



Half.com Inc.

Business Plan and Opportunity Review

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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

- Halfoff 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 “Queueing” of demand is a powerful capability and a unique opportunity
 - 10 people bid on an eBay item. 9 don’t get what they wanted. Queueing solves this.
- Opportunity to create a major Portal
 - Halfoff 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
 - ✦ CDDDB 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

Ideas

■ New Categories - College Kids

- HalfoffCollege.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 - HalfoffFatBrain.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
 - Geocities, TheGlobe, Tripod, HomePage, AcmeCity, Angelfire, Homestead, Xoom, Zy
- 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

Title	Author	List	Amazon	BN.com	Borders	Buy.com	Used Powell's	AVG Price	Halfoff Avg	Halfoff Lowest	
The Girl Who Loved Tom Gordon	Stephen King	HC	16.95	8.48	8.47	8.48	8.47	10.95	8.48	4.24	4.24
Hannibal	Thomas Harris	HC	27.95	13.98	13.97	13.98	13.97	19.95	13.98	6.99	6.99
Bag of Bones	Stephen King	PB	7.99	4	3.99	4	3.99		4.00	2.00	2.00
Memoirs of a Geisha	Arthur Golden	PB	14	7	7	7	6.99	7.95	7.00	3.50	3.50
Business @ Speed of Thought	Bill Gates	CD	29.9	23.98	20.99	29.98			24.98	12.49	10.50
Success is a Choice	Rick Patino	CD	24.95	19.96	19.96	24.95	19.95	21.62	10.81	9.98	
The Perfect Recipe	Pam Anderson	HC	27	18.9	18.9	18.9	17.55		18.56	9.28	8.78
Learning Perl - 2nd Edition	Randal Schwartz	PB	29.95	17.97	23.96	23.96	22.46	27	22.09	11.04	8.99
Real Age	Michael Roizen	HC	25	17.5	17.5	17.5	16.25		17.19	8.59	8.13
Nudist on the Late Shift	Po Bronson	HC	25	15	15	17.5	15		15.63	7.81	7.50
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

Artist	Title	List	CDNow	Amazon	BUY.com	Avg. Price	Halfoff average	Halfoff lowest	Used A	Used B
Limp Bizkit	Significant Other	17.97	12.58	14.99	9.95	12.51	6.25	4.98		
Dread Zeppelin	Un-Led-Ed	11.97	11.49	11.49	8.95	10.64	5.32	4.48		
311	311	15.99	11.49	14.99	13.95	13.48	6.74	5.75	6.99	8.99
Aerosmith	Permanent Vacation	11.97	8.38	11.49	9.95	9.94	4.97	4.19	6.99	8.99
Alice in Chains	Dirt	16.97	14.99	12.99	12.95	13.64	6.82	6.48	7.99	
Boyz II Men	Evolution	17.97	15.99	14.99	13.95	14.98	7.49	6.98	7.99	
Bobby Brown	Bobby	9.97	9.49	9.49	7.95	8.98	4.49	3.98	3.99	8.99
Bush	Sixteen Stone	16.97	14.99	12.99	12.95	13.64	6.82	6.48	6.99	8.99
Mariah Carey	Unplugged	11.97	11.49	11.49	8.95	10.64	5.32	4.48	4.99	8.99
Pink Floyd	The Division Bell	16.97	14.99	12.99	12.95	13.64	6.82	6.48	8.99	
Fugees	The Score	11.97	11.49	11.49	9.95	10.98	5.49	4.98	7.99	
Natalie Merchant	Tigerlilly	16.97	14.99	12.99	12.95	13.64	6.82	6.48	7.99	8.99
Billboard Top 40	Average Prices	17.97	12.58	12.58	9.95					

AVERAGE

6.11

5.47

Used A = CDEExchange.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 "Halfoff" 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

Title	List	DVDEmp	% off	DVDExp	% off	CDNow	% off	Buy.com	% off	Average Price	DVD Empire buy used	Halfoff lowest	Halfoff average
Ronin	24.98	17.45	30%	17.49	30%	19.99	20%	14.99	40%	17.48	6.23	7.50	8.74
Antz	34.99	24.45	30%	24.49	30%	34.49	1%	23.99	31%	26.86	9.73	12.00	13.43
The Truman Show	29.99	20.95	30%	20.96	30%	20.99	30%	16.99	43%	19.97	6.2	8.50	9.99
Soldier	19.98	13.95	30%	13.99	30%	19.49	2%	13.99	30%	15.36	4.48	6.98	7.68
Rush Hour	24.98	17.45	30%	17.49	30%	24.49	2%	14.99	40%	18.61	6.23	7.50	9.30
Vampires	25.95	18.45	29%	17.46	33%	21.49	17%	16.99	35%	18.60	6.73	8.50	9.30
A Bug's Life	34.99	24.45	30%	24.49	30%			23.99	31%	24.31	10.23	12.00	12.16
Snake Eyes	29.95	20.95	30%	20.96	30%			16.99	43%	19.63	6.2	8.50	9.82
Blade	24.98	17.45	30%	17.49	30%	17.49	30%	14.99	40%	16.86	6.23	7.50	8.43
Meet Joe Black	26.98	18.95	30%	18.89	30%	26.49	2%	19.99	26%	21.08	6.98	9.45	10.54

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

Chris Fralic and Half.com

- 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