the Benelux countries where the language may be different, but the culture similar to Denmark.

Business idea

Pains

When being a student in Denmark the opportunity of receiving study support (SU) from the government is present. But for most students this is not enough to live by which makes a student job essential. As a student at university level it is logical to look for a part time job where the abilities acquired at school can be put to work. By doing so, the student also gain firsthand experience that can be essential when applying for a full time job after graduation. But the real struggle is to get that first study relevant job that can give this valuable experience as preparation for the life after school. The real problem is that in order to get the part time job that will give you experience, you need experience which makes the matter a Catch-22 or a chicken-and-egg problem.

Companies have always been interested in hiring the best possible staff with knowledge and experience. Universities and especially their students present state-of-the-art knowledge in their fields which is of great value for companies. This is clearly seen in the investment of time and money that goes into collaboration with universities worldwide with e.g. trainee programs and the whole notion of a student job. But many of these students lack experience due to their stage in life, which would else wise reveal if they can transform their theoretical knowledge to something practical. Like when buying a product, one feels more compelled to buy a certain product if the product has been vouched for.

Gains

In order to solve this matter, students without experience need to be made interesting for the companies who look to hire. The idea behind this business venture called 'LevelUP' is to create a place where the students and the companies can meet and match. The companies put forward an assignment that they need to get inputs or a possible solution to. The students can then give their inputs and be credited by the companies as legit experience which the students can put on their resume. This creates the possibility of the company hiring the student as they have proved their worth which counts as a benefit for both parties, creating a "win-win situation". LevelUP will specifically setup a homepage where the two parties can meet, much like the service TopCoder.com that facilitates a similar service.

Attracting the first customers

The business model that needs to be applied for LevelUP is a two-sided business model as both the companies and students need to be attracted in order for the business to work. Furthermore, the two sides are depending on each other as the students will not join the service if there are no companies and the other way around. This implies that the first step is to attract both students and companies, but the nature of the business idea dictates that the number of students has to be higher than the number of companies. In addition, the value of the service increases exponential with the number of students and companies due to a network effect. But the network effect becomes most effective if the ratio is in favor of the students (more students than companies).

When attracting customers to LevelUP, the students (“subsidy-side”) should be attracted first to build a user-base which the companies (“money-side”) will pay to reach. In order to attract the students they need to be informed about the service and how it can offer them this valuable experience and probably a student job. Basically the money-side offers something that the subsidy-side has a need for.

The challenge is to minimize the ‘switching costs’ of joining the service by reducing the effort it takes (mostly time). When a student joins LevelUP they need to create a profile in which they describe their competence, education and what line of work they are searching for. This could be easily done by importing the student’s LinkedIn profile where most of the needed information is present. In order to attract the students, the service should be free on this side (subsidy-side) of the business model. As the student posts inputs to more businesses’ problems, the profile will expand over time with achievements and an EXP (experience) score, which work as a ‘customer retention’. By building up the profile over time a ‘lock-in effect’ is created with a switching cost of creating a new profile (probably from the bottom) and earning the same credit (achievements and EXP score). The lock-in effect is strengthened over time as more and more effort is put into the profile, creating higher switching costs.

When the user-base on the subsidy-side of the business model has reached its “critical mass”, the money-side needs to be attracted. As mentioned before, the notion is that the companies have a ‘need’ that the other side of the business model can solve for them and therefore they are willing to pay in order to access them. The specific pricing model should be a usage fee, which will be discussed in the business model section.

Business model

The framework that will be used to describe the business model of LevelUP is the 'Business Model Canvas' from the book 'Business Model Generation' (Osterwalder & Pigneur, 2010). The two sides of the business model will be referred to as subsidy-side and money-side. Not all of the building blocks will be exhausted as some of them are of less interest. The following business model should be seen as preliminary and only applicable in the beginning of the business venture – as the business develops, the business model will do the same.

Customer segments

LevelUP has two customer segments: the companies who look for students to solve a problem or filling out a position, and the students who have a need for a job or at least valuable experience. The essential is that none of the customer segments can exist without the other as they fulfill the need of the other party. According to Osterwalder & Pigneur (2010) a two-sided business model is characterized by having two customer segments that mostly are depending on each other. The value of such a two-sided business model increases with the number of customers on both sides, known as the network effect (ibid). The difficult part of such a business model is that the two customer segments must be served and attracted simultaneous in order to create value (ibid).

Value propositions

There are essentially three steps in which value has to be created; firstly, the customer segments need to be attracted to the service by fulfilling their needs. On the subsidy-side, the students has a need for experience or a job which LevelUP offers through 'accessibility' (Osterwalder & Pigneur, 2010) by connecting them to the money-side who can fulfill these needs. The money-side has a need of 'getting the job done' (ibid) as to solve a problem or fill a job which the other side of the business model can do.

Secondly, the two customer segments need to be matched in order to fulfill their needs. This is done by being an intermediary and offering a service where the two customer segments can meet.

Thirdly, the "costs" needs to be reduced by "*channeling transactions through the platform*" (ibid, p. 87). By "costs" the time and effort, in order to find the students who can solve the problem or fill the job, is being reduced by offering a service that facilitates that problem.

Compared to hiring a consultant agency to solve the money-side's problem, LevelUP will be considerably cheaper as this service will use crowd sourcing through the other side of the business model. In that way LevelUP can offer a similar value proposition, but to a better price for the money-side.

Channels

The main channel is the homepage where the whole business takes place. The homepage is the marketplace where the two customer segments meet and the value proposition is delivered. This channel is also the platform for after sales such as promotion of content that the money-side has created, when they want a problem to get a special focus. Furthermore, the channel does also facilitate the actual purchase when acquiring the money-side.

The channel that will be used to create awareness of LevelUP is mostly Facebook ads and Google AdWords which should attract both customer segments. The reason for choosing so is that especially the subsidy-side is present on these platforms, and is obvious places to look for a job (from personal experience). Using LinkedIn would also be a good channel to create awareness and acquiring customers, as many professionals also look to headhunting people through this social network.

Revenue streams

In the beginning of this business venture the only revenue stream is on the money-side where the companies pay a usage fee to put up a 'problem' to be solved. If the company does not receive at least three submissions to their problem within 7 days they will get a 90% refund. In order to attract the money-side further, the first upload of a problem is free of charge. If a problem gets more than 10 solutions from the students, an additional fee has to be paid in order to see these solutions. At some point when the business venture has matured and a lot of problems are being posted, the companies have the opportunity to promote their problem by paying for advertisement. This can reduce the wait time for a solution or if the problem is essential for the companies' business. Another revenue stream is a 'peeping' function where a company can pay a fee to look at the solutions to another company's problem. It is likely that two companies in the same market or industry has encountered the same problem and thereby looking for the same solution.

The subsidy-side has no revenue stream and is free to join and use. This is to attract as many students as possible which increase the network effect and value of LevelUP.

It is possible at some point to introduce third parties to advertise on the homepage and thereby generate another revenue stream. This has of course to be introduced when the amount of users has reached critical mass in relation to advertisements to ensure a high reach for the advertisers.

Customer relationships:

The type of relationship that LevelUP has with its customer segments is mostly self-service where a platform is provided to deliver the value proposition. This business ventures foremost task is to connect the two segments and facilitate a platform where they can solve each other's problems. So the basic idea is to create a community and "*facilitate connections between community members*" (Osterwalder & Pigneur, 2010, p. 29). By creating a community it "... *allows users to exchange knowledge and solve each other's problems*" (ibid, p. 29) and hopefully this will also work as a customer retention as the customers is part of a community.

Key resources

The key resource of this business model is the size of the customer base in both segments. The business model relies mainly on a network effect to create its value proposition where a larger customer base equals higher value – especially for the money-side who has money at stake. Therefore it is essential to create a strategy in order to attract the customer segments.

Key activities

The key activities for LevelUP are management of the platform, service provisioning, and platform promotion (Osterwalder & Pigneur, 2010). Especially the latter is of great importance in the beginning of this business venture. Later on it becomes more essential to manage and service the platform, as it is the main channel in which the value proposition for both customer segments is to be delivered.

Key partnerships:

At some point in this business venture, it would be a good idea to partner up with another company. This other company could be an online job agency such as Jobindex who delivers some of the same value propositions, and has a great customer base. A partnership between these two companies would imply an acquisition of particular resources such as brand, customer base, and improved value propositions.

Cost structure

Most of the costs are related to maintaining and developing the platform and homepage. These costs are relatively fixed with the exception of buying more server space when the business grows. But as LevelUP is an online platform the economies of scope can be enjoyed as the cost of having 10 or 1000 customers is basically the same. This is a benefit that can be enjoyed as no physical product is part of the value proposition.

Industry analysis

In order to understand the competitive dynamics in the global digital arena where LevelUP finds itself, an industry analysis using Porter's Five Forces (Laudon & Traver, 2014) will be done. LevelUP has mainly two value propositions towards the subsidy-side with one being the opportunity to get experience and the other of getting a job. As the opportunity for getting experience is really the main concept for this new business venture, and in order to avoid confusing, this will be the main focus of this analysis.

Threat of substitute products

The value proposition of being an intermediary between a company searching for a solution and students to solve the problem can be substituted by consulting firms who fulfill almost the same need. As the consulting firm does not use a multi sided business model with two customer segments and does not have the role as an intermediary, they can be classified as a substitution. The problem with consulting firms are that they are very expensive to hire compared to using the service LevelUP. Another subsidiary is job agencies that connect employer and employee and thereby fulfilling somewhat the same need. This kind of company would also be a direct competitor as LevelUP offers the same service of finding employees.

Rivalry among existing firms

As mentioned before LevelUP has a direct competitor in job agencies when it comes to the value proposition of finding employment. But the main offering of "getting the job done" and create experience for the students, does not seem to have a direct competitor to the knowledge of this author.

Barriers to entry

The threat of new entrants to compete against LevelUP seems very present as this analysis for now has revealed that there is no direct competitor with the same value proposition. The real

question is then how easy it is to enter the market to be a competitor. In order to enter the market and be successful there is a need to attract both the students and companies which creates a kind of 'capital requirement' as a critical mass of both customer segments is needed.

Bargaining power of suppliers

The suppliers in this business venture are the companies that upload the problems that they need to get solved. Regarding the bargaining power of these companies, the power seems to be low as the concentration of suppliers is very low as there are many companies that could be a supplier. Essentially every company can experience a problem that they need to get fixed and thereby using this service. On the other hand, the switching costs as a supplier is relatively low as the company does not have to go through the same process of creating a profile and fill it with information like the students. The attractiveness of using substitute products is very present with big consulting firms that can offer a lot of in-house competencies to solve a given problem. In addition, these consultants do also have a lot of experience of solving problems and how to approach them. But as mentioned before it is very costly to hire a consultant which makes the switching cost to be higher. Furthermore, there is the perspective of hiring a student who you as a firm can form and who is not already molded.

If the supplier is of a certain size there is the threat of forward integration where the companies would find the students by themselves without using any service that will charge them. This would be possible to do through Facebook by posting the problem on the company's page like some companies do with job offers.

Bargaining power of buyers

As with the concentration of suppliers, the level of buyers is also low as many buyers or students exist. In order to keep the buyers, the switching costs has been made higher by the whole process of creating the profile of previous work, jobs, education etc. Over time the solutions to the problems made by the buyers will be rated by the companies which will increase the switching costs further as the profile is build upon. As mentioned before, the initial switching costs of joining LevelUP should be decreased with the possibility of importing LinkedIn profiles and then increase the switching costs when the students has joined the service. In addition, there is no fee of joining LevelUP which also minimize the initial switching costs and attracts many buyers.

Strategy for the competitive environment

As revealed by the industry analysis LevelUP does not have any direct competitors but a number of substitute services that can hinder a successful business venture. The biggest threat is well-established consulting firms who have a lot of people to draw knowledge from when solving their customer's problems. The biggest force that LevelUP has to compete against these firms is the price of getting solutions to your problem. It is very costly to hire a consulting firm compared to what a service like LevelUP is offering. On the other hand, the person who solves the problem on this platform is students and not professionals – even though they are almost done with school. But the fact that it is students who solves the problems can also be an advantage as students are cheaper, have a much more updated catalog of knowledge and tools, and they can maybe think more out of the box, as they do not have a way of thinking which is dominated by a long career. In relation to that, there is a 'good-will' in hiring young students who struggle to get a job or at least experience for their resume.

Establishing a platform

The first step to compete against the consulting firms is by serving a distinctive and underserved customer segment. This customer segment is students who all have a similar need: they want the crucial experience that often is a criterion of which students are being deselected by when applying for a student job. These students are an important resource to literally solve the same problems that these big firms do. As LevelUP does not pay these students to solve these problems in oppose to the consulting firms (with their consultants), LevelUP has an uneven access to resources in their favor. In that way LevelUP can leverage with these large consulting companies and thereby compete in acquiring the firms as customers.

By using elements of crowd sourcing, the companies can present their problems to a large number of students to a price that is much lower than using professionals, because of a cost cutting in regards to expensive consultants. It is crowd sourcing by "*taking a job traditionally performed by a designated agent and outsourcing it to an undefined, generally large group of people in the form of an open call*" (Howe, 2006). As pointed out by Schenk & Guittard (2011) there are three categories of actors; the crowd that performs the task, sourced by the clients who has used an intermediary platform to enable the crowd sourcing.

Marketing plan

Internal marketing (as a service)

In order to create an additional revenue stream, the possibility of promoting the submitted problems is available for the companies. The specific pricing model should be a cost-per-action (CPA) where the company pays every time a solution is submitted to the problem.

External marketing (advertisement)

In order to attract the two customer segments ads should be created on Facebook (primarily the students) and by using Google AdWords. The ads should be targeted towards students who are looking for a job, or is listed as unemployed on Facebook. In the beginning of this business venture, the effect of word of mouth will be used as the marketing money is sparse.

The digital economy

The possibility to create a service like LevelUP is brought around by information technology and especially the Internet. For the service to perform, a lot of people have to be mobilized in order to create a network effect and reach a critical mass that will create value for the service's customers. The Internet does so by breaking down barriers and connecting people, and enabling crowd sourcing that is essential for this platform to work. An example of another service that offers some of the same possibilities that LevelUP has is TopCoder.com.

TopCoder is a community-based company where the clients can put up a task within software development which the over 900.000 members can make a contribution to. There is often a money prize for the first and second place, making it an open competition between the members of the community. Some of the challenges are large and complex which result in higher prizes, and other problems are relatively small and can pay around \$50-\$100 for a first place. Some of the clients are big corporations such as HP and Salesforce, but most is just amateurs that do it in their free time. But on this platform there is also a big focus on connecting people and thereby create a community for their members. This service depends on all those amateurs who can be mobilized to solve the problems sourced by the clients, all made possible by the use of the world's largest communication channel – the Internet.

Internationalization strategy

When operating an Internet based service such as LevelUP, the strategy for internationalization and entering foreign markets is different than a company selling goods in a brick-and-mortar shop. The whole need for a physical presence is much different, but some of the other challenges are the same. Even though a company is Internet based there can be a barrier of language which can vary much according to the market that wants to be penetrated. A good start is of course to create the homepage in a language such as English which a good percentage of the world's population can understand and which has become the lingua franca of the Internet. But the choice of language can vary a lot depended on the choice of market.

Then there is the challenge of cultural differences that can be much different in e.g. Asian countries and the Western world. There is a whole aspect of design and the meaning of color with completely different meanings which can create implications.

An important factor in the internationalization strategy for LevelUP is the physical distance. In order to connect the students with the companies in a situation where the company wants to offer the students a position at their firm, the physical distance can be a decisive factor. As this aspect of the value proposition is of great importance for LevelUP, the choice of markets when going international creates some limitations based on physical distance. A physical limitation could therefore be within Europe which would also minimize the cultural and language barrier to a certain extend. One way to overcome this limitation would be to create so called country versions of LevelUP where each country (or region) has their own "version" of the service. This would of course require more work than just creating a language version where there would be one homepage in English that was to cover all of Europe.

A good initial strategy would be to expand first to the Scandinavian countries where the languages are similar as well as the culture, by either using the language or country strategy when creating the homepage(s). The next step would be to use physical distance as a metric to choose countries such as Great Britain, Germany and the Benelux countries where the language may be different, but the culture similar to Denmark.

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