Half.com Inc.

Business Plan and Opportunity Review
Chris Fralic
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Agenda

- Business Plan Analysis
- Ideas
- Challenges and Solutions
- Industry Analysis
  - Books, CDs, DVDs
- Business Development
- Chris Fralic and Half.com
Business Plan Analysis

- Powerful Idea
  - Simple, Subtle, Nobody’s Doing It
  - “Used” model barely exists

- Powerful Business Model
  - Market making, community oriented
  - Selling bits and other people’s atoms

- Great Name, can be a Great Brand
  - Halloff gets attention, says it all, memorable, extensible to multiple offerings
Business Plan Analysis

- Product Information Standardization
  - Major opportunity - Most auction sites are poorly categorized, hard to search, and listing quality varies widely

- Pricing Standardization
  - Provides “Friction-Free,” efficient market

- Ease of Use and Speed is Paramount
  - Navigation/searching for buyers, ease of listing for sellers, payment/shipping for both
Business Plan Analysis

- Multiple Revenue Sources are important
  - great example is selling Premium status like eBay’s “PowerSeller”
- Re-List idea is great
  - essentially “renting” for 15% plus shipping
- Building a strong and scalable infrastructure is critical
  - You can’t go down - ask eBay
- SpeedSell is a great concept
  - Making it easy and almost fun to list
Ideas

- Time Shifting - order stays in until filled
  - The "Queuing" of demand is a powerful capability and a unique opportunity
  - 10 people bid on an eBay item. 9 don't get what they wanted. Queuing solves this.

- Opportunity to create a major Portal
  - Half off plus lowest new price is compelling

- Build synergistic relationships with big brands - "Dancing with the Elephants"
  - They will want to be there
Ideas

- "MyCollection" - Inventory now, sell later
  - MyBookCollection
  - MyCDCollection
    - CDDB Auto Cataloging for SpeedSell?
  - MyDVDCollection
- Create a personal inventory
- List your collection on your web site
  - Communities - Geocities "GadgetFactory"
- SpeedSell helps catalog your collection
  - listing on Halfoff is then a click away
New Categories - College Kids
- HalfofCollege.com - maybe not, but at least on textbooks, CD’s, etc. Textbooks are big market - see BigWords.com
  - great concept, great site, great attitude
  - low discounts - 7% off new, 25% off used

Niche Categories - Computer Books
- FatBrain is player here - HalfofFatBrain.com

A Great Credit Card Partner...
- could kill multiple birds with one stone...
Challenges and Possible Solutions

- Dealing with payments - can be slow
  - Credit Card deal could assist

- Dealing with fraud - pirated versions of first run movies listed on Amazon
  - Community Rating Profiling Important
  - Terms of Service enforcement

- Keeping people from “skirting” around Halfoff - like is often done on eBay
  - Limit buyer/seller info on public web site
Challenges and Possible Solutions

- Somebody else gets the idea, like eBay
  - eBay is probably focusing on stability and scalability right now
  - Building the service (fast), keeping it quiet until it’s ready, then building the brand (fast) is key to defending position
  - Appropriate funding is required to support these goals
Business Development

- Community and Free Web Sites for demand generation, traffic, awareness

- Major Sellers of products in the Halfoff categories for advertising revenue
  - Buy.com, 800.com, DVD Express/Empire, EBWorld, Funco, Amazon, BN, Borders, Tower, Egghead/Onsale, price leaders.
Business Development

- Used Bookstores, CD Stores, Video Stores, Game Stores for supply
  - Build inventory for launch and beyond
  - They’re not online yet - bring them along
  - bcb.com, AboutGames, ABEonline example

- General Traffic Deals
  - Portals/Search Engines - Yahoo, Lycos, Infoseek, Alta Vista, HotBot

- Get Local - Classifieds, Papers, Cities

- Halfoff Credit Card Partner
Market Review - Books

- Most Price Competitive Category
  - 50% off bestsellers
- Large Niche Areas without dominant leader
  - Textbooks and Computer Books
- Buy.com was tied for or lowest price in 7 of 8 sample books
# Sample Prices - Books

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>HC</th>
<th>Amazon</th>
<th>BN.com</th>
<th>Borders</th>
<th>Buy.com</th>
<th>Used</th>
<th>AVG</th>
<th>Halfoff</th>
<th>Halfoff</th>
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<tbody>
<tr>
<td>Bag of Bones</td>
<td>Stephen King</td>
<td>7.99</td>
<td>4</td>
<td>3.99</td>
<td>4</td>
<td>3.99</td>
<td>4.00</td>
<td>2.00</td>
<td>2.00</td>
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<tr>
<td>Memoirs of a Geisha</td>
<td>Arthur Golden</td>
<td>PB  14</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6.99</td>
<td>7.95</td>
<td>7.00</td>
<td>3.50</td>
<td>3.50</td>
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<td>Business @ Speed of Thought</td>
<td>Bill Gates</td>
<td>CD  29.9</td>
<td>23.98</td>
<td>20.99</td>
<td>29.98</td>
<td>24.98</td>
<td>12.49</td>
<td>10.50</td>
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<tr>
<td>Success is a Choice</td>
<td>Rick Patino</td>
<td>CD  24.95</td>
<td>19.96</td>
<td>19.96</td>
<td>24.95</td>
<td>19.95</td>
<td>21.62</td>
<td>10.81</td>
<td>9.98</td>
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<tr>
<td>The Perfect Recipe</td>
<td>Pam Anderson</td>
<td>HC  27</td>
<td>18.9</td>
<td>18.9</td>
<td>18.9</td>
<td>17.55</td>
<td>18.56</td>
<td>9.28</td>
<td>8.78</td>
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<td>Real Age</td>
<td>Michael Roizen</td>
<td>HC  25</td>
<td>17.5</td>
<td>17.5</td>
<td>17.5</td>
<td>16.25</td>
<td>17.19</td>
<td>8.59</td>
<td>8.13</td>
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<tr>
<td>Nudist on the Late Shift</td>
<td>Po Bronson</td>
<td>HC  25</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15.63</td>
<td>7.81</td>
<td>7.50</td>
<td></td>
</tr>
</tbody>
</table>

Powell's used prices vary by location
ABEbooks looks like aggregator of small stores
Bookman's looks great, but no buy/sell online, only in AZ

AVERAGE 15.35 (7.68) 7.06
Market Review - Music CD’s

- CDNow and Amazon are market leaders in sales and mindshare
- The used CD market appears to be the most developed used category
- Buy.com was lowest price in 10 of 12 sample titles
# Sample Prices - Music CD's

<table>
<thead>
<tr>
<th>Artist</th>
<th>Title</th>
<th>List</th>
<th>CDNow</th>
<th>Amazon</th>
<th>BUY.com</th>
<th>Avg. Price</th>
<th>Halfoff average</th>
<th>Halfoff lowest</th>
<th>Used A</th>
<th>Used B</th>
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<tbody>
<tr>
<td>Dread Zeppelin</td>
<td>Un-Led-Ed</td>
<td>11.97</td>
<td>11.49</td>
<td>11.49</td>
<td>8.95</td>
<td>10.64</td>
<td>5.32</td>
<td>4.48</td>
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<tr>
<td>Mariah Carey</td>
<td>Unplugged</td>
<td>11.97</td>
<td>11.49</td>
<td>11.49</td>
<td>8.95</td>
<td>10.64</td>
<td>5.32</td>
<td>4.48</td>
<td>4.99</td>
<td>8.99</td>
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<tr>
<td>Pink Floyd</td>
<td>The Division Bell</td>
<td>16.97</td>
<td>14.99</td>
<td>12.99</td>
<td>12.95</td>
<td>13.64</td>
<td>6.82</td>
<td>6.48</td>
<td>8.99</td>
<td></td>
</tr>
<tr>
<td>Fugees</td>
<td>The Score</td>
<td>11.97</td>
<td>11.49</td>
<td>11.49</td>
<td>9.95</td>
<td>10.98</td>
<td>5.49</td>
<td>4.98</td>
<td>7.99</td>
<td></td>
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<tr>
<td>Billboard Top 40</td>
<td>Average Prices</td>
<td>17.97</td>
<td>12.58</td>
<td>12.58</td>
<td>9.95</td>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>

Used A = CDExchange.com. Used B = disc-central.com

ebay search is terrible, amazon auctions have few listings
Market Review - DVDs

- DVD is newest Category, lends itself well to online buyers and resale
  - DVD/CD-ROM Drives built into PC’s
  - Used is as good as new
  - Higher “Half off” prices than CD’s or books
- DVD Empire is buying, but not yet selling, used DVDs
- Buy.com was price leader in 8 of 10 sample titles
# Sample Prices - DVDs

<table>
<thead>
<tr>
<th>Title</th>
<th>List</th>
<th>DVDEmp</th>
<th>% off</th>
<th>DVDExp</th>
<th>% off</th>
<th>CDNow</th>
<th>% off</th>
<th>Buy.com</th>
<th>% off</th>
<th>Average Price</th>
<th>DVD Empire buy used</th>
<th>Halfoff lowest</th>
<th>Halfoff average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ronin</td>
<td>24.98</td>
<td>17.45</td>
<td>30%</td>
<td>17.49</td>
<td>30%</td>
<td>19.99</td>
<td>20%</td>
<td>14.99</td>
<td>40%</td>
<td>17.48</td>
<td>6.23</td>
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<td>Antz</td>
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<td>24.45</td>
<td>30%</td>
<td>24.49</td>
<td>30%</td>
<td>34.49</td>
<td>1%</td>
<td>23.99</td>
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<td>26.86</td>
<td>9.73</td>
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<td>13.43</td>
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<td>Soldier</td>
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<td>13.95</td>
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<td>13.99</td>
<td>30%</td>
<td>19.49</td>
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<td>13.99</td>
<td>30%</td>
<td>15.36</td>
<td>4.48</td>
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<td>7.68</td>
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<td>Rush Hour</td>
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<td>17.49</td>
<td>30%</td>
<td>24.49</td>
<td>2%</td>
<td>14.99</td>
<td>40%</td>
<td>18.61</td>
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<td>Vampires</td>
<td>25.95</td>
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<td>29%</td>
<td>17.46</td>
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<td>21.49</td>
<td>17%</td>
<td>16.99</td>
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<td>18.60</td>
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<td>A Bug's Life</td>
<td>34.99</td>
<td>24.45</td>
<td>30%</td>
<td>24.49</td>
<td>30%</td>
<td></td>
<td></td>
<td>23.99</td>
<td>31%</td>
<td>24.31</td>
<td>10.23</td>
<td>12.00</td>
<td>12.16</td>
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<tr>
<td>Snake Eyes</td>
<td>29.95</td>
<td>20.95</td>
<td>30%</td>
<td>20.96</td>
<td>30%</td>
<td></td>
<td></td>
<td>16.99</td>
<td>43%</td>
<td>19.63</td>
<td>6.2</td>
<td>8.50</td>
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<tr>
<td>Blade</td>
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<td>17.45</td>
<td>30%</td>
<td>17.49</td>
<td>30%</td>
<td>17.49</td>
<td>30%</td>
<td>14.99</td>
<td>40%</td>
<td>16.86</td>
<td>6.23</td>
<td>7.50</td>
<td>8.43</td>
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<tr>
<td>Meet Joe Black</td>
<td>26.98</td>
<td>18.95</td>
<td>30%</td>
<td>18.89</td>
<td>30%</td>
<td>26.49</td>
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<td>19.99</td>
<td>26%</td>
<td>21.08</td>
<td>6.98</td>
<td>9.45</td>
<td>10.54</td>
</tr>
</tbody>
</table>

Other important sites: Reel.com and 800.com

| Average | 19.87 | 6.92 | 8.84 | 9.94 |
Market Review - Other Categories

- Video
- Games
  - Sony Playstation, Nintendo 64 and Game Boy, Sega Dreamcast, PC Games
  - High prices for Used items
  - Great tie-in opportunity for cheat and hint books
  - More Business Development opportunities:
    - Imagine Media, TheGamestop, Chips & Bits, Videogames.com, Funcoland
Boundless Energy, Astonishing Intelligence

Contacts - Industry
- Internet, Media, Tech - "2 degrees of separation"

Contacts - VC’s and Analysts
- KPCB, Benchmark, 21st Century Internet, Accel, Flatiron, ICG, Safeguard, RAF
- CSFB, SAR, DLJ, Alex./Ogilvy, WSJ, 24/7

Contacts - Employees

I want to be on the team