Agenda

- Vision
- Corporate Mission
- Customer Needs
- The Opportunity
- Offering Strategy
- Marketing Strategy
- Technology Strategy
- Key Team Members
- Funding Requirements
- Summary

Corporate Mission

> Provide our clients with information and tools to efficiently search find the best "matches" in the world, with total privacy.

The Opportunity - General

- Excellent market timing
  - Online services are starting to boom now (1992 - $640 Million)
  - Missionary work is done - large installed base (over 20M)
  - 35% of all households have personal computers
- The margins are high (low COGS)
- Repeat revenue stream
- The killer Information Superhighway application?

The Opportunity - Personals

- The market is very large
  - 40 million unmarried individuals in the US
  - 20 million between 25-49; highest computerization
  - 10 million of these own home computers - rapid growth
- Proven propensity to spend
  - Market leader (Great Expectations) charges up to $1,600/year
  - Many services charge much more
  - One of the highest contributors to many newspaper's net income
- Extremely favorable market characteristics
  - High growth
  - Highly fragmented market with many different vendors
  - Market is ripe for consolidation
  - High entry barriers once you have the content
- Importance of search, qualification and privacy

Perfect
Match

How to meet customer needs

- Develop a proprietary database of partnering data

- Make that database accessible from a variety of places (home, office, kiosks) through GUI clients (Windows, X , Mac, Mosaic , Magic Cap) and make it easy to use

- Reach customer using distribution vehicles closest to customer: when appropriate direct and, when appropriate , with newspapers, cable companies, dating services, auto dealers which have a local focus

- Create a quality brand name - "The Classifinds"

Market Positioning

- Privacy of your own home
- Best way to find the "perfect match"
  - Sophisticated search that you control
  - Multimedia - lots of information not available otherwise
  - Fast, almost immediate results
  - Fun, the excitement of anticipation
- Pay as you go as opposed to prepay

Sales and Distribution

- Selected markets we sell direct
  - E-mail, Internet, World Wide Web (WWW) servers

- Other markets, sell through existing services as VARs, System Integrators and Resellers (service bureau)
  - Existing content partners
    - Newspapers
      - SF Chronicle, Alternative Newspapers such as Bay Guardian
    - Dating Services & Others
      - Trellis, Heart-to-Heart, Ethnic dating services
      - Auto Trader, Century 21 Real Estate
  - Communication vendors
    - Cable / Telcos
      - Continental Cable, TCI, Times-Warner
    - Pipeline Providers
      - PSI, UUNET, Delphi,
    - Value added providers
      - America Online, CompuServ, O'Reilly & Associates

- Some OEM / private label relationships, when appropriate

Perfect Match

Pricing Strategy

Summary Contribution Margin Model (per customer per month)

Distribution	Direct	Indirect
Variable Revenue		
Fixed monthly charge	$19.95	$9.98
Connect charge	$12.00	$6.00
Other	$10.43	$5.21
Total average gross revenue	$42.38	$21.19
Variable Expenses		
Communications charge	$15.03	$7.51
Set-up and technical support charges	$1.11	$0.00
Total average variable expenses	$16.14	$7.51
Total average net variable margin (monthly EVC)	$26.25	$13.68
Average life of customer (in months)	6	6
EVC of customer	$157.58	$82.07
Other		
Subscriber acquisition costs (months)	$7.23	$0.00
Lifetime subscriber acquisition costs	$43.36	$0.00

Rollout / Promotion Strategy

- Local rollout planned
  - Grow as demand grows
- Seed with data from distributors
  - heavy use of trials to get additional data
- Word of mouth / guerrilla marketing
  - E-mail address advertisements
- Direct mail
  - Target singled women, e-mail users
- Advertising
  - Wired Magazine, Mondo, etc., "influence the influencers"
- PR will play a key role
  - high level of sex appeal

System Architecture - II

- Server

    - Develop an optimized client/server application with an object oriented database as the data repository

- Client

    - Focus on great GUI (Windows, X, Mac, Mosaic, Magic Cap)

    - Embedded communications interface layer

- Server reachable by the following:

    - E-mail (SMTP / MIME / HTML)

    - Internet (rpc, Mosaic / WWW)

    - Modem (Tymnet, 800 or 900 numbers)

    - Fax (OCR)

    - Commercial Network Services (America Online, CompuServe, etc.)

    - Cable TV / Interactive TV

    - Other: Telephone, TeleScripts, PersonaLink

Key Team Members

- Chairman of Board and COO - TBD by Executive search
- **Gary Kremen, EVP**
  - Administration
  - Business Development and Partnerships
- **Dan Carmel, Marketing**
  - Channel managers
- **Peng Ong, Development**
  - Development
- **Operations and Customer Service?**
  - Operations

Advisory Board

- **Marketing Advisory Board**
  - Michael Ballard, COO of UUNET, Ex-President of Telebit Corporation?
  - Steve Farber, VP Sales Vantive Corporation, Informix Sales
  - Richard Yanowich, Corporate VP Marketing, Sybase, SCO
  - Others (Women from ... TCI, etc.), Dr. Ruth? / WIRED, Tandem

- **Technical Advisory Board**
  - Ben Dublin, Co-Founder LAT, Sun Microsystems
  - Ken Ng, Borland, Database Architect, Informix, Oracle
  - Others (Women from ....), Carol Barts?,

- **Service Providers**
  - Legal: Aaron Alter, Partner, Wilson Sonsini Goodrich & Rosati
  - Accounting: William Pfann, Partner, Price Waterhouse
  - Banking: Ken Brenner, EVP, Cupertino National Bank

Plans / Proceeds

- **Development** $300k
  - Architecture and development specifications
  - Product development as per plan

- **Marketing** $50k
  - Seeding the data base
  - Detailed product rollout plan
  - Distribution partner searches
  - Market research and testing

- **General** $50k
  - Offices and infrastructure
 - Bring team on board full-time

The above is for 1994, 1995 is round #2 and significant revenue

KEY: FOCUS, PLAN AND PRIORITIZE

Agenda

- What are the customer needs?
- Market Characteristics
  - Market size, growth and structure
- What will offering meet the customer needs?
- How do you meet the customer needs?
  - Positioning
  - Distribution Strategy
  - Pricing
  - Marketing Rollout
  - Competition and competitive advantage
- Marketing Timelines
- Summary

Mkt. Rsch. - Personals Customers

- Total privacy - work from your "own space"
  - Mostly important to women
  - Private e-mail exchanges versus one-time only voicemail
- More qualified dates
  - "Cads vs. Dads" problem
- Additional information for asking the right questions
- Images and audio to assist screening
  - Adds sex appeal
- Different profile to different groups of people
- Exceptional search capabilities including "like" searching
- Convenience of not wasting time on the inappropriate
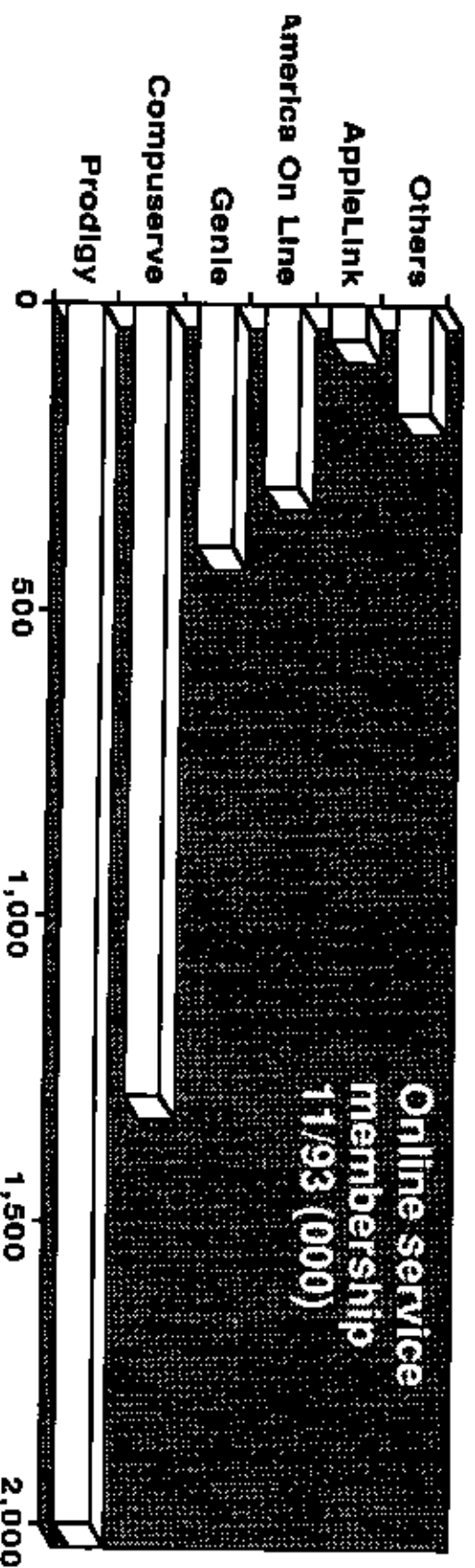- Fun / Excitement

Perfect
Match
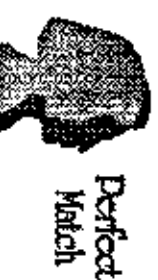
Mkt. Rsch. - General Classifieds

- All of the previous and:
- **Ease of use**
  - Must be as easy to use as existing methods
- National reach and expanded scope
- Terms that "experts" in the field use
- Only pay for what you are using
  - 900 number model versus newspaper model
  - Person-to-person marketing vs. business-to-people marketing
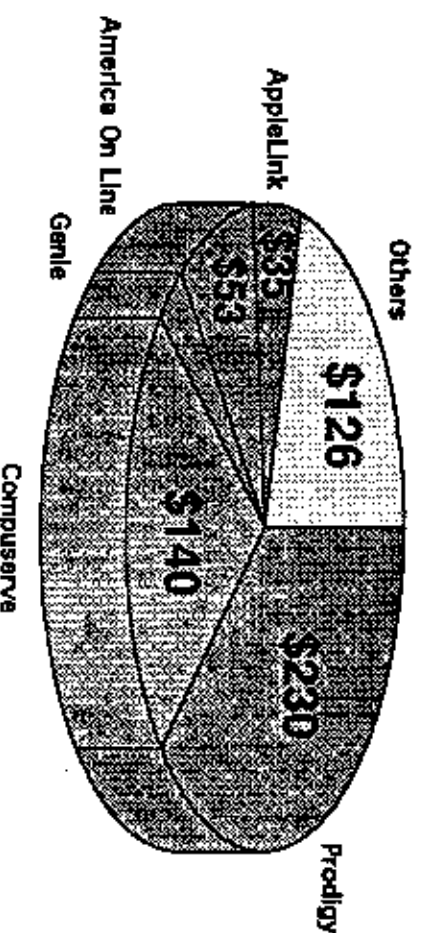
The Opportunity - General Classifieds

- Excellent Market timing
  - Existing online services have drove modem ownership and prices down
  - Online service adoption will be much easier
  - Can almost give the modem away as a premium for joining.

Online service membership 11/93 (000)

Prodigy · Compuserve · Genie · America On Line · AppleLink · Others

0 · 500 · 1,000 · 1,500 · 2,000

The Opportunity - General Classifieds

- Missionary selling phase has passed
- Industry is booming now
- Cumulative third party revenue in 1992, $600 Million
- Solves the "500 channels and nothing on" problem

Cumulative Third Party Market Revenue - 1992

Pie chart segments: Others $126, Prodigy $230, Compuserve $140, Genie, America On Line, AppleLink $35, $53

The Opportunity - Mkt. Character

- The margins are high (an information business)
  - Imperfect markets
- Repeat revenue stream
  - Sell same information over and over
- Personals is a sexy application
  - Creates pull for other services
  - Model is the alternative newspapers / multimedia

The Opportunity - Personals

- Proven propensity to spend
  - Market leader (Great Expectations) charges up to$1600/ year
  - Many services charge thousands
  - One of the highest contributors to newspapers net income
- Extremely favorable market characteristics
  - Highly fragmented market with many different vendors
  - Market is ripe for consolidation
  - High entry barriers once you have the content
  - Importance of search, qualification and privacy

How to meet customer needs

- Develop a proprietary database of partnering data

- Make that database accessible from a variety of places (home, office, kiosks) through GUI clients (Windows, X , Mac, Mosaic, Magic Cap) and make it easy to use

- Reach customer using distributors channels closest to customer: when appropriate direct and, when appropriate , with newspapers, cable companies, dating services, auto dealers which have a local focus

- Create a quality brand name - "The Classifinds"

Market Positioning

- Privacy of your own home
  - ask for what you want
- Best way to find the "perfect match"
- Faster turnaround in communications - more interactive
  - start a dialog Friday, have a date Saturday
- Fast, almost immediate results
- Flash of hi-tech
- Sophisticated search that you control
  - add on service does the match for you
- Multimedia - lots of information not available otherwise
- Fun - excitement of anticipation
- Pay as you go - what have you got to lose?
- More complete information to make an informed decision

Sales and Distribution #1

- Selected "markets", sell direct
  - E-mail, Internet, WWW / HTTP
- When appropriate, OEM / private label service bureau relationships
- How to decide what channel: reach customer using channel partners closest to customer

Sales and Distribution #2

- Other markets, sell through existing services as VARs, System Integrators and Resellers
  - Existing content partners
    - Newspapers
      - SF Chronicle , Alternative Newspapers such as Bay Guardian
    - Dating Services & Others
      - Trellis, Heart-to-Heart, Ethnic dating services
      - Auto Trader, Century 21 Real Estate
  - Communication vendors
    - Cable / Telcos
      - Continental Cable, TCI, Times-Warner
    - Pipeline Providers
      - PSI, UUNET, Delphi,
    - Value added providers
      - America Online, CompuServ, O'Reilly & Associates

Perfect Match

Pricing / Business Model Strategy - I

- "Nickel and dime" from different revenue sources
  - Postings are free / "Pay to play"
  - Free to start using
  - Charge on a per use basis with a flat entrance fee
  - Net variable contribution margin (after distribution revenue split) is the important metric
  - Potential Advertisers
    - Sell advertising space on the screen desktop (very prime space - subject to privacy)
    - Demographic information that is sellable

- Billing by credit card, auto withdrawal, deposit or 900#

Pricing / Business Model Strategy - II

| Contribution Margins Model	Customer / Direct	Customer / Indirect	Assumptions
Variable Revenue - Note: Most is prepaid			
Fixed monthly charge for being on the service	$19.95	$9.95	Monthly charge as CompuServe, American Online (three subscription levels) subscriber termination fees
Per minute connect time or Kbytes transferred	$12.00	$6.00	In same range as CompuServe, America Online (several people)
Charges non-demographic info - picture, video or sound	$0.28	$0.14	Indexed that their connect charge is slightly more - monthly charge)
Per additional picture, video or sound	$0.00	$0.00	$5 per update, 25% update once, 10% update more than once. Amortize charges over life of customer
Charge for changing your demographic information	$0.62	$0.31	Free - to maximize connect charge
Charge per Kbyte for on-line access for first or second pictures	$1.00	$0.50	$15 per update, 25% change each month. Charge only (for private picture?)
Charge per e-mail message sent	$1.00	$1.50	Assume $1 per month for now
Charge per Kbytes message forwarded	$0.30	$0.15	$.25 * 12 messages per month average
Net revenue per forum - other services used	$0.63	$0.42	$.25 * 12 messages per forum/month. Similar to CompuServe
Charge per e-mail carried	$0.25	$0.13	$25 value per usage, 20% do this once over life time per box
Charge per special search done by our human matchmaker	$0.83	$0.42	$1 per cancel (5% use this once per month)
Net revenue from advertisers who download the screen	$1.60	$0.80	$100 per hour (5% use this once over life)
Less: Discount for no advertising on-screen during download	($0.20)	($0.10)	Charge $2 per targeted person per month
Net revenue from advertisers during download	$0.00	$0.00	$1 discount per month, 20% take discount, 80% do not
Charge for accessing our data line service etc.	$0.25	$0.13	$20 per customer per life of customer, 5% use this
Charge to establish our relationship counselor, etc.	$0.15	$0.08	$25 average per month (guess)
Charge to people who want to rent (billing, list, charge for net having back e-mail (fee so utilized #)	$0.10	$0.05	$1 per month (10% people do this)
Charge for 800 or 900 dialing access	$1.02	$0.50	5% of customer base, $1 per minute, 20 minutes total per month
Total Average Gross Revenue per customer per month	$4.38	$21.19	
Variable Expenses (no acquisition costs)			
Communication charge - Cost of Revenue	$15.03	$7.51	Using 1992 and 1993 AOL averages (of all revenue)
			Assuming 25% Fixed Interest / E-mail access / CompuServe, etc. Fixed costs approximately $1,800 / month (25% connections)
Total Average Net Variable Margin (Net), monthly EVC	$26.25	$13.68	Note: margin% does not change due to assumption of economies of scale in cost
Total Average Variable Expenses per customer per month	$1.11	$0.00	
Total Average Variable Expenses per customer per month	$16.14	$7.51	
Other			
Subscriber Acquisition Costs			
Average number of months users is a customer (life of customer)	6	6	6 months - guess based on OK experience with periograph
Economic Value of the Customer (NET - non-monthly)	$157.41	$82.47	
Subscriber Acquisition Costs	$7.23	$0.00	Using 1992 and 1993 AOL averages
Lifetime Subscriber Acquisition Costs	$41.36	$0.02	$2.93 Amort Cost = $391, 70% 92, 93 Net service/revenue = 26226, 31462. Fraction of Average Gross Revenue

Rollout Strategy - I

- Seed data from distribution
- Direct mail is expected to be the primary means of promotion
- PR will play a key role
  - Personals as a rollout has great sex appeal
  - Great PR story
- Regional launch planned
  - Grow as demand grows
  - Only one with a complete structured of high quality data for search
  - Heavy use of trials to get additional users
- Influence the influencers / Guerilla marketing

Rollout Strategy - II

FCS	Version 1	Version 2
Platform	9/94	12/95
Access via	Windows, X	Windows, X, Mac
Geographic focus	E-Mail, etc.	Auto e-mail
Intelligent search	Bay Area	California, New York
Still Image	Y	Y - enhanced
Sound	Y	Y
Video	N	Y
	N	Y

Competitive Advantages - IV

- As capabilities expand, roll out onto other delivery platforms

- By this point ownership of data is established

CompuServe

America On Line

Internet

N	S	D	A	R
E	T	A	U	E
W	O	T	T	S
S	U	I	O	T
	C	N	N	A
	K	G	S	T
	S			E
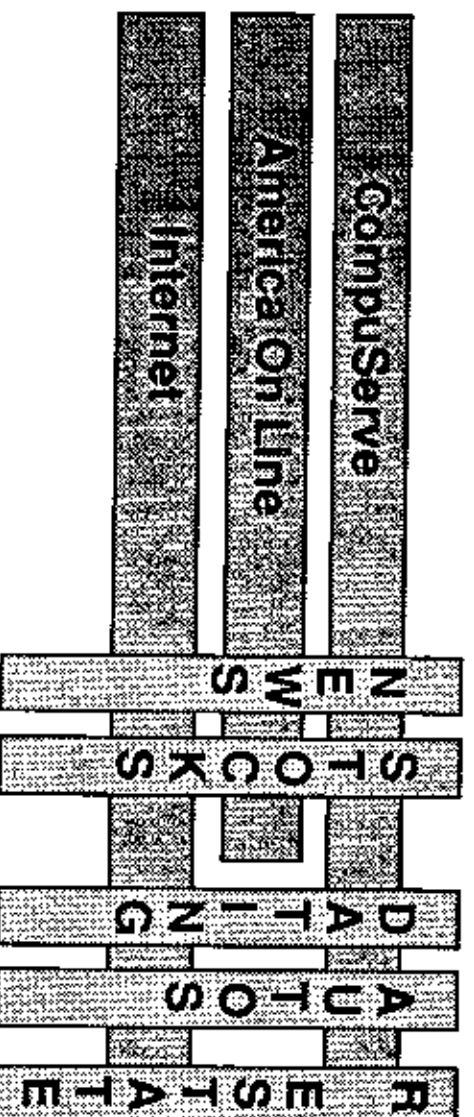
Future Product Directions

- Service bureau to vendors wishing to demonstrate a visually rich product or where intelligent search is key
  - specialty autos
  - antiques
  - other collectibles
  - financial instruments
  - any brokering
- Alternative to demo disk for software companies
  - call 1 800 TRY-ME22 to download client
  - dial into server and do more than you could with demo disk
- In each market, partner with someone who has content

Summary

- Examination of fundamental customer need

- Large market with favorable characteristics

- What does the customer want to see

- How do you meet the customer need?

  - Positioning

  - Sales Strategy - where is the value of each customer

  - Distribution Strategy

  - Pricing

  - Marketing Rollout

 - Competition

- Marketing Timelines

Agenda

- Technology goals
- The server - database
- The server - other
- The client - functionality
- The client - characteristics
- The client - other
- Development and System Timeline
- Summary

Technology Goals

- Develop the premier delivery system for a whole range of online classifieds and services

- Minimize customer support and upfront costs

- Reduce technology risk so that development risk becomes systems integration risk

System Architecture
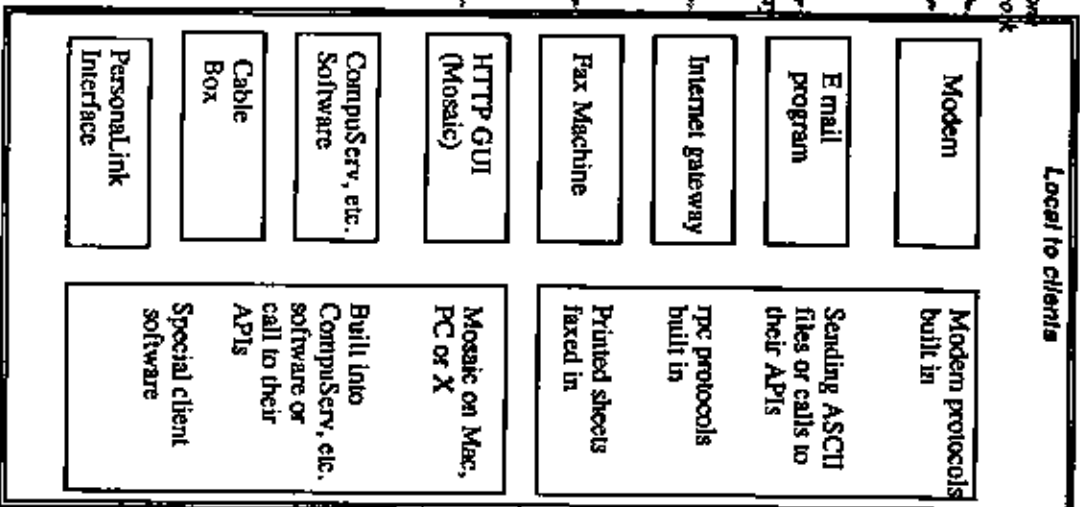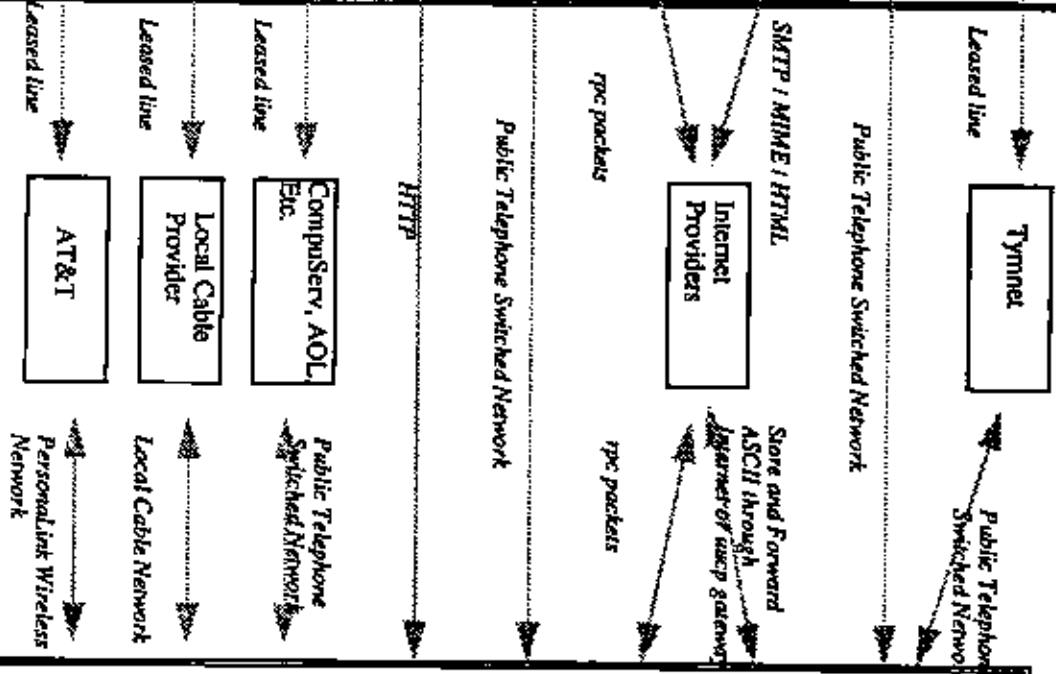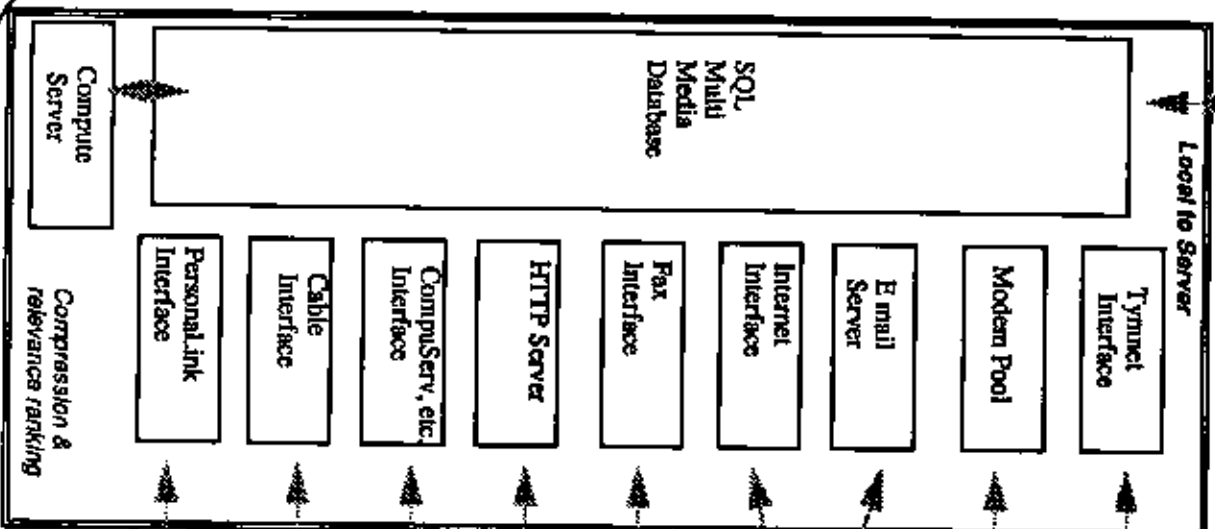
Development & Integration Timeline

- Release date 9/94
  - Windows and X GUI clients
  - E-mail by manually sending ASCII files from clients
  - Internet by rpc
  - Modem access by 800 / 900 and Tymnet
  - All client distribution methods up

- Release date (12/94)
  - Mac GUI Clients (modem, Internet and e-mail)
  - E-mail cc: mail and Microsoft Mail using APIs
  - Fax (OCR) secondary server
  - HTTP secondary server

- Release date (3/95)
  - Commercial services special clients - links to APIs

- Release date (6/95)
  - Magic Cap clients
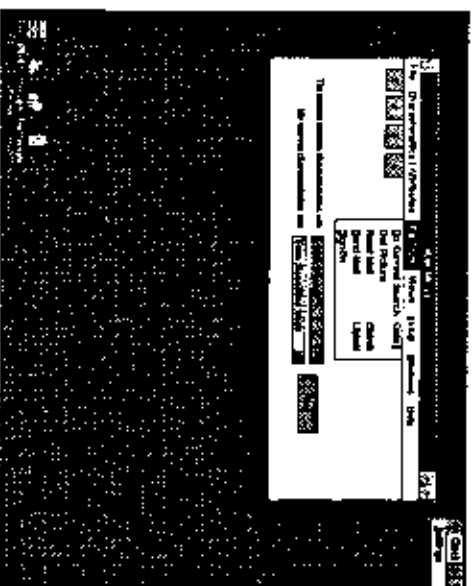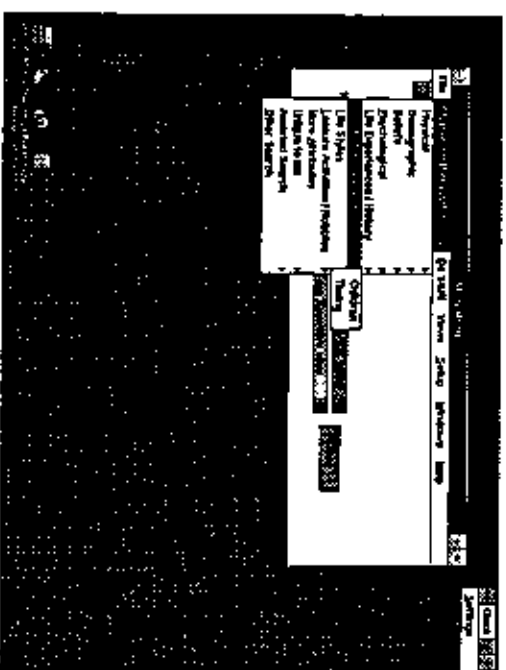 - Cable TV / Interactive TV special clients

Technology Summary

- Detailed financials / general revenue

- Master timeline / page #s

- Perspective of the customer

- Marketing #s

- Pagers / 900# revenue

- Graphic for classifieds

The Client - Sample Screen III
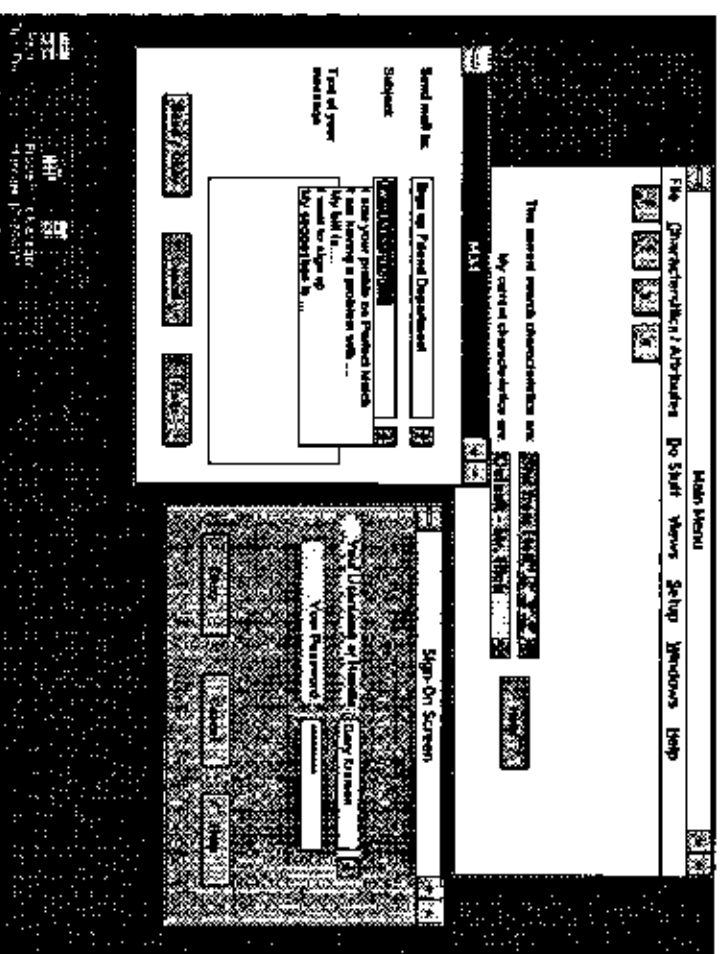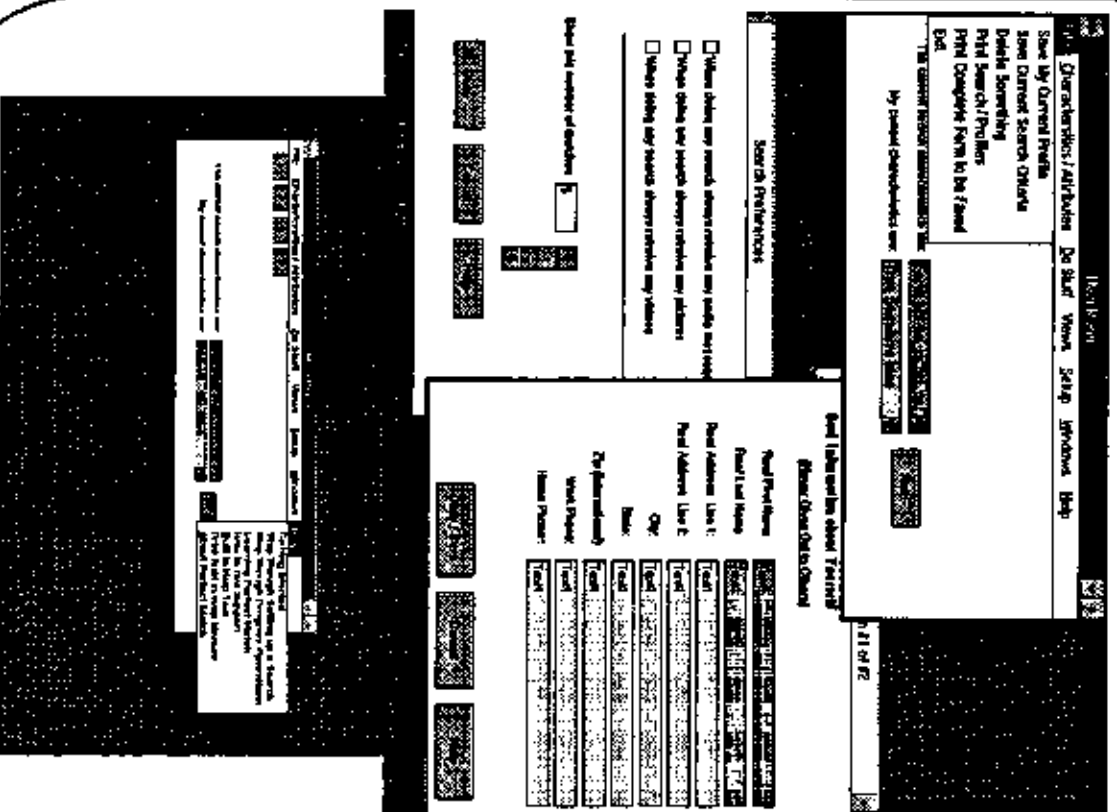
The Client - Sample Screen II
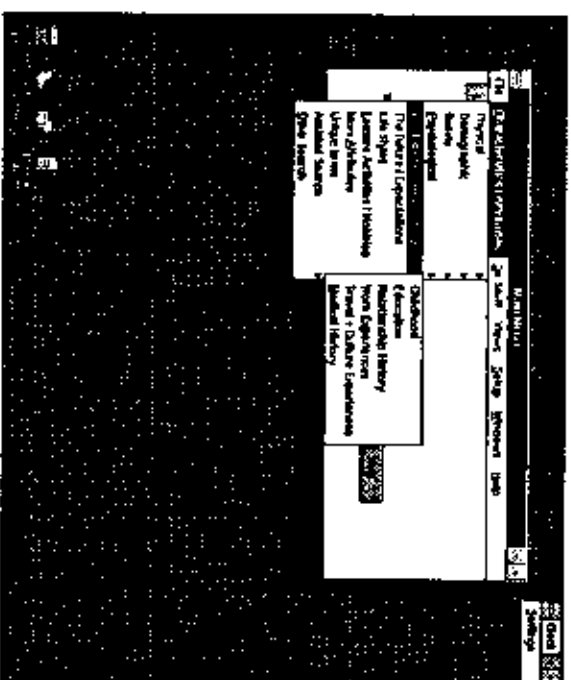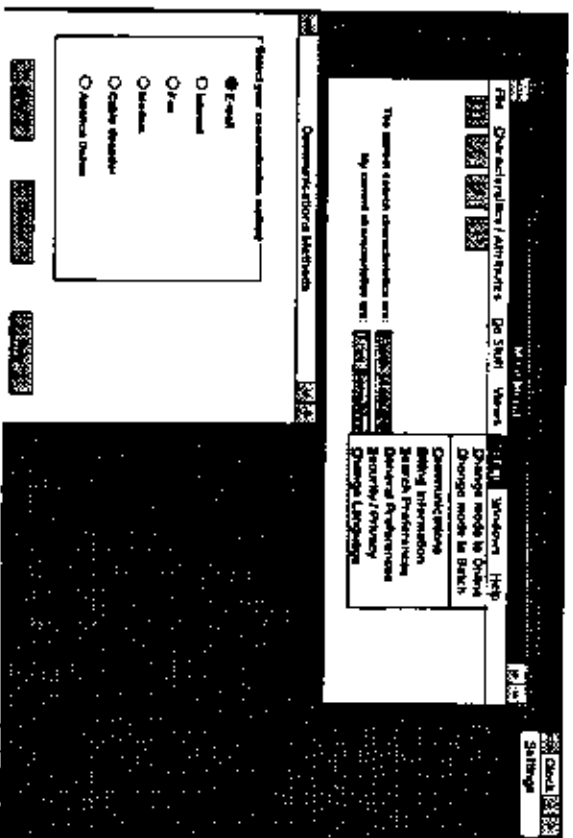
The Server - Database

- High performance object-oriented relational multi-media database
  - Such as Informix, Sybase, Oracle that does not prevent migration to 3rd generation databases
  - Later databases (distributed architecture) could be regional tied together with a T1 link
  - Access control by end-user
  - Public API to database
  - Allowance for multiple profiles linked to a master bill code
- Localized compute engines
  - Asymmetrical compression compute engine
  - Relevance rankings algorithms compute engines
- Billing and accounting information e-mailed to user

The Server - Communications

- Database can be reached by:
  - E-mail linked to the Internet by a T1 line (SMTP / MIME / HTML)
  - Modem (linked to Tymnet X.25 or 800 / 900 numbers)
  - Internet (rpc and WWW / HTTP / Mosaic)
  - Fax (OCR read and send)
  - Commercial Network APIs (America Online, etc.)
  - Cable TV / Interactive TV
  - Other: Telephone, TeleScripts and PersonaLink
- Forwardable e-mail to Internet gateway
- Interface to credit card providers

The Distribution of Clients

- Clients small enough to distributed electronically
- FTP and Telnet
- Download from CompuServ, etc.
- E-mail servers, both local and on the Internet
- Archie, gopher, etc. access
- Sent by U.S. mail
- Download by guest login (modem tty)
- Distributed by partners

The Client - Sample Screen I

File

Characteristics / Attributes

Main Menu

Do Stuff   Views   Setup   Windows   Help

Physical
Demographic
Beliefs
Psychological

Life Experiences / History

The Future / Expectations
Life Styles
Leisure Activities / Hobbies
More Attributes
Unique to me
Assisted Search
Other Search

Childhood
Education
Relationship History
Work Experiences
Travel + Culture Experiences
Medical History

Clock
Settings

The Client - Functionality #1

- **World-class GUI**
  - Minimize network traffic by loading up the client with intelligence
  - Excellent browsing screens
  - Context sensitive help screens
  - Fuzzy searching capabilities
  - Optional advertising screen on the screen desktop during data uploads or downloads
- **Multi-tasking and multi-threaded**
- **E-mail built-in**

The Client - Functionality #2

- Will transmit most multimedia formats
  - JPEG, MPEG, PICT, TIFF, QuickTime etc.
  - Full MIME capability
  - Audio formats
  - Text, RTF
  - Ability to decompress quickly
- Fully configurable by auto-download update
- Public key RSA encryption for privacy and security
- Attribute list is configurable and changeable
  - One attribute list per area of the classifieds

The Client - Functionality #3

- The GUIs - Windows, X, Mac, Mosaic and Magic Cap
- All but GUI is from one C++ source base
- Binary small enough to be distributed electronically
- Each copy of software copy is coded with at least one distribution source
- Internationalization built-in (all messages in files)
- Do efficient downloads of still images and sound initially; grow into video
- Ability to flip through images (thumbnails)

The Client - Communications I

- **E-mail**
  - Store and forward in ASCII using either API to e-mail programs or sending of pre-formatted ASCII file

- **Modems**
  - Based on optimized public domain protocols such as Zmodem
  - Closest Tymnet and 800 / 900 numbers pre-confidgured

- **Internet**
  - direct rpc -s calls / HTTP

The Client - Communications II

- **Fax**
  - Fax an 8.5 x 11 pre-printed sheet
  - Picture area - to be stored on server
  - Information area - OCR easy when using a form
  - 8.5 x 11 form also built into software (could be distributed without software

- **Special clients that are CompuServe, etc. APIs aware**

- **Special clients that are Cable TV / Interactive TV aware**

- **Other: Telephone, TeleScript and PersonaLink**

The Client - Multimedia Input

- Allow JPEG, MPEG, PICT, TIFF, QuickTime, etc. files to be uploaded for one-time-only compression

- Sources include:
  - Network of service providers - Kinkos, Kodak CDs
  - Customers can upload if they have scanner
  - Customers can input by fax machine
  - We can scan for a fee
  - Virtual images as per Imagination Network

- Allow audio files to be uploaded for one-time only compression
  - 900 Telephone number to leave voice
  - Sound board aware
  - We can process for a fee

Data Transfer

- Proprietary ASCII data exchange format between client and server
- Proprietary link level exchange format between client and server
- Both real time and store & forward modes
- Connections are to be optimized
  - Data only needs to be transmitted when changed
  - Download time is charged to per user
- See CheckFree™ as a direct example

Screen 1

Main Menu

File Charactersitics / Attributes Do Stuff Views Setup Windows Help

Change mode to Online
Change mode to Batch

Communications
Billing Information
Search Preferences
General Preferences
Security / Privacy
Change Language

The current search characteristics are: **Partly Cloudy**

My current characteristics are: **True Sensitive**

Communications Methods

Select your communication method

- ⦿ E-mail
- ○ Internet
- ○ Fax
- ○ Modem
- ○ Cable decoder
- ○ America Online

[Okay]   [Cancel]   [Help]

Clock

Settings

Screen 2

File   Characteristics / Attributes   Do Stuff   Views   Setup   Windows   Help

Main Menu

Physical
Demographic
Beliefs
Psychological
Life Experiences / History
The Future / Expectations
Life Styles
Leisure Activities / Hobbies
More Attributes
Unique to me
Assisted Search
Other Search

Childhood
Education
Relationship History
Work Experiences
Travel + Culture Experiences
Medical History

Clock
Settings

Screen 3

File   Characteristics / Attributes   Main Menu   Do Stuff   Views   Setup   Windows   Help

Physical
Demographic
Beliefs
Psychological
Life Experiences / History
Life Cultural / Expectations
Life Styles
Leasure Activities / Hobbies
More Attributes
Unique to me
Assisted Search
Other Search

Children
Timing

Settings   Clock

The ClientS&aample Screen II

Main Menu

File Characteristics / Attributes Do Stuff Views Setup Windows Help

Do Current Search Ctrl+S
Get Picture
Read Mail Ctrl+R
Send Mail Ctrl+M
Sign On

The current search characteristics are:

My current characteristics are:

Screen 5

Main Menu

File Characteristics / Attributes Do Stuff Views Setup Windows Help

Save My Current Profile
Save Current Search Criteria
Delete Something
Print Search / Profiles
Print Complete Form to be Faxed
Exit

The current search characteristics are:

My current characteristics are:

Search Preferences

☐ When doing any search always retrieve any audio message
☐ When doing any search always retrieve any pictures
☐ When doing any search always retrieve any videos

Show this number of matches: 5

Real Information about Yourself
(Never Given Out to Others)

Real First Name	Text1
Real Last Name:	Text1
Real Address Line 1:	Text1
Real Address Line 2:	Text1
City:	Text1
State:	Text1
Zip (International)	Text1
Work Phone:	Text1
Home Phone::	Text1

#1 of #2

Screen 6

Screen 7

Main Menu

File Characteristics / Attributes Do Stuff Views Setup Windows Help

The current search characteristics are:

My current characteristics are:

Getting Started
Step Though Setting up a Search
Step Though Program Operations
Learning Perfect Match
How to Get Support
Built in Help Text
Print Built in Help Manual
About Perfect Match