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Barter Returns as an Online Platform

Analysis and Business Proposal

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Since the dawn of humanity, people had basic needs to be fulfilled including social ones. Each Person had a profession or area of expertise, in order to survive and to attain his basic needs he exchanged some of his produced goods for others using a barter system. Humanity progressed and methods of one-to-one trade were replaced by a monetary value given to each product. Later on, technology was introduced and with it, the revolutionary internet which was accompanied by Social Networking platforms. In this work, I will elaborate on vital concepts in strategies involving technology and social networking discussed in business literature. Furthermore, I will introduce a business idea involving a new online Barter platform while applying some of these concepts.

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Executive Summary — A few millennia ago the world economy was “born”, without currencies, with limited governments regulation and many other difficulties that could have hampered the developments leading to the economy we have today.

The old Barter System was the dominating one where one would exchange a service in return for another (i.e. one chicken for one piece of cloth).

The new technological systems existing today allow the re-birth of the barter system, however, with some lacking mechanisms and business models.

Up-and-coming adoption of social networking for driving business has increasingly placed an entirely new set of demands on enterprise IT and business owners. According to analysts’ prediction, social networking is set to be the biggest Enterprise 2.0 main concern by the year 2013. The rate at which social networks are spreading in the workplace surpasses employers’ anticipation—and even at most times extending beyond the organizational barriers—taking collaboration to new altitudes and birthing new, more diversified knowledge management resources.

It has come to a stage where the modern-day business leaders must seek to adapt enterprise social networking to their general Unified Communications & Collaboration (UC&C) strategy, while making sure that workers are able to recognize the differences between what is personal and professional in these new media. This paper is proposed to help people (including business executives) navigate the new world social networking as a veritable tool for exchanging material things, knowledge, and culture as well as engendering success for the business savvy. In a simpler sense, the paper is a presentation of an entirely new dimension to social networking, whereby the age-long barrier between those who are willing as well as able to offer favors and those who are ready to accept the same, is broken as both parties’ business experiences are enhanced over a single platform of social networking.

1. INTRODUCTION

A social network may be regarded as a social structure consisting of individuals or organizations that are bonded by at least one (or more than one) particular interdependency—like friendship, common interest, financial exchange, kinship, dislike, relationships (sexual or belief), knowledge prestige, and so on.

A social networking service on the other hand, is a platform (usually online like a website or blog) whereby services are rendered to build and reflect social networks or social relations among a set of individuals who share activities and / or interests. Essentially, a social network service has a representation of each of its users (often called profile), their social links, and a range of additional services. More often than not, most social networking sites are web-based and afford their users the opportunity to interact via the Internet utilizing message gateways such as e-mail and instant message (IM). It is worthy to mention that online community services are often also grouped as social network service, but from a broader logical view, the social network service usually refers to an individual-centered service while an online community is grouped-centered. Ideas, interests, events and activities are shared within individual networks on a social networking site.

In this dissertation, I will provide executive research summaries, studies, online information and examples of well-functioning and profitable Internet platforms in order to propose a new business concept. The suggested idea is based on an online 2-sided market Barter Favor exchange scheme, which will allow individuals around the world to help one another while making new acquaintances.

This platform potentially can rise within a Red Ocean market and shift and create itself in a Blue Ocean market, and then it will attain a competitive advantage over other similar but not equal competitors, which will be further elaborated in this work.

2. HISTORY OF SOCIAL NETWORKING SERVICE

Addison-Wesley suggested selecting the idea of utilizing computer networking to drive new forms of computer-mediated social interaction earlier in 1978 and 1993. Most of early online services such as ARPANET, Usenet, LISTSERV, and BBS (Bulletin Board Service) made attempts to support social network with the aid of computer-mediated communication. It must also be noted that many of the present day social networking sites' prototypical features were also found in the early online services such as America Online, CompuServe and Prodigy.

According to history, social networking on the World Wide Web started in the form of universal online communities like Geocities in 1994, Theglobe.com in 1995, and Tripod.com in 1995 (Cotriss, 2008). The focus of these online communities was to bring people together to interact with one another through chat rooms while also to encourage exchange personal information as they share ideas through personal web pages by making easy to use web publishing tools available as well as cheap or even (most times) free web space. Online communities such as Classmates.com simply chose a different style by having people link to one another through their email addresses only. The idea of 'user profile', which allows a user to compile a list of friends as well as search for other users who fall within his or her similar interest, gradually started becoming a vital feature of social networking sites around late 1990s. Today, this concept has come to stay as a major feature in social networking sites.

At the end of 1990s many social networking sites developed several new features that allow and aid users while seeking and managing friends (Romm-Livermore & Setzekorn 2008). The emergence of Makeoutclub in the year 2000 can be regarded as the harbinger of today's flourishing social networking sites. Friendster followed this in 2002 (Knapp, 2006) as well as many others like MySpace, LinkedIn, and Bebo. One of the world's most famous social

networking behemoth sites, Facebook, was launched in 2004 (Rosenbush, 2005), and in fact, it is the largest of the social networking sites as of today (Social Graph-iti, 2010).

Today, it is estimated that more than 200 active sites now use various social networking models to enhance their users' experience.

3. BUSINESS MODELS, BUSINESS STRATEGY AND INNOVATION BASED ON THE WORK OF DAVID J. TEECE

In his work, David J. Teece claims that: “Whenever a business enterprise is established, it either explicitly or implicitly employs a particular business model that describes the design or architecture of the value creation, delivery, and capture mechanisms it employs. The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit. It thus reflects management's hypothesis about what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit.”

He claims that the essence of a business model lies within the definition of the manner by which the enterprise is delivering value to consumers, triggering customers to pay for that value and converting their revenues to profits. It may reflect the managers perceptions about customers needs, the manners in which these are wished to be answered to the needs and especially how the company can organize to best meet these means, earn for doing so and potentially make a profit. He argues that without a well-planned business model, pioneers will fail to either deliver or capture value from their innovation.

The business model converts the logic and provides data and other facts, which demonstrate how a business operates and delivers value to customers. It also explains the intended revenue structure, costs and profits associated with business operations needed in order to deliver value to customers. A business Model embodies the organizational and fundamental architecture of a business.

When looking at the impact the Internet had on the business world, one can observe the creation both barriers and opportunities- Piracy vs. Security.

As the influence, and “arms” of the Internet expanded as well as potential market and an increasing number of clients, so did the number of Internet frauds.

In order to respond to these threats, Shaked Shvat and Saar Wilf established Fraud Sciences, a

company that was providing Internet transaction security solutions. These services proved to prevent and reduce fraud events and enhance detection tools.

In 2008, PayPal acquired the company for \$169 million- a threat resulting in an opportunity.

A business model has to be well structured, implemented in an efficient manner while also to change over time depending on the conditions of the environment and demands of clients.

Business Models Theoretical Foundations- Teece claims that the concept of business models lacks theoretical grounding in economics/business studies.

The author based his argument of the fact that economic theory implicitly argues that the price for tangible/intangible products/services once produced, are sold, value delivered and consumers will always pay for them. One can imply a conclusion that in economists' views and theories business models do not exist or are irrelevant.

The existence of two sided markets is one piece of evidence to break the underlying concept of these "utopian economies".

Two Sided (Multi Sided) Markets- "markets in which one or several platforms enable interactions between end-users, and try to get the two (or multiple) sides "on board" by appropriately charging each side. That is, platforms court each side while attempting to make, or at least not lose, money overall. (Rochet J.C. & Tirole J.)."

Some examples for such markets that many of us use in everyday life are credit cards, video games, EBay and so on. In these markets, interest of either sellers or buyers creates interest for the other.

In the credit card industry, clients use a simplified and straightforward way of carrying money and making a payment. This sophisticated designated method of payment attracts as well an interest

for enterprises to have a supporting system to make such transactions and accommodate the service.

In the Video Games industry, video games addicts cause more programmers to develop more games, accessories and other products to either support or enhance customers' experience and expectations.

These examples show that markets do exist and business models accompanied by right strategies are essentially needed and are a part of economic theory, organizational structures choices, and strategic and marketing strategies.

In his work, Teece provided some examples of business models and divided them into 2 categories:

1. Traditional Industries:

- a. Swift and Company- packaged meat shifting towards refrigerated ones.
- b. Malcolm McLean- container road trailer body.
- c. Ryanair- low cost airlines.
- d. Razor Razor Business Model- low price on razor and high prices on blades.
- e. Sports Apparel- brand leverage used in different industries.
- f. Movies and Music- cover multiple segments.

- 2. Information/Internet Industry-** this sector always raised challenging business models issues since information is often difficult to price and consumers have many methods to obtain that information.

Figuring how to give and capture value is a key element in these industries.

The Internet is another example for Schumpeter's' "Creative Destruction" as it drove many enterprises out of business (ads, newspapers and so on) but created many opportunities and enabled traditional businesses to transform (Blockbuster vs. Netflix):

Up until a few years ago clients used to go to a designated shop in their area such as Blockbuster order to rent a movie. Sometimes their desired title was not even available. Today Netflix (an online platform for movie and TV series rentals) offers millions of titles conveniently without even leaving your home.

Some other examples of new business models:

- a. Flickr- online photo sharing, photo storage, indexing and tagging website.
Revenue model: membership fees for advanced users, advertisement fees, and sponsorship from retail chains providing photo services.
- b. Open Source- free basic use and charging for advanced users/support.

Business Models, Strategy and Competitive Advantage- in his work, Teece argues that the business model articulates the logic, information and other evidence that create the value proposition for customers and a visible structure for revenues and costs in order for the company to deliver that value.

A robust business model will be emphasized by the perceived value to customers, and in return, the effect will be seen in the revenues. However, a strong business model must go hand-in-hand with an excellent strategy in order to achieve a sustainable competitive advantage.

This combination requires segmentation, coming up with a value proposition for each segment, setting up approaches to deliver that value and to figure out mechanisms for blocking imitation or other competitors (prevention strategies).

3 Barriers for imitation of Business Models

1. System, processes and assets- when company designs strong foundations as such they will be hard to replicate or initially detect (Wal-Mart's strategy to initiate activity in small towns and evade the giant sharks competitors existing in the market).

2. Level of opacity/uncertain imitability- makes it difficult for competitors, companies and customers operating outside the firm to understand in sufficient detail how the specific business model is implemented or which of its elements is the source of customer acceptability and eventually what leads to their perception of value.
3. Cannibalization of existing products- even if current incumbents are able to copy the business model they might be reluctant to do so since they might harm their own products. This dilemma or passive action might benefit the market pioneer.

Business Models to Capture Value from Technological Innovation

Profiting from Innovation Framework- this is the key feature to the shaping of the business model.

Every new idea about initiating an effort for a new product or service should be written down along with the development of a business model which describes it, what market segment it will serve and emphasis on the relevant strategies to implement and ensure that the potential clients will perceive the added value the company intends to provide.

Technological innovation by itself does not guarantee economic success, it might do so initially, but adaptation to changing markets is a crucial element. Xerox's market share decreased in the long run as the company's management assumed their market leadership, which relied on patents and property laws, instead of adapting to the changing competitive and demanding environment.

Profiting from innovation framework is an effort to help entrepreneurs and strategists to figure out appropriate business models, designs and technological tactics by delineating salient features of business model choice and predicting the outcomes from these choices.

Teece claims that this suggested framework would work in 2 extremely different models through which avant-gardes can capture value from innovation and one, which integrated them both:

1. **Integrated Business Model**- bundling innovation and product together while planning carefully the entire value chain, step by step, including design, prices, manufacturing, outsourcing decisions and of course, distribution.
2. **Outsourcing**- some elements of the value chain, later to become a complete service to be provided by external companies.
3. **Hybrid Approach**- combination of both.

While observing history, we can learn that pioneers will not certainly enjoy a long term Intellectual property protection by government like as in the Xerox Case.

Managers should always bear in mind a warning sign to suggesting them to remain innovative, creative and observe the same in their competitors' behavior.

It will not be a type of question of "How" competitors might beat them but a question of "When" it will happen.

Business Models as Innovations- technological innovation is lionized in most advanced societies, however, the creation of new organizational forms, organizational methods and implementation of new business models are of equal if both greater imposition to society and to business enterprises.

Management, entrepreneurs and business model design implementation are crucial to economic growth as technological innovation itself.

Small innovations or performance enhancement for existing products will not require new business models.

Sometimes the creation of new business models leads to creations of Blue Oceans like in the Credit Cards case.

The Role of Discovering, Learning and Adaptation-designing a new business model requires creativity, insight and deep understanding of Porter's 5 forces model composed of customers,

supplier, competitors and intensiveness of internal competition, substitutes and the possibility of rival entries.

Experiments and learning are crucial processes for a firm and although an idea might look very attractive and revolutionary, in order to implement it, customers' habits must be changed in order to adapt to these technologies, their desires delivered and needs satisfied.

Henri Ford succeeded in that area, since he knew how to adapt and change the public's opinion. He did so by employing some of them in his plant while providing them competitive salaries and in meanwhile to create a product serving to their essential needs.

When we study Netflix's initial business model, which was based on pay per transaction, one can see that it led to initial failure. Later on, as the new model of membership was adopted it gained the company a billion dollars in 2006.

A potential business model must be evaluated against the current state of the business eco-system and the directions of its evolution.

The following questions are to be asked by the company, suggested by Teece:

1. How does the product/service bring utility to the customer? How will it be used?
2. What do our customers deeply value? How do we provide it? How much will customer pay?
3. How large is the market? Will the product support a mass market?
4. Are there alternative offerings in the market? How is our offering superior to them?
5. Where is the industry in its evolution? Has a dominant design emerged?
6. What are the structures needed to deliver value to customers?
7. What are the costs to provide the service? How will they change depending on other factors?
8. What is the nature of approvability regime? How to deal with imitators? How should value be delivered, priced and appropriated?

Horizontal and vertical actions must be considered along with their efficient costs.

A sustainable business model should stimulate the firm within the value chain and identify bottlenecks assets to own/control in order to capture value.

It is necessary to remain flexible, experiment with the product and the business model, and learn, from both one's own and his competitors' activities and to keep sufficient financial resources in hand in order to remain an industry participant and hopefully a successful market leader.

Conclusion- business models do exist, although, in the classic economic theories some economists failed to mention them or their importance.

A good business model describes the design or architecture of the value creation, delivery and captures the mechanisms that are employed.

The so called "soul" of the business model is the creation of a clear picture regarding customer needs, ability and willingness to pay; it defines the manner by which the business enterprise responds to their customers and methods in which it delivers value to them.

Furthermore, a good business model is a type of incentive for customers to pay for value; it converts those payments to profits through the proper design and operation through the various elements of the value chain.

4. SOCIAL NETWORKING BUSINESS MODEL

For reasons yet to be established, as of now, remarkably few social networks charge money or fees for their membership. Some have argued that this phenomenon is due to the fact that the social networking service is relatively “young” and as such, the market is still being tested.

Furthermore, some even claim that these social media websites would lose their value if they pollute their platform and involve money for usage. However, there are other money-making avenues that some of these social networking sites such as Facebook and MySpace utilize to generate income for their business—basically, they are selling online advertising on their websites. This model is hinged on their large subscribers or user base and of course, taking membership fees would be counterproductive (Chambers, 2006). We can assume that the information that the sites have on each of their users is comprehensive enough to allow much better and effective targeted advertising than any other site would have been able to provide in the contemporary World Wide Web advertising (Tyan, 2007).

It must be noted that social networks function under an exclusive autonomous business model as such have dual roles (suppliers and consumers of the content) and are being served by members. This is not in agreement with conventional or traditional business model in which the suppliers and the consumers are distinct from each other. Typically, the autonomous business model generates its revenue from advertisements; however, subscription based revenue is feasible in the presence of large membership base as well as level of content (Flor, 2000).

Social Networking is still in its early stages of both profitability and development.

Facebook’s IPO will take place in the next days, evaluation of this case will allow further research, analysis and better understandings of revenue opportunities for social networks in the future. These perceptions will rely on the growing influence, importance and impact on both users and advertisers while the role of the Social Networks is to be better defined in our society.

5. BUILDING YOUR COMPANY'S VISION BASED ON THE WORK OF JAMES C. COLLINS & JERRY I. PORRAS

“Companies that enjoy enduring success have core values and a core purpose, which remains fixed while their business strategies and tactics endlessly adapt to a changing world” (James C. Collins and Jerry I. Pores).

Some of the world's top leading brands were able to achieve such market position due to the process of preserving their core business while investing and emphasizing on progress. Some of them include Sony, HP, Google Motorola, and P&G. The mentioned process allowed them to become leading institutes, which kept their originality, achieving superior long-term performance while inspiring others to follow them.

Exceptional and successful companies should realize which of their processes and products should never change and what should be open to change and modifications. Analyzing that gap is quite a challenge as a company must be self-criticizing and open for constructive or even negative comments about their own offerings, listening to customer's demands and most importantly the process and ability to change processes and products in an efficient manner.

This process requires produced discipline as well as the ability to develop a long-term vision.

Collins and Porras claim that a well-constructed vision is composed of 2 main elements (followed by their definitions by the authors):

1. Core Ideology.
2. Envisioned Future.

Core Ideology- defining the enduring character of an organization, a consistent identity that transcends product or market life cycles, technological breakthroughs, management fads and individual leaders.

The most lasting and significant contribution of those who build visionary companies is the core ideology, which should be guided, and inspiring for both employees and the external environment. It is the glue that holds an organization together as it grows, in their article Collins & Porras compare the core ideology to the consistent and well connected Jewish community who survived challenges, threats and overcame obstacles together for centuries).

It should consist of Core Values and Core Purpose:

- a. Core Values- a small set of timeless guiding principles, they require no external justification, have internal value and importance to those who work for the organization.

A company should decide about its core values, regardless of the external market conditions.

Most companies have 3-4 values that must survive the test of time.

Core values should instruct a company not to change itself if the market is dynamic, but change the markets maintaining the core values.

The authors claim that people involved in the process of articulating a company's values need to answer some particular questions:

- 1) What core values do I bring to work?
- 2) What core values do you hold?
- 3) If you will have enough money to retire will you still hold these values?
- 4) Can you see these values in 100 years from now?
- 5) Would you still hold them if they became a competitive disadvantage?
- 6) If you start a new company, which specializes in a different type of expertise, which core values will you bring with you?

The 3 last ones are particularly noteworthy since they make a crucial distinction between enduring core values and changing strategic tactics.

- b. Core Purpose- organization's reason for being, which captures its "soul".

It should not be confused with strategy as it changes over time while core purpose remains.

It can be looked at as a guiding star on the horizon. Even if a few goals are achieved the core purpose will not be achieved, as it is not the goal but the deep foundation.

Core purpose does not change but inspires change.

The authors provide a powerful method used to find an organization's core purpose which is the "**5 Whys Test**"- this test initially starts with a descriptive statement- the company states that they produce X products and provide Y services and then ask why they are essential.

After a few "whys" you will find out that you are getting down to the fundamental purpose of the organization.

It is crucial to remember that the core purpose's goal is to inspire and not to enhance shareholder's wealth.

Discovering Core Ideology- the core ideology of a firm is not set or created but is discovered and understood. It will happen only when one looks deeply inside the firm.

It must be inspirational and meaningful to people inside the organization because they are the ones who need to commit to it over a long term. Furthermore, it may also become the firm's "bouncer" which can determine who is inside and who is not.

The goal is not to create a structure but to gain an insight into the corporation's core values and purposes, which can then be described by a multitude of ways.

Once you will find it, you can change everything except it.

Envisioned Future- this the second part of the vision framework that consists of 2 parts:

1. 10-30 years audacious goal.
2. A description how to achieve that goal.

Vision levels BHAG ("Big Hairy Audacious Goals")- organizations use them to stimulate processes.

A true BHAG is clear and compelling, serves as unifying focal point of effort and acts as a

catalyst for team spirit.

It is tangible, re-energizing and highly focused. People get it right away; it takes little or no explanations.

A vision requires a BHAG that applies to the entire organization, which takes 10-30 years to achieve, and it requires thinking beyond current capabilities and environment- being visionary.

Vivid Descriptions- a vibrant, engaging and definitive description the company's feeling after achieving the BHAG. It is the translation of the enterprise's vision words into pictures that will appear as an image people can carry around in their heads. Passion, emotion and conviction are critical for this framework to run smoothly.

BHAG examples provided by the Bonner Foundation

Common foe BHAG:

Phillip Morris: Knock off R.J. Reynolds as the number one tobacco company in the world" (1950s).

Nike: "Crush Adidas" (1960s).



Role-model BHAGS:

Giro Sport Design: “Become the Nike of the cycling industry” (1986).

Watkins-Johnson: “Become as respected in 20 years as Hewlett-Packard is today” (1996).

Internal transformation BHAG:

Rockwell: “Transform this company from a defense contractor into the best diversified high-technology company in the world” (1995).

General Electric: “Become number one or two in every market we serve and revolutionize this company to have the strengths of a big company combined with the leanness and agility of a small company” (1980s).

6. PROPOSED BUSINESS

Social networking and collaboration have grown to become one of the twenty-first century's most influential business tools for increasing awareness of a brand or a cause. Companies can now provide valuable information to their clients as well as employees that would not be otherwise available by using social media to boost their business. As an added benefit to virtual social networking services, there are cost cut and pay-per-use network service to further enhance this new business model.

Many corporate leaders are cautious of taking on an open-ended, collaborative environment. Wise planning and continued discipline and control can engender harmless collaboration in the workplace, particularly if consumers and suppliers outside the walls of the company are to be involved. Companies that refuse to go along with and restrict the right to use social networks are risking a loss of the capability to compete fairly in an ostensibly new marketplace where customers, consumers, prospects, competitors, partners and business stakeholders in general are already exchanging information and crossbreeding ideas. In order not to get drowned in competition, it is particularly crucial for a company to make all efforts to keep pace with the rapidly evolving social networking enterprise in the contemporary business world.

Security remains an immense source of concern for many consumers and businesses that actively utilize social networking services. More often than not, consumers are more concerned with identity theft, the privacy of their personal information, and protection against online threats to minors while most businesses are more concerned with circulation of illicit content and leakage of information that might affect the criticality of their businesses.

I have developed a strategy that will further increase the value proportion of social networking business to people at various levels. With currently proposed strategy, it will take only an entity that is Internet averse to miss the enormous benefits the site will offer. It will

re-introduce the barter system from another perspective that will enable people to do transactions without having to part with funds at all. The system is such that goods and services will be matched with equal measures of goods and services over the world. I'm set to move the world of World Wide Web far further than its current state in terms of the benefits it offers users.

It is crucial to mention that the suggested platform will include some social networking characteristics, as it will rely on interactions between users and their favor exchange with their counter-parts. Users using the platform will insert personal data including profession, areas of expertise, of which they can help others and provide them with favors.

Once this data will be injected to the system, Karma Favors will be able to produce almost exact personalized ads to each specific person depending on accuracy of information.

At a later stage, the company will be able to contact enterprises and provide them with an opportunity for publishing quality-targeted ads, which potentially will become the source of revenues for Karma Favors.

Mission- in the present day, we live in a world in which almost every individual is highly cautious when pursuing own personal and business interests. Furthermore, people have lost trust in their own neighbors; Karma Favors' mission is to restore that missing basic gap called trust. I believe that the present day society is now facing a crisis situation, which we can only overcome together—and in unity. The project aims at creating a worldwide network that will go beyond barriers and reduce frontiers, letting the world's citizens realize that their well-being will improve and will derive from the other's well being.

The suggested mission is simply to help people live better as we provide a platform that will give them a wide range of opportunities to initiate in activities for which they lack money or skills to execute. The future demands us to create and become a better society, and so, Karma Favors will position itself in the future by embarking on this project.

7. THE SECRETS TO A SUCCESSFUL STRATEGY EXECUTION BASED ON THE WORK OF GARY L. NIELSON, KARLA L. MARTIN & ELIZABETH POWERS

“A brilliant strategy may put you on the competitive map. But only solid execution keeps you there. Unfortunately, most companies struggle with implementation. That is because they over-rely on structural changes, such as reorganization, to execute their strategy” (Gary L. Neilson, Karla L. Martin & Elizabeth Powers, 2006).

What makes strategy successful?

Strategy is a manner to achieve something in the future- it is the overall plan for deploying resources to establish a favorite position.

There is not straight and an agreed formula for success. A company should measure its steps and define its goals, map and read the market and the challenges it faces in order to build up a well done and designed strategy.

R.M Grant mentioned in his book about strategy 3 factors, which can help to design a corporations' successful strategy plan:

1. Long term, uncluttered and agreed objectives.
2. Profound understanding of the competitive environment.
3. Objective appraisal of resources.

Nielson, Martin and Powers identified 4 fundamental building blocks executing and used to improve and influence actions:

1. Clarifying decision rights.
2. Designing information flows.

3. Aligning motivations.
4. Making changes to company structure.

Most organizations choose the “easy way” and when changes are needed they turn to organizational changes instead of precisely analyzing the elements that cause their malfunction. In an effort to improve performance, most organizations go right to structural changes.

Unfortunately, after some time some companies experience a “dejavu” as this strategy might not solve their problem.

The authors found 17 fundamental traits, they claimed that 5 of them are crucial elements of strong strategy execution:

1. Acknowledgment of decision roles and responsibilities of each employee.
2. Essential competitive environment information reported to headquarters- the main offices of the enterprise must have relevant and correct information in order to perform efficiently and make the right decisions and policies for the company.
3. Once decisions are made, rarely second guessed- responsibility determination and empowerment to employees.
4. Free flow of information in the organization.
5. Coordination between field and line employees to management, in order to understand up to date market conditions.

Creating Transformation Program- the 4 building blocks that managers can use to improve strategy executions- decision rights, information, structure and motivations are non-separable.

Vague and unclear decision rights, hamper decision-making but also disturb flow of information, detach right rewards from performance and prompt work around from formal reporting lines.

Blocking information results in poor decisions, limited career development and reinforcement of

structural silos.

The main key is to identify the organization's problems and to resolve them by a well-structured step-by-step program.

Once managers realize their company's areas of weakness, they can take several types of actions.

The Authors designed "Mapping Improvements Building Blocks Some Sample Tactics" with 15 possible steps that can have an impact on performance.

Each of the above is an action towards strategies specified in the 17 traits.

As long as companies continue to attach their execution problems primarily or solely to structural or motivational initiatives they will continue to fail or achieve short term results.

These failures frequently may be fixed by ensuring that people truly understand what their responsibility is. A company can enhance their understanding by specifically assigning them roles and growth opportunities.

8. PROPOSED BUSINESS- MARKET SEGMENT

In order to apply strategy, a company must choose first the potential clientele it will intend to serve. The company can do so by segmenting the market.

Market Segmentation- dividing the market into distinct groups of buyers who have different needs, characteristics or behaviors and who might require separate products or marketing programs.

Market Segment- a group of consumers who respond in a similar way to a given set of marketing efforts.

Major variables that influence categorization of market segments are as follows:

1. Geographic- world region or country, state region, city or metro size, density and climate.
2. Demographic- age, gender, family size, family life cycle, income, occupation, education, religion, race, generation and nationality.
3. Psychographic- social class, lifestyle and personality.
4. Behavioral- occasions, benefits, user status, user rate, loyalty status, readiness stage and attitude toward a product.

The requirements for effective segmentation must be measurable, accessible and substantial.

The social networking market can be regarded as comprising of the following two segments:

1. Enterprise Social Networking Vendors- they offer social networking services and tools, which cater to corporate settings that want firm security policies, and full-bodied organizational management competence. Notable players in this segment include Telligent, Socialtext, Oracle, Novell, Microsoft, Jive Software, IBM, Atlassian, and others.
2. Consumer Social Networking Services- these are generally external-face networks that are often used primarily by consumers, but a lot of businesses and enterprise users are now

increasingly utilizing the services as well. Major providers of these services in this segment include YouTube, Twitter, Qzone, Orkut, MySpace, LinkedIn, hi5, Friendster, Facebook, and many others.

While it is well noted that both Consumer and Enterprise Social Networking segments are still undoubtedly discrete and definable, a blend of concepts and features from each segment has started, which is the point where to position Karma Favors. For instance, some businesses have resorted to sites like the Facebook to build group and / or fan pages to help promote their services or products. Consequently, Enterprise Social Networking vendors have started offering external facing solutions to enable businesses offer to their customers an Internet-based window to foster discussion and interaction among their customers.

Karma Favors strongly believes that every single individual in this twenty-first century, regardless of nationality, race, religion, profession, age or character, can donate and help others with their unique capabilities, experiences and competences through the platform that the website will provide. The platform will provide through the site is geared towards creating a warm atmosphere to enhance the experience of both parties (providers and those who need services and products). Interestingly, the platform is a hybrid of both Consumer and Enterprise Social Networking styles.

9. PROPOSED BUSINESS- REVENUE MODEL

The most popular Social Networking site or Web 2.0 revenue model is driven by advertisement. Publishers (of media sites, and blogs, etc.) earn revenue from monies that are paid by advertisers who advertise on their sites. Feed burner as an ad network made some revenue off licensing its platform to large publishers, but most of the revenue came from the advertorial insertions in its feeds. This advertorial inventory is the result of either the efforts of the company's direct sales force or efforts of ad networks.

The three most familiar revenue models for online advertising are Cost Per Mille (CPM), Cost Per Click (CPC), and Cost Per Action or Acquisition (CPA). In the case of Feedburner, some of the ads are based on CPM (impressions viewed) whereas the others are CPC based (as in the case with Google). Publisher normally retains 60 to 70 percent of the ad funds while the ad network gets 30 to 40 percent. Therefore, if Siemens runs its ad through FeedBurner ad network, the fee might be \$10/CPM (cost per 1,000 impressions). The ad network then disperses the ad to various web sites with whom it has operational contracts. If the ads get say 1,000,000 views, Siemens would pay \$10,000 to the network. The network keeps \$3,000 - \$4,000 while the publishers get the rest.

More advertisers have understood the merits of Internet advertising through social networking and so, more ad dollars are flowing into this domain than ever before. More notably, Google's invention of whole ecosystem-based CPC model that affords advertisers to only pay when ads are clicked upon is a perfect move in a good direction. The model gives more accountability since advertisers only pay when an action is taken on their ads. Furthermore, there is virtually remarkably little associated cost with running most of these publisher sites, hence, breaking even on investment does not get to take much.

Thus, the economy is still climbing out of the hole of recession and ad budgets will still remain slim as they have always being since the onset of recession. Consequently, CPA and CPC based

revenue models should hold-up better prospects than those based on CPM since they guarantee a clearer return on investment, ROI. In the year 2000 for instance, Yahoo watched its revenue plunge 40 percent in a year. Today, the cycle has corrected itself, and there is quite a lot of carnage in the social networking ad driven publisher world. Smart operators are beginning to get their costs online and focusing on moving the best achievable results for advertisers.

Karma Favors will be set to work efficiently to add the critical mass needed in order to get the website to work optimally by adding a network of people who are willing as well as able to exchange favors. As soon it will drive the number of users to a satisfactory level, the company will be able to use the website as a host for an online based advertisement in the class of behemoths like Facebook.

Karma Favors will have a competitive advantage over its similar competitors thanks to data and personal expertise injected by users, further explained in strategy and competitors' analysis.

The strategy deployed by Karma Favors can help to convince firms to pay for high quality ads inserted wisely into the website in an efficient non-disturbing manner, their charge will be based in CPA (Cost Per Action) indicator.

Up to date payments made by large corporation for such transactions may be found on relevant websites such as cj.com or linkshare.com

To keep the website "clean" from fake or spam favors, another obligation in order for a certain firm to publish an advertisement would be to provide some free sample or gift in order for customers to perceive it as some kind of "favor".

For example, the company can approach Berlitz Language School, Berlitz may provide a free trial lesson and special promotion for users of the website.

Once a user is registered, Karma Favors, the website to lead that user to Berlitz earn a share of the

registration fee or predetermined commission.

10. BLUE OCEAN STRATEGY BASED ON THE WORK OF CHAN KIM, W. & MAUBORGNE RENÉE

Competing in overcrowded industry is no way to sustain high performance. The real opportunity is to create Blue Ocean of uncontested market space.

Red Oceans- the market that is composed of all the industries, which exist today, it is the known market space.

In Red Oceans, industries are defined and accept competitive rules of the frame which lead companies try to outperform rivals to grab greater share of demand and as spaces get more crowded, less opportunities exist, products turn into commodities and intensifies competition so the water turns bloody.

Blue Oceans- all industries not in existence today, unknown market space untainted by competition. In these markets demand is created and not fought for.

In these markets, exists an opportunity for growth- profitable and rapid.

The most prominent feature of Blue Ocean is rejecting the conventional strategies.

There are 2 ways to create blue oceans:

1. Creating a new industry, for example, EBay.
2. Creating it from within a Red Ocean- Cirque du Soleil:

Cirque Du Soleil- founded in 1984 by Guy Laliberte. It is a high quality artistic entertainment show that offers a combination of theater, ballet, circus and opera.

The company's founder understood the key elements that must be changed in order to attract the diminishing number of customers while able to reduce expenses and to increase the level of comfort of seating.

The circus business was in a constant decline due to several reasons: 1) expanding animal rights 2) alternative entertainment 3) star performers asked for higher salaries, better conditions and lost

their “starness”.

Laliberte reinvented the market- and created an uncontested market space that made competition irrelevant. He did so by the several sophisticated techniques, which required deep analysis and understanding of the industry where his business was operating.

By eliminating the use of animals he reduced costs such as training and most importantly detached his business from animal right activists.

He also figured that circus artists are not stars as they were before and were replaced by today’s movie and TV celebrities.

He discovered that the circus has 3 main critical elements:

1) The Clowns 2) The Tent 3) Acrobatic acts

Cirque du Soleil kept the clowns but modified their role to become artistic, enchanting and sophisticated.

They glamorized the tent and the seats to create comfort that was pertinent in order to attract new types of clientele. These ex-non-relevant customers were willing to pay higher prices for the show and to visit it numerous times a year.

Acrobats and performers were kept but their roles repositioned as secondary and their performance changed in order to add to it an artistic flame.

Cirque gave people a reason to come to the circus more often since it offered a smart combination of different arts such as theater, ballet, circus and opera.

In 2010, Cirque Du Soleil reported \$850 million in revenues, approximately 100 million viewers since 1984 and forecast of 15 million viewers for 2012.

In less than 30 years of existence, they have gained profits, which the circus industry as whole did not achieve in a century.

Blue and Red Oceans- although the terms seem new, blue oceans always existed and will remain

a strong force of growth, with Red Oceans shrinking, while technology allows substantial improvement of productivity with different types of products and services. As brands and companies become alike, people become more indifferent, and then attention is dedicated more for the products' prices.

Paradoxes of Strategy- W. Chan Kim and Renée Mauborgne, conducted a research based on a study of business launches in 108 companies. They found that 86% of those new ventures were line extensions—incremental improvements to existing industry offerings—and a mere 14% were aimed at creating new markets or industries. While line extensions did account for 62% of the total revenues, they delivered only 39% of the total profits. By contrast, the 14% invested in creating new markets and industries delivered 38% of total revenues and a startling 61% of total profits. By looking at these numbers, one must criticize and ask himself about the “faulty” choice of Red Oceans.

Modern businesses and corporate strategies are based on military strategy- concepts like crushing enemy's army and conquering its territories. Company directors rely on some of General Sun Tzu's “Art of War”.

Military development can be used to create incredible innovational results and achievements when using creative methods learned in the field. As the ex Google's CEO, Eric Schmidt said once: “The Israeli tank commander who has fought in one of the Syrian wars is the best engineering executive in the world. The tank commanders are operationally the best, and they are extremely detail oriented. This is based on twenty years of experience- working with them and observing them”.

Blue Oceans are not only about technological innovation, which is something that might be involved in the process of creating them but does not define or capture the concept of Blue

Oceans.

Some of the facts reveal that in some industries Blue Oceans were often using existing technologies.

By linking technology to what customers value, we can learn from the Ford case study that Henry Ford attached the production line technology while designing the T-model to be simple and efficient and far from fashionable product offered to the “high society” during that time.

Ford re-constructed the image and the need for cars replacing the classic carriages, breaking the understood concept of a car as luxurious, expensive and inconvenient machine.

Furthermore, he reduced prices, understood the problems of cars and the needs of people.

He built a car for everyday use sold for a reduced price of \$290 in 1924, accompanied by an increasing market share, which grew from 9% in 1908 to 61% in 1921, and by 1923, the majority of American households owned a car.

While the world forgot about Ford’s T-model, he established a long lasting car brand.

The key for the long-lasting success is making the right strategic moves, hence, companies that know what drives a good strategic move will potentially be able to create multiple Blue Oceans over time.

Blue Ocean is achieved when a whole system of a company’s utility, price and cost activities are aligned, it is an integration of the firm’s functional and operational activities.

Red Oceans’ strategies are lead by structural point of view- “environmental determinism” which assumes that a firm is affected by mercy of economic forces, while Blue Ocean theories claim that boundaries and roles can be reconstructed.

Once a corporation realizes that strategies to create and capture Blue Oceans have different underling logic than Red Oceans strategies, they will be able to create many more Blue Oceans in the future.

11. GAMIFICATION

Methods of Gamification utilized to increase customer engagement, fun and satisfaction are being used lately by many firms.

Firms do so in order for potential clients to return, interact and “do business” together frequently. They provide their clients with badges, stars or other types of incentives that cause one to feel appreciated and to create a long lasting relationship.

Gamification or other types of rankings used in many online platforms such as Trip Advisor, encourage clients to provide live data and information as people are being recognized for their contribution to society.

Trip Advisor is a free online interactive travel website who’s goal is to assist clients to gather travel information based on opinions of other travelers.

Trip Advisor ranks its users’ commenters in different categories and even sends them monthly statistics of the number of readers who viewed their comments. This strategy creates and encourages the commenters to stay tuned and connected to the platforms while contributing and helping other future clients to use services, which have received satisfactory references.

These descriptive activities allow the site to expand and to succeed.

One of the first companies to use some sort of Gamification for internal firm needs was the large corporation, Siemens through their ShareNet.

Siemens ShareNet

Siemens is global electronics giant based in Germany. The products and services the company provides include communication systems, semiconductors, passive and electromechanical components, transportation, energy, healthcare, household appliances, lighting and so on.

The company has decentralized corporate structure with every unit having its own executive management, teams, supervisory panels, regional and corporate units and services. Because Siemens was a global, highly diversified organization with an increasing customer demand for complex total solutions, knowledge management already became extremely important for the company since the mid 1990s.

The growing challenges and the transformation of technology required a synchronized system of Information and Communication Networks (ICN).

Voelpel, S.C, Dous, M. and Davenport, explained the process of creation of the system in their article “Five Steps to creating a global knowledge-sharing system: Siemens Share-Net”.

Step 1- Defining the Concept:

Establishing a knowledge initiative for ICN’s sales and marketing organization, the system had to manage 17,000 relevant employees which would allow a team in one location to profit from the experience of ICN in another part of the globe if it was already involved in a similar deal. The idea was not only to deal with explicit information but also to externalize the individual’s tacit knowledge, which meant a codification strategy, which is best, used for organizations that reuse the same knowledge.

Joachim Doring, the manager of the biggest ICN group, gathered the ICN’s most successful sales persons to make sure that the solution-selling process covered everything from general business development to the preparation of individual bids as well as, the creation of tailor-made solutions. The system had to be designed with components such as a knowledge library, a forum for urgent requests and platforms for information sharing that would enable higher “richness” of data transmission channels- the system was named ShareNet.

The team had to ask managers questions that they did not even think of, while closing a deal as well as making the urgent forum the number 2 priority.

11 members were chosen from ICN to manage ShareNet's strategy, all representing different nations, departments and other characteristics to create a colorful and insightful team.

Step 2- Global Rollout:

In 1999, the first edition of Siemens ShareNet was launched in 39 countries; system goals, foundations and traits were essential to be defined by the different regions. A unified system with specific characteristics was to be set by the headquarters in Munich.

Local branches chose a ShareNet supervisor to manage and maintain the system in their location, usually the units chose a representative who will be enthusiastic about having such a remarkable knowledge based system in order to promote that drive to other.

For the company, it was considered both global and local diffusion to the company's global reach. As time passed, the fruits of hard work began to show, investments and implementation of the system began to pay off. The company observed the pay off by increased urgent request posting coming from each country, the solutions fed to the system introduced a flow and swap of knowledge between users. Notably, by the end of 1999, 3800 users were registered on the system.

Step 3- Bringing Momentums to the System:

The hardest challenge to overcome by the company was getting Siemens' employees to collaborate, and thus, continually contribute to and rely on ShareNet core solutions. The ShareNet management team was constantly investing energy, resources and creative solutions in order to create an incentive for people to use the system. The goal was for the company to work as a united network instead of separate units. Some of the employees were reluctant to share their expertise, expensive time, resources and others did not want to give away for free their knowledge since they

knew it had a monetary value.

This was the time when Siemens came up with a development idea close to today's Gamification. The solution the team came up with was incentives, the first system was called "Bonus-On-Top" and it provided local country managers rewards depending on local employees participation and quantity and quality of sharing.

While an incentive system was laid down, the team was making constant tests and researches to check the effectiveness of the implemented program.

The team, once again, decided to upgrade the system so, the users received bonus points in a similar manner such as an airlines mileage system to gain rewards and tiers.

In a later phase, many employees decided to redeem points and claim their rewards. The team then responded with a quality of answer/solution mechanism where comments were reviewed and accordingly points granted. The incredible findings came afterwards, when some employees preferred to maintain a high score and to be ranked at the top of the list, rather than claiming prizes, which meant that the knowledge became its own reward.

The official R&D ShareNet was launched in 2002 with its core goal, people to share knowledge between engineers located in the Munich headquarters and other locations around the world. This injected quality point-to-point information was highly appreciated outside of Germany.

Step 5 Consolidating & Sustaining Performance

By mid 2002, the system had approximately 19,000 users in more than 80 countries, with more than 2.5 million shares, which had to be distributed within the system.

One might doubt that users will "waste" their private time, share expertise and knowledge and will contribute it freely and voluntarily on an online platform, especially on some random public forums. However, some facts and platforms show otherwise.

One fascinating example is the Quora Database, which is an online question and answer, by invitation, website where users can post questions which will be answered by the Quora's members.

One might be surprised that some of Quora's users include leading and influential managers around the world, consultants and other talented individuals who dedicate their private time to answer thoroughly and professionally some of their questions.

Their answers grant them both acknowledgment and appreciation by users. Some of their rewards are the exposure and publicity their institute receives. This eventually will promote their corporation throughout the process.

Furthermore, the readers rank the answers provided by either positive or negative noting. An answer with a top score appears on top of the page, vice versa.

The website editors later on, choose the most excellent answers, mark them and post them as a confirmed answer.

Some of the information provided on Quora is not be found anywhere else online as some of the answers that are provided are considered "insider" and new information.

In this way, readers can receive live and concrete answers for crucial and interesting topics.

The success of this system proves the human need for knowledge, acknowledgment and benefiting others.

Another example composed of two relevant concepts, one is for 2-sided markets and the other is good deeds, is Couch-Surfing.

Couch Surfing is an online website enabling travellers from all around the world to meet in different locations and even lodge on a fellow user's couch.

The website is non-profit, and today, has approximately 3 million members from 246 countries and territories.

Some users who wish to travel to an unknown destination might send a request to a local to meet

them and show them around town, others who look for accommodations can send a request to several hosts asking to sleepover for no charge.

Why would the other user agree?

By providing an advice or accommodation, on his next chance to travel, he might receive the same treatment.

The website members can rank other members, write comments on their encounters and meetings so others might be able to see and read how interesting were the meetings and about their characteristics.

Couch surfing is a successful free travel solution platform, which once again proves that people do want to help each other and have an incentive to do so.

12. PROPOSED BUSINESS- COMPETITIVE STRATEGY AND BUSINESS DYNAMICS

One of the most common questions in social networking business circles is: “What revenue models do Facebook, MySpace, Twitter, Plurk, and other sites alike use?”

That is one question that has not been properly addressed by any authority from the sites mentioned above. People who are interested in owning social networking business keep struggling with the question of how to turn revenue in a marketplace where users are much more focused on friends and socializing than on advertising.

This question also concerns advertisers, who are trying to come up with some answers.

As reported by Randall Stross of the New York Times, some groups of advertisers have been working tooth and nail to get an answer to the question, and are not being as lucky as much as the social networking site owners. For instance, Randall’s article provides highlight of the problems that Procter & Gamble had faced in working out a winning and successful marketing strategy for Facebook.

Procter & Gamble has tried out both standard ads and the promotion of Facebook groups in the hunt for fans or followers. Neither of these avenues seems to have yielded desired results. Users have shown lack of interest in clicking on typical or standard advertisements, just as foretold by a Web guru, Seth Goldstein, who had proposed that a banner ad “is generally seen as irrelevant if not entirely ignored.”

The only manner that the Procter & Gamble groups on Facebook have demonstrated any measure of success at all is in those circumstances where they have used huge sums of money on hypes, such as their product Crest Whitestrips campaign. Procter & Gamble took advantage of free of charge concerts and free movie screenings to exert a pull on members to that group, in the long run drawing about 14,000 fans. As soon as the promotions stopped, yet, the fans began to quit in trickles. Till today, neither Procter & Gamble nor the social networking giant, Facebook offered

any concrete data on the sales that the program was able to generate. Excerpting further from Seth Goldstein words, “Advertisers are fond of distracting users; users are fond of ignoring advertisers; advertisers are fond of distracting better; users are fond of ignoring better.”

If an advertiser, in the caliber of Procter & Gamble combined with social networking giant like Facebook, is facing such level of problems trying to “juice out” positive revenues, then how difficult would it be for smaller advertisement players and those smaller sites like Twitter and others alike? Add to that the fact that the world has not even reached 40 percent in its recovery journey from serious recession, what kind of revenue model can be devised to enable social networking sites make a sizeable profit? Certainly, sites of this caliber cannot keep on operating forever without be able to generate sizable revenue. Perhaps the time has come for the world of Internet to witness another dimension of income generation that will change the existing trend.

From talent sourcing to brand awareness building to prospecting for customers, social networking services can provide immense help in handling many aspects of a company’s business, provided the company knows what to do.

Here is what I am proposing to hit goldmines and steer clear of landmines as we take all those social networking opportunities to people and companies worldwide.

Karma Favors believes that improving upon Barter’s model of old times and launching it on an online platform would increase its efficiency and reach. The main strategy combines three crucial elements: (1) Creating a community of users (2) where a one-on-one donation is not involved, (3) but rather an exchange with a network of users over a safe word-class social networking platform.

Furthermore, the idea is to create money by exchange of favors that are not purchased by finances or initially so). A “bank” of favors will be available for users, they may be able to use them to

receive funds from others as a debt instrument and in order to gain “profits” they would need to provide others services, which will be ranked on a basis of personal valuation of one of the parties.

The proposed business can use the concept of two sided markets in which for example, club owners offer “Ladies Night”, a strategy to attract males to club as they know that a large group of girls will attend the party as they will not pay an entrance fee.

Karma Favors can initially work on a small market, testing 1 or 2 categories but in a progressive and market learning manner based of the concepts of Eric Ries’ lean start-up and minimum visible product (MVP).

In this manner the company can attract some quality favor providers, and with quality, such as with the girls, other users will register while in the same time, the company will benefit from a “test drive” in a small market which will assists in market research for future expansion.

As the number of users increases to an appreciable level, four new strategies will be implemented:

1. The trend of business association with good deeds could be used two-sided wise—firms would like to be associated with charitable causes and their products can be used as added incentive for the users, this can be in form of lotteries or encouragement for “top donors”.
2. Recognition—keeping a list of top donors so people would acknowledge them, one of the deepest human emotions- appreciation.
3. Making the users a part of the family—giving a share of Karma Favors’ income to top donors in order to intensify internal desire for helping others.
4. As users insert to their personal profiles their areas of expertise and the ways in which they could help others, this will be a key strategy for personalized advertisement. As the user injects his information, one can infer from the data, his profession, personal interests and other crucial traits for available companies in the market.

This exceptional difference between Karamu Favors and other major advertising platforms

such as Google ads and Facebook banners is that, here, users themselves write about their interests instead of the browsers relating ads to users initiated search.

This will allow Karma Favors to have high quality personalized ads and for companies to publish “Free” favors in order to answer to users’ needs and companies at the same time.

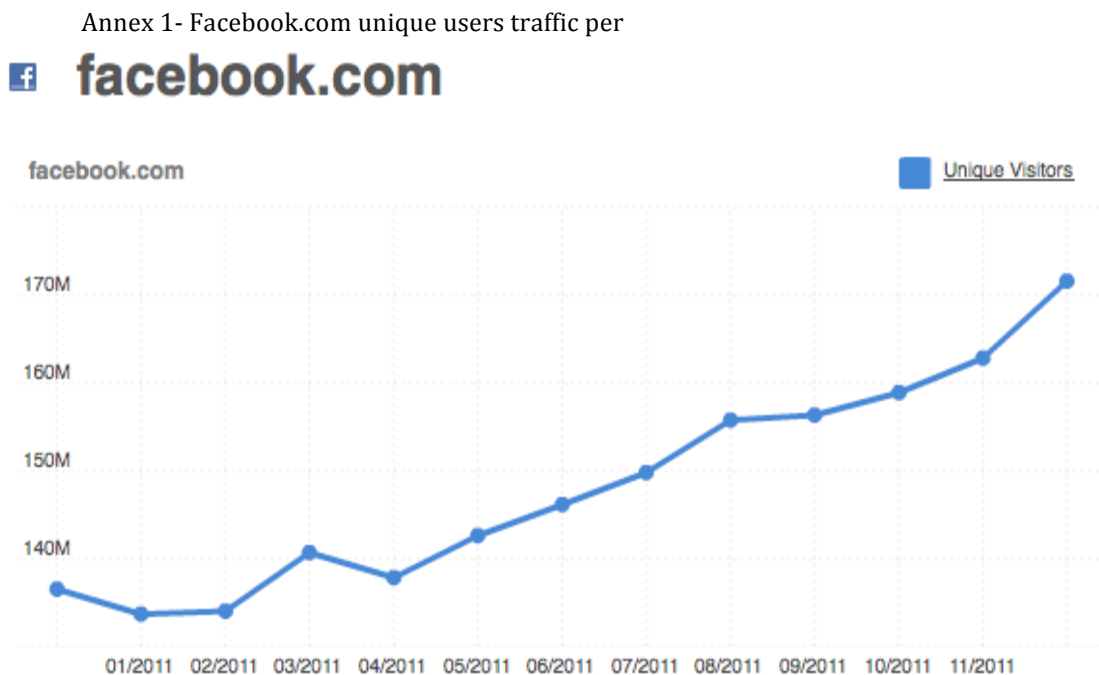
The combination of all these techniques will tie the ends and provide a complete solution of loyalty of both firms and users that will gain more than they give in the end.

The proposed model of business is unique, and any site on the World Wide Web before has never featured it.

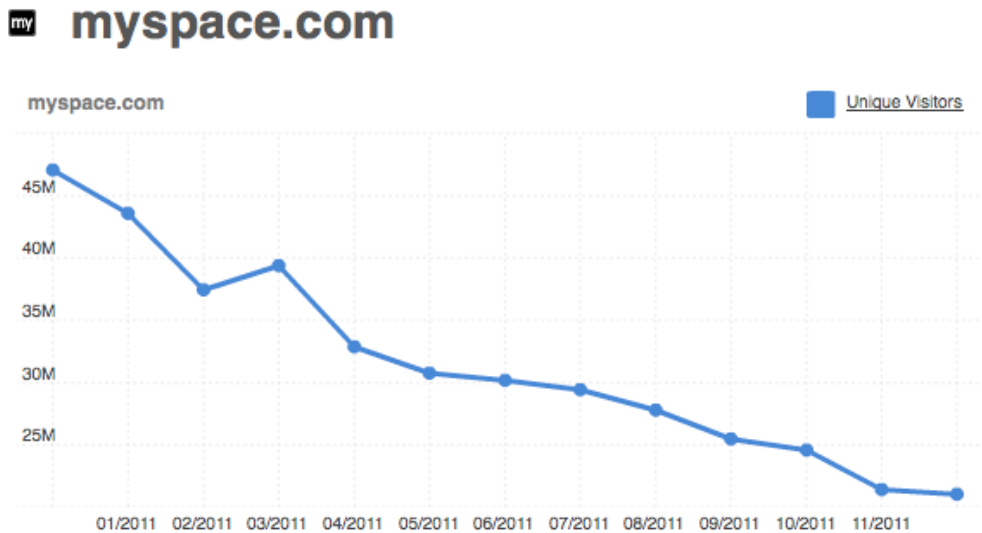
13. PROPOSED BUSINESS- COMPETITORS' ANALYSIS

Karma Favors will be the first website on the Internet to provide the multiple ranked favor exchange. As such, the company will initially be operating in a “Blue Ocean” in regards to the applied ranking and exchange model, not facing competition, accompanied by First Mover (Dis) Advantage. In this section, I will briefly describe and discuss the close but not direct competitors operating online. As the website will grow and become famous, it will grab the attention of large Network Based websites who may decide to replicate this format. Thus, the competitor analysis includes all companies which have the necessary investment capabilities and strong brand awareness, reputation or both which can be maneuvered to enjoy a competitive advantage with respect to Karma Favors. Taking the above under consideration, it is vital to state that the first mover advantage in the market is not of little relevance, in fact, once the critical mass is reached and the website is famous, it will be hard for other companies to “steal” the company’s users’ base.

We can examine data obtained from Compete.com about Social Networks’ websites:



Annex 2- MySpace.com unique users traffic per



After analyzing data taken from both Alexa.com and Compete.com (see Annex 1 and Annex 2) regarding other social networks, we can develop few considerations.

Facebook had approximately 171.5 million unique monthly visitors in December 2011, while for instance MySpace had approximately 21 million unique monthly visitors during the same period. These figures show the enormous earnings a website can potentially make from advertising. Cost per click rates on advertising vary from \$0.2 up to \$6, if multiplied by the amount of users it results in potentially extremely large numbers. These findings both prove that these potential competitors have the necessary finances and reputation to imitate Karma Favors and at the same time, a proof for potentially large revenues.

The right manner and the challenge for convincing investors to finance the project will not concern the potential returns but the right timing of investment.

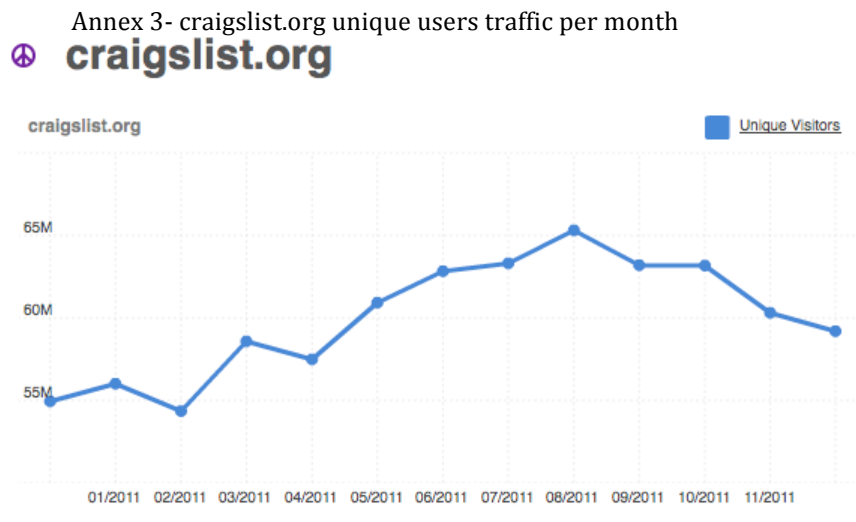
There are some websites that provide similar but not equal services, proposed as Karma Favors as the users don't have an incentive to participate. I rank them by a decreasing order based on user traffic retrieved from Compete.com and briefly describe them:

1. Craigslist.org- an online classifieds website acting as an international advertisement board with separate websites dedicated per country/city. Craigslist.org also provides free goods but not as an exchange.

Goods/Services are either posted with a requested price or free goods “garage sales”, no dedicated profiles or multiple direct links to users who provide several services.

It has a partial and designated part for 1-sided trades but does not explicitly impose a threat to Karma Favors, as it does not attract the desired market. Its image and brand association is viewed as an international public classified posting website. Furthermore, many of the ads are fraud and spams.

Craigslist had approximately 59 million unique visits during the month of December 2011 (see Annex 3).



2. Barterquest.com- one can consider as this website as the closest competitor, which uses a barter system favor exchange based on a one time exchange of one item for another or alternatively, for an amount of points. However, users must purchase points with a money payment.

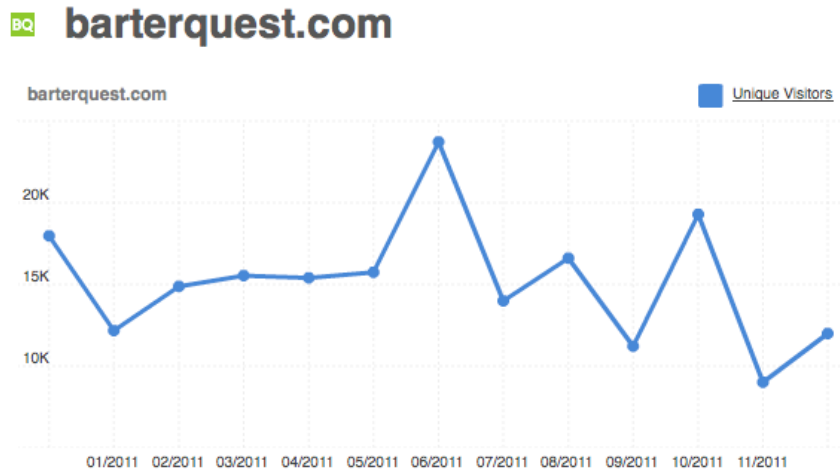
Users do have a personal account, can post favors, questions, notes and announcement but they are not ranked.

This website can be a potential threat since they can update their model by adding the ranking

system of the free exchange to copy Karma Favors mechanism, nevertheless, since their traffic is not significant as well as their limited US operation base, the 2 websites can even co-exist.

They experienced approximately 12,000 unique visits during the month of December 2011 (see annex 4).

Annex 4 - barquest.com unique users traffic per month



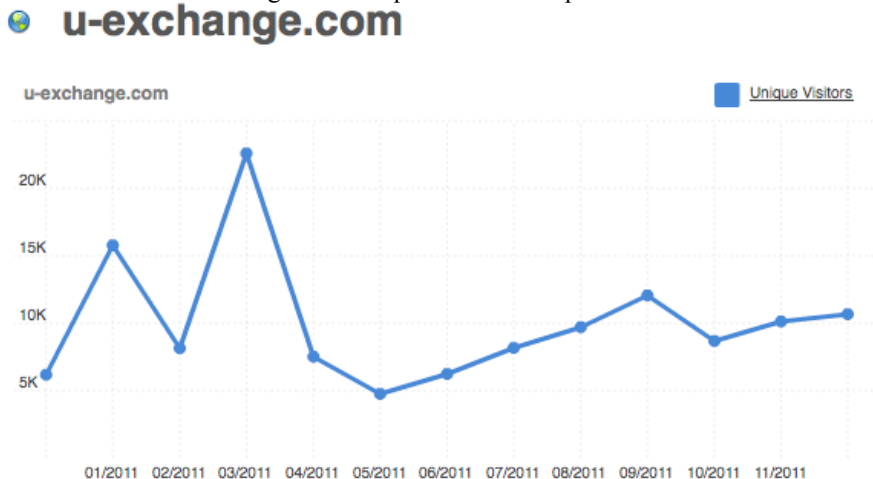
- U-exchange.com- Claims to be the largest online swap site where one can trade everything for free.

Personal profiles are available, multiple favors allowed, however, there is no ranking system and their “bank” of favors is quite low.

They had approximately 11,000 unique visits during the month of December 2011 (see Annex

5).

Annex 5- u-exchange.com unique users traffic per month



4. Swaptreasures.com- claims to be one of the largest Barter exchange website on the Internet. The website offers exchanges for items (1 for 1 or 1 for many); every user has a personal profile and possibility to see the user's full items list. Ranking system is missing as well as services' categories.

This website can also be regarded as a competitor if it will choose to copy Karma Favors mechanism, although even in this unfortunate case, its traffic is currently very low.

It reported approximately 2000 unique visits in the month of December 2011 (see Annex 6).

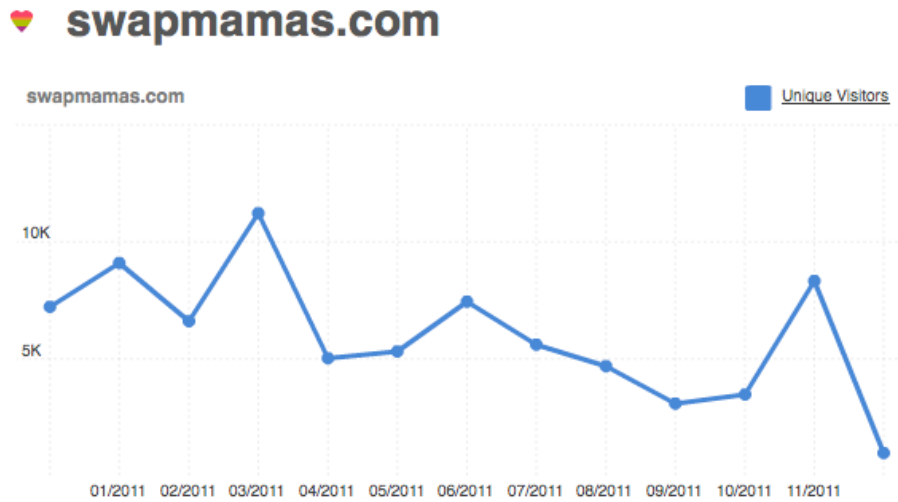
Annex 6- swaptreasures.com unique users traffic per



5. Swapmamas.com- a website which was initiated to respond new mothers' needs and today operates as an exchange website as well as a forum; users do have profiles, they have the possibility of exchanging multiple favors but with a limited variety and a ranking system is lacking.

It reported an extremely low traffic of approximately 1000 unique visits during the month of December 2011 (annex 7).

Annex 7- swapmamas.com unique users traffic per month



As explained above, many of mentioned websites offer the same idea of the old Barter exchange but most offer a one to one exchange basis or payment for items.

In my belief, these factors and the lack of a ranking system, based on gamification concept, lead to their failure and decreasing traffic as one can observe from the above data. When implementing a payment system, we must ask, isn't this just an ordinary online "street-market" where various products are sold? A user will take or give a favor, depending on the offer, the "bank" of favors available and will stay "tuned" only if the experience delighted him.

Furthermore, as explained earlier, the competitive advantage over search engines and other social media websites is the fact that on this platform users' fill themselves the data and areas of expertise which will allow the company to find point-to-point personalized ads.

14. PROSPOSED BUSINESS- VALUE PROPOSITION

In this recovery phase of nearly a decade of economic recession, it is expected still that people will be unable to meet up with their material needs because they still lack the financial muscle to do this. Through the proposed social networking platform, the company is prepared to fill in this gap. The platform will be designed to provide a ladder to help people climb out of the recession hole as quickly as possible and make them lead their productive lives once again. With Karmafavors.com's presence on the World Wide Web, stuffs like picking users up at any airport for FREE can be achieved; because users will be connected and bonded together worldwide. The proposed values represent the difference between what is ranked as a favor by one party and what is regarded as cost implication by the other party (i.e. the requester rates the amount of points out of his "credit favor bank" he is willing to forfeit in exchange for the service depending on his preferences, immediacy and other relevant factors).

Karma Favors' team will work efficiently to add the critical mass needed in driving the website to its full potential, by hosting a network of people with the common goal of exchanging favors. As soon as the number of users reaches a satisfactory level, we will be able to transition the website into hosting quality, revenue-generating advertisements from various businesses across the globe.

15. PROPOSED BUSINESS- CUSTOMER EXPERIENCE

With the concept of “Trade by Barter” adopted on the site, no user will part with money.

It will compose only of “favors”, which may be in terms of goods, products or services, and to be exchanged. A user who is resident in Canada for instance, could exchange a product, say, a fairly used GSM handset, for airport taxi pick up service with another user in Australia.

The services, products or goods that each of the user’s deals with will be available on their profiles for all others to see and base their decision whether to deal. Again a user in USA might want some travel information on France, a French-based travel agency company that is registered on the site, in exchange for something else, will easily handle this. This platform will provide the user with “infinite” exchange opportunities, using his traits which were used, or unused in the past, both for personal gain and the better good.

The platform opens a bank of incentives, stocks, products and services for needed and seeking clients.

The experience felt by the consumer in the mature stage of the platform will feel like entering a shopping mall with a never-ending stock of products and services from all types, colors and locations- “holding the whole world in your hands”.

One might doubt both the concept, the mechanism and willingness of others to participate in such a scheme, however, some examples that were mentioned earlier such as Quora and Siemens.

One other thrilling occasion, combining the concepts of barter and good deeds, is the success story of “One Red Paper Clip” of Kyle McDonalds.

Kyle McDonalds- a Canadian blogger who bartered his paperclip and eventually received a house within one year.

One day Kyle saw a red paper clip on his desk and came up with an idea based on the TV show,

“Bigger Better”. He decided to go on the biggest barter adventure yet- to exchange that clip for a house.

The paper clip was exchanged for a pen, then a doorknob, stove, generator, beer keg, snow mobile, trip, van, recording contract to a better recording contract, a meeting with a celebrity, snow globe, role in a movie and finally within less than one year for a house

Kyle’s story both proves a person’s internal drive for achieving his goals as well as the undertaking of a large community to help him to reach that goal.

These success stories show that some people enjoy helping each other and might be a proof for potential success of the proposed business through the “fun” online platform as described in the paper.

16. PROPOSED BUSINESS- WEBSITE OUTLOOK

The website will be designed in order to deliver efficiency, functionality and ease of use, all combined in order to achieve the goal of a simple and great user experience.

Google and Facebook have taught the Internet users that they can deliver a complex system if providing their clients a user-friendly simple and interactive interface with great value.

2 Examples of Karma Favors Web pages:

1. Main page which will include the following features/functions:
 - a. Search bar.
 - b. Sectors, categories, sub-categories and locations of favors (i.e. Leisure, vacation, flights, London-Rome).
 - c. Expiring favors changing “white board”.
 - d. “Top Karma Favors”- highest favor providers.
 - e. Advertisements.
 - f. Standard links (about us, contact us, etc).
2. User page which will include the following features/functions:
 - a. Favor ranking.
 - b. Favor reviews- post-experience references by other users.
 - c. Optional rewards to render- sweep takes, or sponsored gifts.
 - d. Personal information.
 - e. Favors taken.
 - f. Favors given.
 - g. “What can I offer?”
 - h. “Your World”- a globe showing the location of the people you exchanged favors with.

17. PROPOSED BUSINESS- ASSOCIATED COSTS

Social networking sites require proper planning as mentioned in this paper and a financial aspect addition, which will be further elaborated below.

There are two options to develop that website, each with its financial consequences:

1. Outsource the web design to a well-versed web designer (a company preferably).
2. Work out a deal with the web designer based on pre-agreed terms.

Outsourcing a site of the size being proposed will definitely attract a lot of initial spending, which often starts at \$25,000 according to findings. The designer will provide a blueprint (which will give details of information architecture plus every single functionality and features of the proposed site). Creating such document takes a while, about 48 hours on the minimum. And client must bear cost implication of this in mind also. This cannot be less than \$1,500 to prepare this document. Below is the description of phase 1 of this document (if outsourcing would be considered):

1. The specification document which serves as a blueprint for the web design and development of the site will include the following:
 - a. Scope of project, goal, detail features of the website and deliverables.
 - b. Sitemap (listing of all pages)- very important.
 - c. Wire frames (structure and layout for homepage plus two sub pages for the site).
 - d. Technical document detailing all features at front-end and functionalities at back-end.
 - e. Marketing features (i.e. messaging, calls to action, viral marketing elements, and differentiation points, etc.).

f. Milestones and deliverables.

This is the document that will provide in detail the exact number of hours it will take to complete the website. So, in the absence of this phase, it is practically impossible to get a proper quote for such a custom designed and developed social networking site that I'm proposing. Most sites like these (as mentioned earlier) start at \$25,000 and go up based on the functionality and features in the back-end.

The second option, on the other hand, will cost less in the long run because of the following reasons:

1. Designer will show more commitment to the business, as the company will be seen as an integral part of this business.
2. It will cost less in the long run because the owners are not going to part with money.
3. Issues arising will be resolved faster than when the website construction and management are being outsourced because a team will always be on the ground to provide technical support to users.

Furthermore, there are other associated costs such as storage costs, depending if the firm plans to have an office with servers or store information online, using the so-called "clouds".

Initially, the team members of the "start-up" company will not earn a salary until a round of investment will be successful, and in a later stage, these monthly salaries will be decided upon depending on different factors.

Some of these factors include the number of website users, size of investments, other costs such as maintenance, storage, share of investors, etc.

18. CONCLUSIONS

A remarkable increase in real-time information in this twenty-first century is changing the face of business enterprises, education, society, and every other ramification of our daily lives. Social networking services serve to empower people's as well as organizations' capability to sort out, funnel, and explore the ever growing wide range of information available online, to better settle on what is helpful to their everyday life and execution of business. Not only do these tools enhance individual or entity's smartness, but they speed up the decision-making process as well. Those individuals that are not favorably disposed to social networking and companies that refuse to go along with it or limit access to social networks are jeopardizing their potential to lead a productive life in a new world where people of diverse races, beliefs, orientations, and so on are already exchanging information.

Karma Favors' idea is to launch a custom-made website as an improvement on the already existing social networking system where people can exchange favors and receive benefits that are otherwise costly and/ or hardly obtainable outside the suggested platform. Through the platform, users are able to exchange different types of 'favors' with different people in order to be able to meet their needs with no cash outflow while doing good deeds.

Users will utilize the platform based on "gamification" principles to incentivize their frequent usage while encourage to help one another and expand their international social network.

The concept and the user infusion of their own personalized traits and areas of expertise is the unique key that will give the website its competitive advantage over other platforms in the market in regards to personalized online advertising which can lead to potential profits while in the same time answer users' demand and create a delightful and meaningful experience.

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