

connect
your world.

businessplan light 01/2018



1. Business Description and Unique Selling Points	1
2. Business Models	3
3. Marketing Strategy	4
4. Competitive Analysis	6
5. Market & Financial Plan	7
6. Team & Current Status	8



Next week in your
pirlbuddy--
Be realistic--
What color do you want
your unicorn?
Crazy I wish your
and love group
I know! 🍀🍀🍀
I want a unicorn!
🍀🍀🍀

Business Description and Unique Selling Points

What is connect? Or: *The solution to (almost) all problems and needs.*

What problems do we solve?	connect is a free, device-independent (smartphone, tablet, PC, Mac, PlayStation, Xbox, Web, VR), social, functional, interactive, expandable, customizable digital home with photo-realistic 3D graphics which works in 2D (see App Interface), 3D (see 3D game) or Virtual Reality. It offers a multi-messenger (all contacts can be reached via SMS, mail or message in other networks like Facebook), multimedia (interface for all video, audio, print, internet and VR media worldwide), video telephony, games, virtual pets and social features like avatars and public places. We, e.com GmbH (Graz, Austria, founded in May 2015, 7 employees), will charge 10-30 Euro per user per year (B2C) for in-app purchases (alternative settings, games, pets, etc.), (B2B) Product placement, advertising, provision of media partners, third party vendors and VR stores, our own online shopping solution (like Amazon only in 3D) and big data earning. Our digital home will be the most attractive, device-independent and most easily expandable gateway to virtual reality (VR) for partners or users, and will become “the” search engine or browser in VR.
What needs do we satisfy?	
What are our specialties or USPs?	

Okay, that is the solution, but what exactly is the problem? Or more precisely, what are the many problems we solve and the many needs that we satisfy?

Why Virtual Reality? Or: *The problem from the users’ perspective and our mission.*

unsatisfied basic needs = temporary satisfaction in VR	Since the Stone Age people have been dreaming of things they do not have in real life: a nicer home, more wealth, more recognition, or just a baby crocodile as a pet. That everyone has these basic needs (=huge market) and they can never be fully satisfied (= permanent income) has become the basis for the entire entertainment industry. People dive into a dream world and satisfy their needs virtually, by reading (-), watching TV (-), playing games (+) or Virtual reality (++). This is exactly the direction the trend is taking because the more realistic the illusion is, the more believable and therefore more fulfilling is the temporary satisfaction of our social needs. We recognize and understand this trend and therefore focus on making our VR experience – as well as those we share through partners – of the highest quality and as realistic as possible. But why are we doing this? What is our mission? <i>We want to create the perfect illusion to make your beautiful dreams possible.</i> Who wouldn’t like to be able to control their dreams at night? To slip into a fictional role in a “Holodeck” (fictional technology)? Or to rule a world where nothing is impossible and you have absolute power. Have you never wanted to live in another age? Experience breathtaking adventures or visit places without any effort or risks? And to share all this with other people? Virtual Reality makes this fantasy possible.
---	---

Business Description and Unique Selling Points

VR is currently not very attractive for users

=

use the advantages of VR : create the perfect Illusion

photo-realistic free movement interactive

highly competitive market

=

better satisfaction of basic needs

But if virtual reality is so ingenious, and a temporary solution to so many unfulfilled needs and desires then why is the market for it so small? You could blame slow technological progress in hardware – we'll come back to that later – but there's a much more obvious explanation.

To be blunt: Because what we call VR is not really VR. Or at least, looking at a 360 degree photo using head movement rather than eye movement (Facebook Spaces) is not what most people expect from VR. Who wants to spend about 1000 Euro for a complete set of VR equipment, when they can create better fantasies in their head while reading a book than with the latest technology? We want to achieve the perfect illusion with true 3D, photorealistic graphics, free movement, maximum interactivity (opening furniture, switching lights, lifting objects, etc.) and customisability (both functionally and graphically).

There are hundreds of thousands of providers both in the entertainment and in the VR market. But: Everybody wants the one, best solution – no one wants second best. How is connect the best solution? By using psychology and not just technical advantage. Everyone has the same basic needs: safety, control, freedom, personal fulfilment, communication, adventure, security, self-esteem, recognition and love. If we satisfy these needs better than our competitors, then we will be more successful. Our entire strategy focuses on this one challenge (bar: satisfied needs).

Why a „digital home“? Or: Unique Selling Points

We doubt that users have a long-term interest in running through huge, virtual worlds without people, features, or adventures. Not having to cover huge distances with unattractive „content“ should be an advantage of VR and not a disadvantage. Therefore – and because we as startup have to set clear priorities – we will initially focus on the area that has the biggest (emotional) significance in real life and where we spend most of our day: our home.

This has the following advantages:

small startup versus big player = proper focus

highest quality device independent recognition (positive image) safety, control, security

1.) High Quality Image: Because the VR scene is relatively small we can offer the highest quality in both graphics and features – even on a smartphone. In the market connect should have an image of respectability and maturity and distinguish itself from the negative „nerd image“. This digital home will be expandable using partner content, but we will ensure consistently high quality (see Apple).

2.) Reputable, large scale: Particularly with new technology many people are hesitant at first. A virtual home appeals to previous experiences of security, control and security. In this way we will catch the attention of the mass market and not just a very narrow target group of courageous early adopters and technology / game fans.

Business Models

personal space safety, control	<u>3.) Personal instead of public:</u> People have a need for privacy, they only want limited public contact and then retreat back to their security zone. First private, then public (AltspaceVR), not the other way around.
personal property recognition control self fulfilment functional	<u>4.) Customer loyalty:</u> It's part of our business model to allow users virtual, very limited, personal ownership. This ensures long-term customer loyalty because the user „invests“ in us. He builds his perfect „kingdom“ and is proud of his possessions and self-expression through self fulfilment.
control	<u>5.) Features centre:</u> A VR world that can only be looked at gets boring very quickly and destroys the VR illusion. As in real life, the virtual home also encompasses all the important digital functions of everyday life in a single location. The virtual home becomes the user's command centre, from where they can access all contacts, (social) media, online shops, the Internet, games, virtual pets and digital functions (such as calendars, computers, photography, video telephony, etc.).
intuitive and multicultural control security adventure	<u>6.) Intuitive:</u> The operation of these functions is familiar from real life and largely dispenses with ambiguous, culture-dependent symbolism or language (no language barriers). The use of the third dimension and the realistic presentation allow more functions to be accommodated without making them too confusing or too technical.
strong personal connection long dwelling time	<u>7.) Perfect cost-benefit ratio:</u> People need interesting experiences (such as games or media), but these are by definition very varied and therefore short-lived. How often do you watch the same movie? Our digital home on the other hand is a quiet zone with strong personal connection and a place where users want to stay and spend time. That's why the cost-benefit ratio is optimal, we can achieve frequent and long-term use with little effort, while the faster-paced, trend-dependent, target group-specific, and thereby „riskier“ content is delivered by partners.

How do we finance our vision? Or: Business Models

Our digital home is like an operating system or a search engine on the Internet: connect becomes an attractive and intuitive gateway to all content that the Internet or virtual reality has to offer. Who ever has control of this gateway can use this special position to earn money from every transaction between the customer and business or media partners (B2B). This requires however that we have many users, which is why we will also finance ourselves with an in-app shop (B2C), which brings in money from the very first user. On this basis we can present the following business models:

revenue from the first user recognition	<u>1.) In-App-Purchases:</u> For a small sum the user can buy virtual, photorealistic pets with intelligent behaviour, games, collectable and conveyable 3D objects, gimmicks (time / weather changes or aircraft with captioned streamers, etc.) and lots of other playful content. All content is exchangeable and because of their individual uniqueness will become more valuable. At the beginning this content will come from us but can later
---	--

Marketing Strategy

be provided by third parties bringing us a share in the proceeds. The user buys e.g. an egg, usually a duckling, occasionally a crocodile and very rarely a dinosaur baby. All animals are available with various different “skins”.

advertisement
which is not
perceived as
advertising
control
personal
possession
experiences
self fulfilment
(collecting)

2.) Product Placement: The users can set everything up as they choose, we do not force any features on them. But brand name products or furniture will certainly be more popular than the slightly less attractive no-name products. This form of subliminal advertising is extremely effective, is consumed for hours, builds (through interaction) a relationship with the consumer and ensures brand loyalty.

3.) Provision for (VR) shopping: The user can also buy all the objects they have collected in their virtual home (such as shoes, handbags etc.) in reality. With their avatar, they can try on clothes or test, customise, evaluate and order products in 3D. With our users we bring a whole new target market to our cooperating partners and earn with commission while doing so. Or we'll be the next Amazon, just with 3D models and VR instead of images – and mediate directly between buyer and producer.

4.) Media Subscriptions: Media partners can link their existing media content to connect for free, but for statistical data (which content or advertising was consumed by which audience), they would have to complete a cooperating contract with connect.

5.) Market Research: Companies can pay for market studies in order to estimate more cost-effectively which product design appealed to a new target audience in a new country or which model of a product was more popular.

free of charge
global
media coverage
inexpensive market
research
(VR behaviour)

Our primary business model is based on the fact that we enable mass access to a new virtual world. Due to the high quality of our graphics (photo-realism, true 3D, customisability), our features as well as our reliability, usability, device independence and operating freedom (2D , 3D or VR) connect will satisfy the basic human social needs in the best possible way. We are therefore in the very fortunate position of being able to concentrate on one single goal: to make people happy by giving them the perfect world.

How do we announce our vision? Or: Marketing Strategy

Of course, it's not enough to create a great product, you also have to make it famous. After all we want to spread the news that we offer people perfect dreams and are truly customer oriented. We demonstrate this in all of our decisions, where we give the customer as much freedom as possible, e.g. in the choice of the device used or whether they want to experience connect in 2D, 3D or VR. Since everyone has different tastes and personal preferences, connect can be fully individualized and even the features can be chosen and put together like a construction kit.

We will cultivate this image primarily in social media and promote it without huge costs through subsequent strategies:

Marketing Strategy

- butterfly effect ...** 1.) “Sent by connect”-attachment: When our first users send messages to other networks – emails, SMS or Facebook messages – then we will sometimes add the attachment „sent by connect“ to the message with a link to download the app. Those who are not yet familiar with connect and regularly receive messages with this attachment from various other people, will ask themselves what it is all about and if they should be using it too. Their friends will then tell them about our app or be surprised they do not use the app yet. This trick creates a butterfly effect and connect should be well known in the shortest possible time.
- ... for other networks too!** 2.) Social Media Shares: The same principle applies when sending particularly funny and interesting stickers, multimedia cutouts or links (video sequences, newspaper articles, etc.) or 3D objects. A Facebook recipient would receive, instead of a 3D object, for example, a rose, a delicious cake or a cute animated pet, a short video which they would then want to watch in 3D or VR in their new virtual home.
- free worldwide media coverage**
(especially in the relevant target group) 3.) Media Coverage: The media interface in connect is free for all media sources (video, audio, print, internet, VR). In return, we will want regular media reports about connect. At the beginning, only a few will take up this offer, but as soon as a few large media sources jump onto the moving train, all the rest will follow. For media this is an opportunity to reach a much larger audience with their content and of course advertising, without any interference from us and free of charge. We have 200,000 mail addresses.
- powerful partners** 4.) Partners: As with the media, all product placement partners or VR shop partners will also have an interest in showing their content in our app. In this respect is in their own interest to make us even more popular.
- word of mouth (RL)** 5. Testimonial: Our users will be recognizable in public, and so attract other users to connect. This is achieved, using a wide range of very realistic, emotionally triggering ringtones, such as a coin falling, wolf whistling, hiccups, a juicy bite into an apple, the whimpering of a puppy, or the like. Besides the ringtones there are 3 more strategies.
- word of mouth (social media)** 6. Social Media Links: Users have the ability to make very simple screenshots or videos within connect – including in 360 degrees – and to share these in other networks. Facebook will be flooded with the proud 360-degree videos from our users, for example, presenting the new design of their floor using a photograph (e.g., an aerial photo) as a texture. Our users will have fun in creating unusual or attractive rooms and presenting them to their friends (also in 360-degree photos). connect will be perceived as modern, fun and totally customizable.
- fans**
(time investment, rewards) 7.) Competitions: We will hold competitions where the best (most liked or shared) videos, 360-degree window views, UI-designs, fonts, ringtones, etc. are rewarded with virtual trophies, leader boards, or highly limited virtual prizes (e.g. rare pets).
- free endorsements and role models** 8.) Fan Club and Promotions: We will encourage users to make their own works available to everybody (or exclusively to their circle friends). For example, artists can publish their pictures so that everyone can hang them in their virtual home. Our artists will

Competitive Analysis

then advertise their content, maintain their followers, and thus also promote connect.

How do we want to stand up to the competition? Or: Competitive Analysis

There are many VR projects under development (including Steam Home VR, AltSpaceVR, Facebook Spaces, VRChat, VTime, Sansar, VR Home (Dandover), VR Home (Oculus, moBack), etc.), but only very few focus on a „private“ virtual space as a starting point or photorealistic graphics. VR is a new technology that is so unfamiliar to the majority of people that they might feel insecure at the beginning. For VR to become a mass phenomenon, it has to be as close to real life as possible and at the same time be serious, not too playful. Connect achieves this through true 3D (instead of 360-degree photos), photo-realistic graphics, a high level of attention to detail, interactivity and customisability. Although there are many VR projects, we do not know of any that would be directly comparable to connect. Among other things, we have the following competitive advantages:

private VR space

realism

device independent

1.) Device and VR Independence: In contrast to competitors' products (e.g. Facebook with its focus on Oculus products), connect can be used on almost any device (incl. PlayStation, Xbox, Smartphone, Tablet...) and therefore has a much bigger customer range. The more friends a user has in a social network the more sense it makes. In connect, because the app is device independent and independent of the development of the VR market, they will be able to reach practically all their friends – after all, connect can also be experienced in 2D or 3D. This allows us to build a community long before VR becomes popular to the mass market, and then, when VR finally establishes itself, have more users than most other VR networks.

my friends rather than strangers

2.) Multi-Messenger: People only want limited contact with strangers, most of the time they prefer to interact with their existing friends. This is achieved in connect through the multi-messenger. Users can bring their existing circle of friends with them to connect even if their friends are not yet in connect or using VR. connect is linked to other social networks (like Facebook and many more!), the phone book, and mail contacts, so all contacts can be reached in just one app. More people can be reached in connect than in Facebook, after all, other networks are only a small part of the new social home.

gaps in the market

3.) Novel combinations: The combination of device independence and our multi-messenger opens up completely new possibilities: For example, writing SMS or emails on the PlayStation or in Virtual Reality. The same applies to media consumption (global media accessible on all devices). In this way connect closes many gaps in the market and establishes itself as an attractive comprehensive solution.

4.) Best 3D / VR Engine: We use state-of-the-art technology, such as the Game Engine Unity, which is less suitable for large companies, but allows us to achieve a lot with



Market & Financial Plan

relatively little effort. Facebook is building its own VR engine, but it will fall a long way short of matching Unity both functionally and graphically. Unity has been around for 12 years and is the market leader in Game Engines, which specialize in VR / AR, and includes the largest community of software developers in gaming who offer thousands of extensions at bargain prices. Since we can access these tools, we are not slower, but faster than the „big guys“ who are choosing restrictive software and building their own solutions.

advantages for partners:

- independence
- numerous developers
- all devices
- most powerful engine

5.) Expandability and Interfaces: Our world will grow using content provided by partners. There are more than 200,000 Unity developers worldwide and Unity supports every device. Of course, a large company developing a VR shop will want to reach as many users as possible and is therefore almost obliged to choose a device-independent provider like us. It would be risky to develop an own solution e.g. just for Oculus, it is much easier to find good graphic designers and software developers with a working knowledge of Unity rather than the Facebook engine (which is not even finished yet). The market for all VR content will almost certainly be entirely focused on Unity, we will be able to build on all that content and quickly become the „digital home“ that offers the most content to users. Facebook’s restrictive strategy results in dependency and disadvantages for its business partners, media and users, they have a lot to lose if they back the wrong horse.

Who cares about connect? How much will we earn? Or: Market & Financial Plan

Because connect – unlike most VR solutions – works on any device, in 2D, 3D, or VR, we basically appeal to everyone with an internet connection and basic social needs. In the long term we could reach the same number of people as Facebook, but at the beginning we will focus on the first virtual reality users (around 10 million), because the competition is much smaller and our solution is especially attractive. The small, well-connected community and the smaller number of available platforms (e.g. Steam for our PC version) make it easier here, through word of mouth or targeted advertising in the few available channels (e.g. VeeR, VR blogs, etc.), than addressing the entire social network or messenger market.

Is the VR market too small?

=

3D, smartphone, multi-messenger, virtual pets

However, if this market is still too small, does not grow fast enough, or if our strategy does not work out as expected, we will do an about turn (= reorientation of the strategy) and aim for messenger or social network users who value data protection, a new, unusual and intuitive design (spatial representation, appealing to a tech-savvy audience), virtual pets or the multi-messenger feature (in connection with device independence) – about 100 million. We could also appeal to these users, parallel to our VR focus and without incurring any extra costs, with our Android version, as well as the classic gamers interested in role play, MMOs, Social Gaming and Virtual Pets (approx. 60 million) with our 3D version.

Market & Financial Plan

gamers / VR
strong target
market

We are planning several target market tests to quickly determine where connect will deliver the best value for money. This not only includes the traction (roughly: product demand), but also the expected revenue per new user. Gamers are known to spend significantly more money on entertainment (e.g. in the in-app shop which is especially important for initial revenue) than the classic social network user. VR users have proven themselves even more motivated to spend money and try out new things than the average gamer by using expensive VR equipment.

target market
definition

Our perfect target group therefore will probably be the well off single man between the ages of 22 and 32, who owns VR glasses, lives in a small space in a big city – e.g. Tokyo (in Asia, the market for VR and virtual pets is very strong) – dreams of a nicer home and escapes from the boredom of everyday by (VR) role-playing games or MMOs.

revenue from the
first user

In-App-Shop (B2C, revenue from the first user)

At the beginning – until connect has reached a critical mass of users for the B2B market – our revenue will come primarily from the in-app shop and therefore from the more than 10 different, already available, contents (e.g. Oval Office as alternative home) for 1, 4 or 10 Euro.

easily scalable,
high margins

The users demand for limited, special content and the fun of collecting allows us to earn a good income with little effort. So the user for example, buys an egg from which usually a chicken hatches, with a little luck a duckling or even a crocodile baby and in very occasionally a dinosaur baby. In addition, different common variants of the individual animal species (e.g. an albino or a radioactive glow in the dark green duckling) will awaken a collective urge in some users and they will buy several animals in the hope of getting a very special or extremely rare specimen. Based on market research and comparisons with competitors, we expect about 1 to 2 Euro short-term and 5 to 10 Euro long term per user per year (details in the detailed business plan).

Product Placement (B2B, about 500,000 user necessary)

virtually unlimited
advertising space

The users virtual home can also be expanded or swapped for money, e.g. to the Oval Office (already 95% ready). The larger the virtual home becomes, the more space it offers for product placement products, which are not only pretty decorations, but will also perform their expected functions. There are currently around 15 different places for branded products in a 2-room home, but this valuable space can be increased almost indefinitely.

If our users have looked at or used a branded product over a longer period of time, we will charge the business partner between 0.15 and 0.5 Euro. Since our users will regularly swap around 3D objects while customising their home, we can expect revenue

Market & Financial Plan

from several different partners (e.g. from Nikon 0.5, Canon 0.27 and Sony 0.37 Euro) for the same position (e.g. the virtual camera) within one year. Our forecasts vary between 1 Euro and long-term 20 Euro per user per year through this form of subliminal advertising.

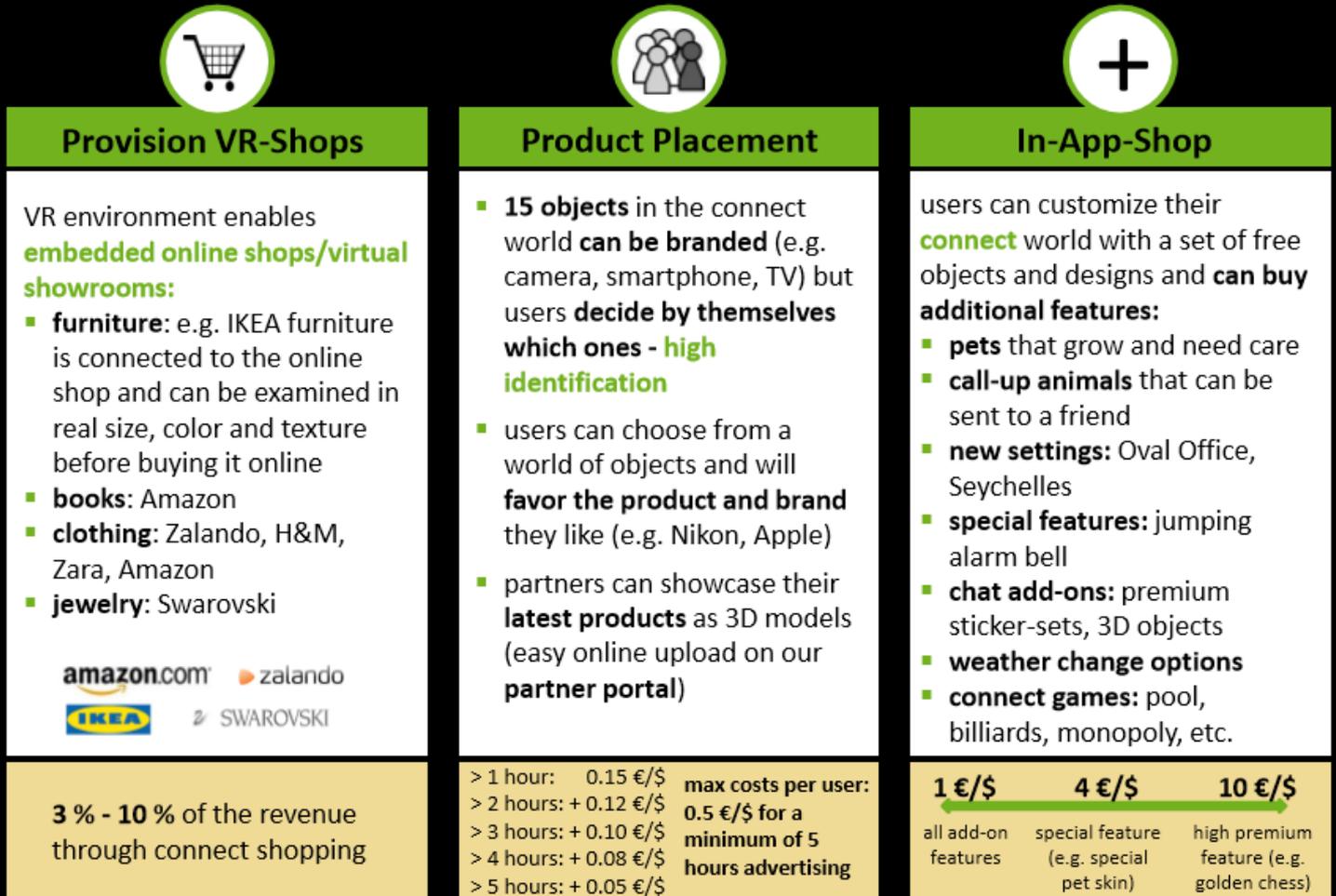


Figure 1: Business Models of connect

Commission for VR shopping and third party content (B2B, 1-2 Mio user necessary)

Thanks to partnerships with online shopping platforms such as Amazon (or, in the long term our own service), users should be able to buy these branded products right away.

commission:

low cost,
high revenue

In addition, we want to charge commission in the range of between 1.5% and 3% of the online shopping revenue for allowing a VR shop access to our platform and users.

We assume that in 3 to 8 years almost every manufacturer will offer a VR-Shop as well as a homepage and an increasing number of current online-customers will make their purchase via a VR-Shop.

co-earning,
free user content

As well as VR shops, we will also receive commission for digital content from third party providers (e.g. games, virtual pets, settings, functional objects, VR experiences, etc.), if these are purchased via connect.

This commission based business model can be applied to almost all areas if we suc-

Market & Financial Plan

ceed in becoming the most attractive „gateway“ to the virtual reality world(s). So in the long term, it has the greatest financial potential, if we succeed in attracting enough users.

It's extremely difficult to predict how many users we can reach in what time frame, and how quickly we can get partnerships in order to earn revenue through commission for online or VR shopping, product placement and third-party provided content (such as pets, games, scenes, etc.). Because of the enormous uncertainties, we will present a pessimistic sales forecast (see figure 2) and refer to our extensive business plan for further details, as well as an additional Excel file, in which the reader can enter their own estimates and can then read the results generated.

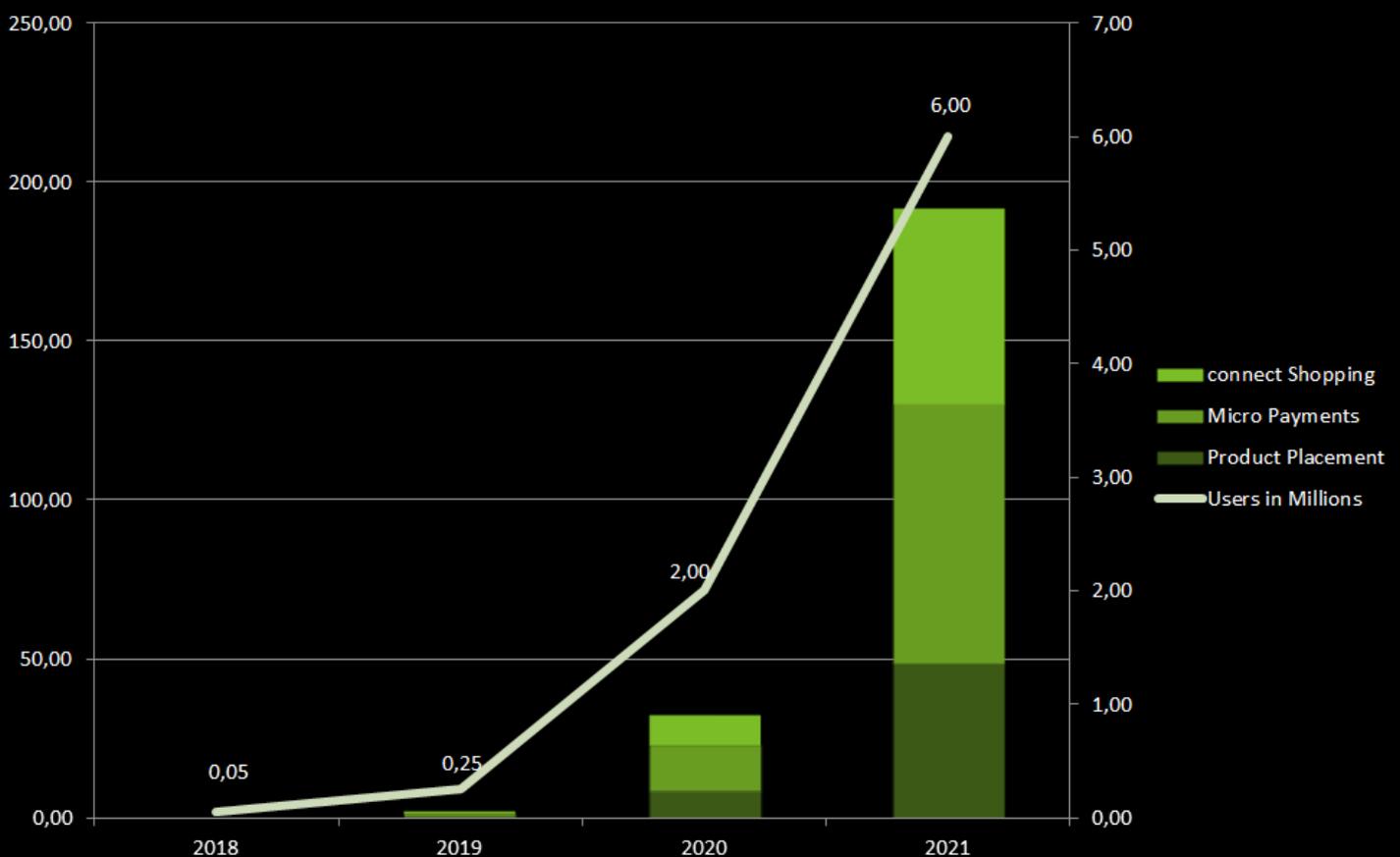


Figure 2: Revenue Forecast for 2018 till 2021 - please check the sprite sheet for details!

Every user has a very high value!

What is certain is that a connect user has a significantly higher value due to the many monetization possibilities than, for example, a WhatsApp user. In addition, VR is a growth market and connect is in it early enough, with its specific clientele (privacy concerns, as opposed to Facebook, Google, Amazon, and Co), to be a major player and perhaps even become the market leader in some areas.

very flexible costs which increase only in the case of positive development

The costs are also difficult to define, because they depend directly on how successful connect will be and how many employees we need to employ in the long term, in order to exploit the potential in the best possible way. However, the costs will be well

Team & Current Status

below the (medium term) expected revenues, since they consist almost exclusively of personnel costs and can therefore be adjusted relatively flexibly.

We estimate 8 full-time staff (5 developers, 1 graphic designer, 1 marketing & sales, 1 CEO) and monthly costs of up to 50,000 euros until the official release of the finished version in 6 months time. Details can be found in the 3-year plan. The outcome of the current round of financing will determine whether we are relocating our headquarters abroad (Graz is not a suitable location for growth) and/or employing cheaper developers or outsourcing partners. Most of the contracts that have recently been terminated can be quickly reinstated.

Who are we? How far are we? What do we need? *or: Team and current status*

100% ownership

Our 3 software developers and 2 graphic artists are all experts in their fields – that is primarily working with the Game Engine Unity. The founder and managing director of e.com GmbH – Michael Schoeggel (100% owner) – has his roots in the field of psychology and has a very good understanding of what people – or users – want and why they want it. We believe that the success of a software product depends primarily on how well it addresses the wishes of as many people as possible – that is based on psychological factors – and less on how well it has been programmed or how many functions it offers.

The first test version of connect was released in September 2017 in the Google Play Store and has so far reached approximately 6000 downloads without any marketing measures. The Early Access PC version was released on 17.11. on Steam (the largest gaming platform in the world) and reached without marketing, reporting or listing in the new releases on Steam (this is only at an official Release not at Early Access), more than 500 users within the first 48 hours, and since then an average of 70 more users per day (as of 24.11.).

Most of the peculiarities that characterize connect are not yet included in this version (multi-messenger for PC (90%), video telephony (90%), video player (95%), sound player (90%), newspaper (95%), Internet browser for Android, PC and iOS (80%), customization (90%), alternative scenes like the Oval Office (95%), media interface (95%) and another game (chess) and 2 others pets (crocodile, chicks) (80%)), but are still in the prototype or first internal test phase. The added value of connect is currently still limited for users, which is why it makes little sense at present to invest money in marketing, but we view the first users as testers, in order to incorporate their feedback into the product development.

investment goal:
500,000 for
completing the app

We need 500,000 Euro as transitional funding for the next 6 months. During this time, we will finish connect (complete the unfinished tasks listed above, as well as a PlayStation and iOS versions) and evaluate the market feedback. We can make money right

Team & Current Status

from the start – through in-app purchases such as virtual pets or games – and maybe even finance ourselves with enough customers.

1-3 million for
growth

However, as we want to grow quickly, we will still be aiming for between 1 and 3 million Euro for marketing, sales and partnerships in a further round of financing. With the 500,000 Euro required now, we want to complete the functions we promised, generate the first users, prove the value of connect, increase goodwill, and create a good starting point for the second round of financing.

