

BLACKPEOPLE.COM

where the black people are @!

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[HTTP://WWW.BLACKPEOPLE.COM](http://www.blackpeople.com)

BUSINESS PLAN

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*What is the problem that **blackpeople.com** is trying to solve?*

***The Problem:** An estimated 10 million sites exist on the Web of which only 500 to 1,500 are Black oriented. To date, no on-line content provider has emerged as the Internet site of choice for obtaining information related to Black history and culture and offering e-commerce.*

***The Solution:** **blackpeople.com** will fill this void by offering a comprehensive, “state of the art” content, commerce, and community offerings aimed specifically at people of African descent.*

Is this an important problem to solve? *blackpeople.com* is an Internet portal targeted towards people of African descent throughout the world. Our unique combination of the right content, the right services and the right people will fill four needs in the marketplace:

- The need for more Black-oriented online content to cater to the current population of 5 million Blacks online, which is expected to reach 12 million in the year 2000*
- The need for segments of this same population to see themselves represented in the high-tech industry, as stakeholders.
- The need for timely, personalized information to be delivered to its membership via the World Wide Web.
- The need to assist "grass roots" minority-owned content providers an automated methodology for streamlining content for more widespread access and distribution.

Source: Forrester Research

blackpeople.com will also provide community building and shopping features, with an emphasis on Black empowerment and prosperity:

- We will distinguish ourselves from other present and upcoming Black-oriented web sites by a strong participatory and group-oriented focus.
- We will leverage our technology expertise to incorporate and use member feedback in every area of the site, recruit members to moderate content areas, and track all member activity.
- We will use this information to reward members with prizes, including merchandise and eventually shares of stock in the company.

What is the solution? The KILLER APP... the 6 C's

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- **Content** by Black, local, grass roots content providers (publishers, newspaper entities, and music broadcasting)
 - **Commerce** partnership with minority-owned entities
 - **Community** Authoring Model, enabling a site “created for you, by you”
 - **Culturally and Locally Focused:** Web Search, Events Calendar, Viral Marketing, News Alert, Job Posting, Games and Fantasy Leagues
 - **Controlled** and operated by Black people
 - **Capitalized** by Black people

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Why this Team? The founding team has extensive experience in startups, internet and software programming and development, and sales and marketing (see Exhibit A for resume and biographies)

- **Kenneth Granderson:** CEO of Inner-City Software since 1992; Board of Directors Urban League of Eastern Mass; MIT, BS, Computer Science; five years of Black online community building on CompuServe and the Internet, along with its technical expertise in building online community technology; MIT Community Fellow; Honorary Doctorate in Humane Letters from Salem State.
- **Martin Welch:** Born, raised and currently residing in Cambridge, Massachusetts, Martin Welch is ICS' Senior Analyst. Self-taught Martin specializes in dynamic intra/internet application development enterprise class database development and desktop application development.
- **Randal Pinkett:** Ph.D. Candidate, MIT Media Lab; MIT, MBA and MS Electrical Engineering; Rhodes Scholar, MS Computer Science, University of Oxford. Research focused on technology and African-Americans; worked at AT&T Bell Laboratories; President and CEO of MBS Enterprises, an educational services and training firm that targets African-Americans.
- **Luis Barros:** 12 years of sales, mktg, business development in high-tech; MIT, MBA; Adjunct E-Commerce Professor @ UHartford. Prior experience in launching 3 e-commerce entities; Has consulted several leading media organizations on various aspects of e-commerce and internet marketing, including one of Internet's leading portals; Co-author of published paper on B2B e-commerce and B2C personalization and portal strategy. Advisory Board of 2 dotcoms: ZipLip.com and Colleges.com.



What prior experience does the team have in this area? Inner City Software and its CEO have a track record of successful initiatives with technology and with Black people:

- Inner City Software Projects since 1992
 - Operates Boston's #1 e-mail discussion group for blacks, Boston Blacks Online
 - Designed and developed Black Facts Online, Black History CD ROM, New England Black Pages Online
 - Inner City Software's Press includes: *Black Enterprise, Ebony Man, NY Times, Washington Post, Boston Globe, Boston Herald, All Major Network Television News in Boston*
 - CEO received honorary doctorate form Salem State College in 1999 in recognition for his leadership and vision in bringing communities of color into the Information Age

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Why Now? Portals, aka, gateways to the Internet, are designed to be the first entry point for users going on-line. Portals are amongst the hottest locations on the World Wide Web, representing seven out of the top ten visited sites.

- Most of today's portals are horizontally focused, or targeted to a general audience, with little specialization or consideration for difference in demographics. They are trying to be all things to all people (e.g., AOL & Netscape, MSN sites, Yahoo, Lycos, GO Network, Geocities, , and Excite).
- Our market research indicates that a need for super segmentation, or a vertical portal opportunity exists for the special interests and needs of black people.
- The market has validated a vertical portal for women, *ivillage.com*
- The BET.com venture secured more than \$35M in financing from Microsoft, AT&T Liberty Media, Newscorp, and USA Networks
- Major backers such as Tribune Company (Blackvoices.com), AOL (NetNoir) and Cox Communications (Blackfamilies.com) have invested millions to develop portals for the African-American community.

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What is the Solution? An overview of the website layout of *blackpeople.com* showcases the “sticky” features (keep the customer coming back), “non-sticky” features, and e-commerce offerings... members are issued an affinity card for usage when offline.

- **Sticky**

- *B-Mail™*
- *Chats*
- *Relationships*
- *Local/National Ethnic News*
- *Local/National Ethnic Events*
- *Local Resource Listings*
- *Games & Fantasy Leagues*

- **Non-Sticky**

- *Business Certification*
- *Black History Section*
- *Culturally Focused Web Search*
- *Stock Listings*
- *Travel and Weather*

- **E-Commerce**

- *African American Shopping Mall*
- *Auctions*
- *Books and Book Clubs*
- *Music*
- *Insignia*
- *Movies/DVD*
- *Job Posting*

Website Demo

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Why this demographic? The Black community has substantial buying power that is growing:

- According to *American Demographics Magazine* Blacks are becoming increasingly powerful. Recent estimates show that the buying power of blacks is between \$380B and \$480B.
- A study by *Target Market News* called "The Buying Power of Black America" reports the earnings of African Americans increased in 1996 by 13%.
- The buying power (as measured by disposable income) is growing almost two and a half times as fast as inflation; this accounted for 8.2% of U.S. consumer power and stood at \$469B in 1997.
- Between 1990 and 1997 buying power increased 54 percent for blacks, as compared to 41 percent for all U.S. residents.
- According to the *Chicago Tribune*, although Black consumers represent only 12% of the U.S. population Blacks provide 31% of the revenues for cosmetics and 35% of the revenues for soft drinks, and 40% of the revenues for compact discs, cassettes, and movie tickets.

Why this demographic? Young, middle-class and upper-class Blacks represent the strongest segment of this population:

- The nation's African American population is much younger on average than most other segments of the population. Blacks are younger than the general U.S. population -- median age in 1999 29.9 and the entire US population was 35.2; Blacks are also becoming a larger percentage of the US population.
- Young, Internet savvy consumers will be the focus of major Internet and electronic commerce marketing efforts because these groups will be more likely to shop online.
- There is an increasing number of middle and upper income African American households. Generally, the personal income of Blacks has steadily risen over the last few years. Though obtaining consistent data on this trend is difficult, some studies suggest that average annual income of African Americans signing up for African American targeted-content sites is between \$55,000 to \$60,000.

Why this demographic? The profile of Blacks and minorities online is promising:

- According to IDG...
- African-American adults are the largest minority group online, accounting for 36% of minorities on the Internet (24% Hispanic, 10% Asian, 5% Native American).
- There are approximately 4M Black adults using the web in the US (7% of the 55.9M US adults overall).
- Minorities with incomes of \$50,000 or higher are almost as likely to go online from home as whites (53% vs. 63%).
- Minorities' propensity to click on online advertisements is twice that of whites (41 clicks per month vs. 24 clicks per month).
- Minorities are more likely to value the Internet for information access than are whites (75% vs. 68%).

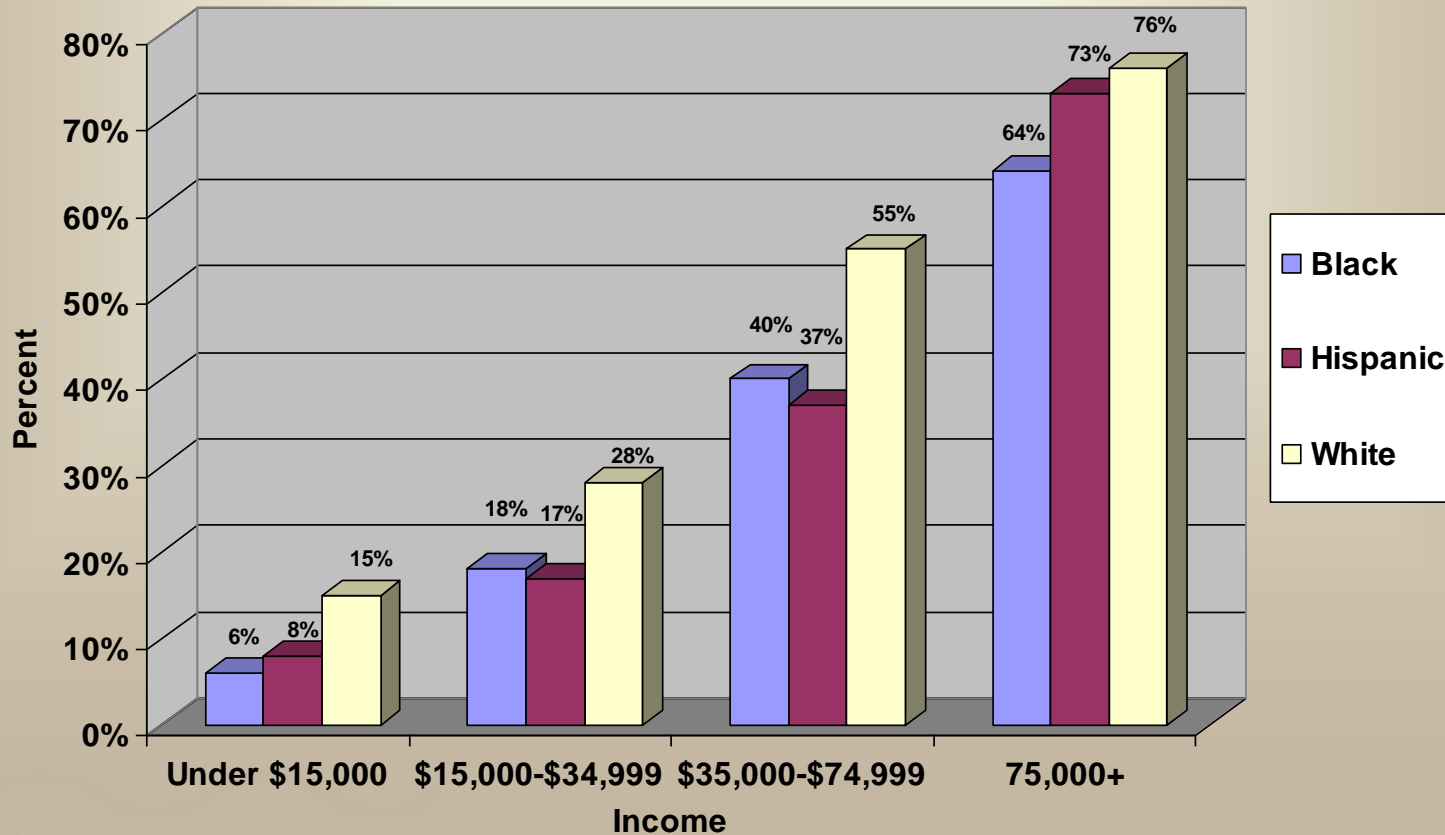


Why this demographic? The profile of Blacks and minorities online, and their spending related to technology is strong:

- African Americans now account for 25% of all online spending. AOL estimates that it has 500,000 Black subscribers which translates into \$117 million/year in subscription revenues for AOL.
- According to several recent articles and reports, owners of various World Wide Web sites targeted toward African Americans have seen huge increases in hits as Blacks search the Web for information about their communities.
- According to the *Augusta Chronicle Online*...
Black spending on computer hardware and software has doubled every year from 1993-95, totaling \$741M in 1996.
Black household spending on consumer electronics rose 18% to \$3.8B, while white household spending in that area was unchanged at \$49B.
- According to the *Los Angeles Times*, middle-class Blacks in the US are the fastest growing segment of first-time buyers of home computers.

What is the target market? The penetration of computers is highest amongst middle-class (\$35,000 - \$74,999) and upper-class (\$75,000+) Blacks:

Computer Ownership



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Are there competitors? Competitive Analysis of the online African American suggests that the market has players, but there is still room for “state of the art” innovation. Our recent research identified the following websites:

1. <http://www.msbet.com>
2. <http://www.netnoir.com>
3. <http://www.tbwt.com>
4. <http://www.aumagazine.com>
5. <http://www.blackvoices.com>
6. <http://www.essence.com>
7. <http://www.vibe.com>
8. <http://www.blackenterprise.com>
9. <http://www.wanonline.com>
10. <http://www.ebonymag.com>
11. <http://www.everythingblack.com>
12. <http://www.afroam.org>
13. <http://www.platform.net>
14. <http://www.urbansportsnetwork.com>
15. <http://www.losnegroes.com>

...barriers to entry include branding via advertising and IT costs. Amazon.com spent \$32M or 24 cents/dollar for advertising in 1998 to brand its site; IT costs are estimated to be \$2M to start the company

What is the state of the art of what's out there? None of the existing our upcoming portals seem to have developed the “killer app” for them to become the site of choice

- Insert competitive analysis results here

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What's the execution model? We will target middle-class (\$35,000 - \$74,999) and upper-class (\$75,000+) Black people from the following groups, in the following order:

- African-American Professionals (age 21-45)
- African-American College Students (age 17-21)
- African-American Teens (age 13-19)
- African-American Children (age 8-12)
- African-Caribbean
- Africans

What's the execution model? *blackpeople.com* will be developed in four phases:

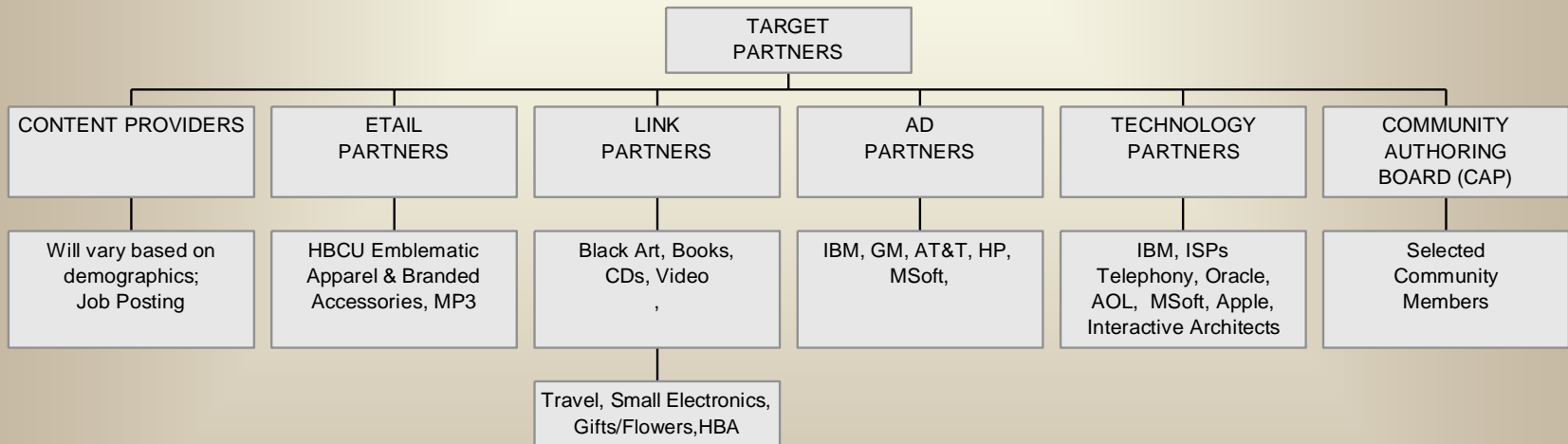
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PHASE	DURATION	ACTIVITIES	FINANCING	MILESTONES
Phase I	6 weeks	Brainstorming, planning, determining content/feature offerings, desired partners, migrating current member base to new site, rolling out initial features, securing Phase II financing	Self	Demo site operational, current list membership migrated
Phase II	6 months	Product development, QA testing, research, content partner recruitment, purchase/configuration of production system, active member recruitment, member incentive programs, refinement/rollout of new features	Angel	50,000 members
Phase III	12 months	Product enhancement, QA testing, research, more aggressive content partner recruitment, more aggressive member recruitment, member incentive programs (incl. stock), advertising, promotion, hiring of staff	Private Placement	250,000 members
Phase IV	ongoing	Product enhancement, QA testing, research, more aggressive content partner recruitment, more aggressive member recruitment, member incentive programs (incl. Stock), advertising, promotion, move to permanent offices	Public Stock Offering	Ongoing

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What's the execution model? The Partnership Program is designed to provide a complete solution to all major stakeholders...

THE PARTNERSHIP PROGRAM



What are the key next steps? In order to create significant value and capitalize *blackpeople.com* with angel and venture financing the key next steps are:

- Sign up key content providers and publishers to centralize and be the conduit for ethnic content delivery on blackpeople.com and their site; create affiliate type section to allow content providers and publishers to feed news to blackpeople.com.
- Secure 6 major advertisers (including major credit cards, major periodicals, major content provider, and major corporation); investigate possible media partner.
- Develop software to enable content news feeding, news alert technology, job posting, provide survey capabilities, community calendar and offer games and fantasy leagues online.
- Establish radio program content with WBLS, 107.5 FM or local DJs from stations such as WILD, WERS or WBUR (commercial free).
- Establish channel for independent urban music online via streaming local content.
- Secure relationship with insignia manufacturer for apparel, accessories, etc.; investigate affinity or co-brand programs in credit card and insurance.
- Secure affiliate relationship with major e-merchants in the black art, book, music and movie/DVD category; investigate free-pc/ISP joint marketing.



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How do you make money? membership in *blackpeople.com* will be free. Revenue will be generated through a variety of means, including:

- E-commerce Transaction Fees:
 - *and rebates from online purchases completed on the site or referred from the site*
- E-commerce E-Tail & Link Partners:
 - *percentage of transaction on Black Art, Music, Books, HBCU Apparel and Branded Accessories, Video Tapes/DVDs*
- Partner E-commerce Transaction Fees:
 - *charges and rebates from other transactions such as job placements and classified ads*
- Banner Advertising (click-thru rates):
 - *paid advertising targeted to members based on preference data mined over time*
- Partner Member Fees:
 - *charges for premium services and joint marketing efforts*
- Membership Subscription Fees (long-term):
 - *charges for premium services*

What's the major variable cost? One of the unknowns is how much blackpeople.com will have to spend on direct to consumer advertising in comparison to the Internet norm:

On average, on-line retailers spent \$26 on marketing and advertising per sale in 1998, while the brick and mortar retailers spent only \$2.50... **until Internet retailers can find a way to attract and keep customers without such an enormous outlay, they are all going to have a hard time making any money.”**

NY Times Magazine, March 14, 1999, Section 6 “Amazon.com, Earth’s Biggest What, Exactly?”

	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS					
Current Assets					
Cash	\$ 4,534,401	\$ 4,600,247	\$ 8,762,519	\$ 26,656,035	\$ 56,845,869
ST Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	\$ 1,363	\$ 85,208	\$ 295,299	\$ 789,556	\$ 1,209,466
Allowance for Doubtful Acct.s	\$ (27)	\$ (1,704)	\$ (5,906)	\$ (15,791)	\$ (24,189)
Accounts Receivable (Net)	\$ 1,336	\$ 83,504	\$ 289,393	\$ 773,764	\$ 1,185,276
Inventory	\$ -	\$ 48,364	\$ 150,524	\$ 365,231	\$ 559,472
Other Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$ 4,535,737	\$ 4,732,115	\$ 9,202,436	\$ 27,795,030	\$ 58,590,617
PP & E (Net)	\$ 105,103	\$ 1,010,318	\$ 1,686,213	\$ 2,132,788	\$ 1,550,043
Total Assets	\$ 4,640,840	\$ 5,742,433	\$ 10,888,649	\$ 29,927,817	\$ 60,140,659
LIABILITIES & SHAREHOLDERS' EQUITY					
Liabilities					
Current Liabilites					
Accounts Payable	\$ -	\$ 217,639	\$ 677,360	\$ 1,643,538	\$ 2,517,622
Other Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ -	\$ 217,639	\$ 677,360	\$ 1,643,538	\$ 2,517,622
Long Term Liabilites					
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
LT Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ 217,639	\$ 677,360	\$ 1,643,538	\$ 2,517,622
Shareholder's Equity					
Common Stock @ Par (10,000 shs at \$1/sh)	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Contributed Capital (New)	\$ 5,500,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000
Retained Earnings	\$ (869,160)	\$ (985,206)	\$ 3,701,289	\$ 21,774,280	\$ 51,113,037
Total Shareholders' Equity	\$ 4,640,840	\$ 5,524,794	\$ 10,211,289	\$ 28,284,280	\$ 57,623,037
Total Liabilities and Shareholders' Equity	\$ 4,640,840	\$ 5,742,433	\$ 10,888,649	\$ 29,927,817	\$ 60,140,659



	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues					
Strategic Partners	\$ -	\$ 704,415	\$ 4,671,147	\$ 11,397,509	\$ 17,480,931
Advertising	\$ 71,606	\$ 5,637,203	\$ 21,410,911	\$ 60,949,244	\$ 93,480,915
Service and User Fees	\$ -	\$ 2,818,602	\$ 8,921,213	\$ 21,767,587	\$ 33,386,041
Total Revenues:	\$ 71,606	\$ 9,160,220	\$ 35,003,271	\$ 94,114,339	\$ 144,347,887
Cost of Goods Sold:					
Strategic Partners	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -
Services and User Fees	\$ -	\$ 1,691,161	\$ 5,352,728	\$ 13,060,552	\$ 20,031,625
Total COGS:	\$ -	\$ 1,691,161	\$ 5,352,728	\$ 13,060,552	\$ 20,031,625
Gross Margin:					
Total Gross Margin	\$ 71,606	\$ 7,469,059	\$ 29,650,544	\$ 81,053,787	\$ 124,316,262
Total Variable Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution Margin					
Total Contribution Margin	\$ 71,606	\$ 7,469,059	\$ 29,650,544	\$ 81,053,787	\$ 124,316,262
Total Selling, General and Administrative Expenses	\$ 940,766	\$ 7,569,208	\$ 22,440,551	\$ 53,249,186	\$ 79,179,712
Operating Income	\$ (869,160)	\$ (100,149)	\$ 7,209,992	\$ 27,804,601	\$ 45,136,550
Other income (expense)	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) before taxes	\$ (869,160)	\$ (100,149)	\$ 7,209,992	\$ 27,804,601	\$ 45,136,550
Income Taxes	\$ -	\$ -	\$ 2,523,497	\$ 9,731,610	\$ 15,797,793
Net Income	\$ (869,160)	\$ (116,046)	\$ 4,686,495	\$ 18,072,991	\$ 29,338,758



	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Cash from Operations:</i>					
Net Income	\$ (869,160)	\$ (116,046)	\$ 4,686,495	\$ 18,072,991	\$ 29,338,758
Depreciation and Amortization	\$ 10,198	\$ 241,385	\$ 470,705	\$ 700,025	\$ 729,345
<i>Change in Working Capital:</i>					
Net Accounts Receivable	\$ (1,336)	\$ (82,168)	\$ (205,889)	\$ (484,372)	\$ (411,512)
Inventory	\$ -	\$ (48,364)	\$ (102,160)	\$ (214,706)	\$ (194,241)
Other Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	\$ -	\$ 217,639	\$ 459,721	\$ 966,178	\$ 874,084
Other Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total CFO</i>	\$ (860,299)	\$ 212,446	\$ 5,308,872	\$ 19,040,116	\$ 30,336,434
<i>Cash from Investments:</i>					
Purchase of Fixed Assets	\$ (115,300)	\$ (1,146,600)	\$ (1,146,600)	\$ (1,146,600)	\$ (146,600)
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total CFI</i>	\$ (115,300)	\$ (1,146,600)	\$ (1,146,600)	\$ (1,146,600)	\$ (146,600)
<i>Cash from Financing:</i>					
Change in Common Stock	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Change in Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Change in LT Debt	\$ -	\$ -	\$ -	\$ -	\$ -
New Capital Required	\$ 5,500,000	\$ 10,000,000	\$ -	\$ -	\$ -
<i>Total CFF</i>	\$ 5,510,000	\$ 10,000,000	\$ -	\$ -	\$ -
Net Change in Cash	\$ 4,534,401	\$ 9,065,846	\$ 4,162,272	\$ 17,893,516	\$ 30,189,834
Cash, Beginning of Period	\$ -	\$ 4,534,401	\$ 4,600,247	\$ 8,762,519	\$ 26,656,035
Cash, End of Period	\$ 4,534,401	\$ 13,600,247	\$ 8,762,519	\$ 26,656,035	\$ 56,845,869



Investment Proposal

• **Option 1**

- Invest \$5M for 30% of blackpeople.com
- The capital will be utilized for forming management team, setting up company infrastructure, and acquiring customers
- blackpeople.com will execute a secondary offering upon achieving milestones set out after 1st round of financing

• **Option 2**

- Invest \$2.5M for 15% of blackpeople.com
- The capital will be utilized for forming management team and acquiring customers
- blackpeople.com will execute a secondary offering upon achieving milestones set out after 1st round of financing; with this level of funding the company infrastructure will not be fully built

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There are challenges to growth in online retailing:

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- More black people need to be online
 - Increasing Consumer Comfort Level of convenience, customization, selection, service and pricing.
 - Resolving Technology Limitations with increase in traffic and “hits”
 - Scaling rapidly internal operations in fulfillment, customer service, and database technology and management.
 - Developing low-cost distribution
 - Resolving perceived channel conflicts
 - Overcoming online credit card 2orries
 - Addressing the return hassle
 - Providing sufficient service for “the want to see in person” market
 - Ensuring privacy and confidentiality and ensuing junk e-mail

Sources: Shop.org/BCG Survey <http://www.shop.org/research/reschallenge.html>
and http://www.emarketer.com/enews/022299_icono.html

There are risks associated with the market, technology and people:

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Competitive threats

- Competitor getting to market faster and eating our lunch
- Competition from incumbent players who have big media backing

- **Technological/product uncertainty**

- getting the systems and technology to work

- **Internet uncertainty**

- susceptible to any change in the adoption of the Internet, catastrophic breakdown or failure for whatever reason including regulation and taxes

- **Financial uncertainty**

- stock market may crash or the internet bubble may burst
- Venture funding for internet companies may dry up
- IPO prospects will be lower
- Downturn in stock values will affect others' abilities to acquire the company

- **People uncertainty**

- company might not be able to find or retain the right mix of people outside of the core team to execute on this idea

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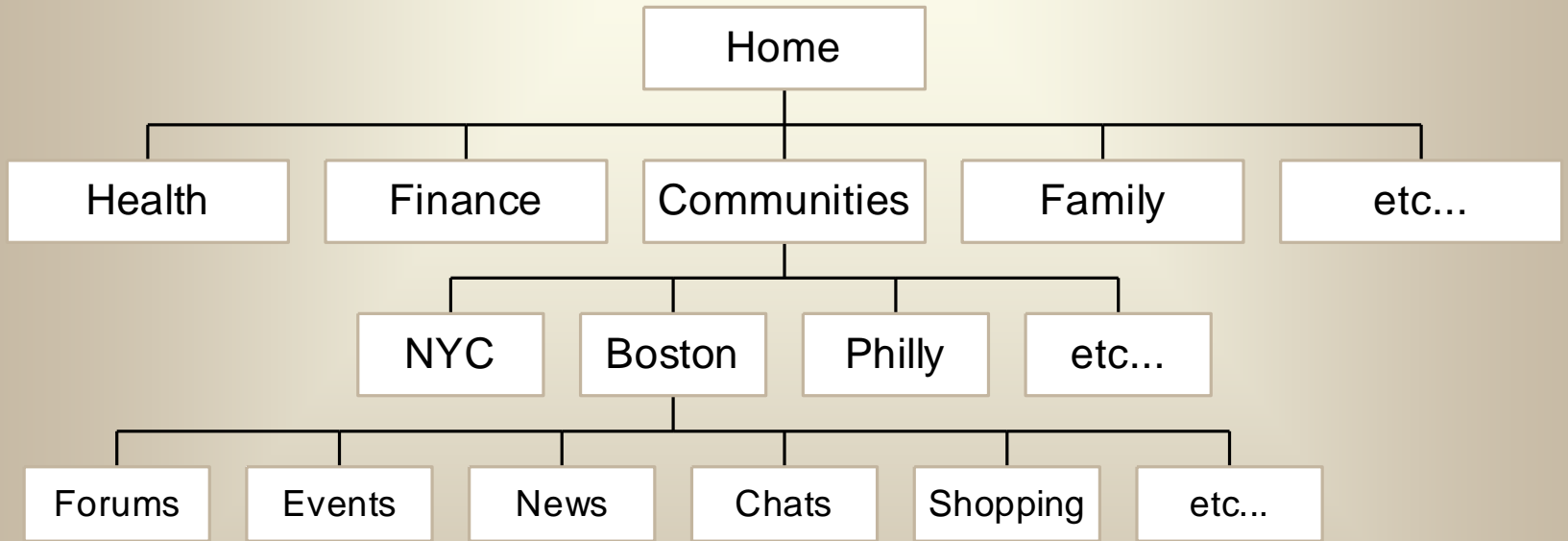
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Appendix

- Exhibit A: Biographies and Resumes
- Exhibit B: Website Layout

Website Layout

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Boston Blacks Online

**Unity First
Online News**

Bay State Banner

Black Talk Radio

The Black Library

1
2
3
4
5

Key Components

Advertisers

Purchase Ads

Companies looking to market to Black community

Members

- Read
- Chat
- Debate
- Buy
- Sell

People interested in Black culture and affairs

News	Personals
Events	Shopping
Discussions	Private Clubs
Chats/Instant Messaging	Personal Home Pages
Classified Ads	Auctions
Games	Music
Jobs	E-Mail

Content Partners

Author Post

Grassroots and large media companies who create Black content

Griots

Approve Author Post

People interested in Black culture and affairs

Vendors

Create Stores Sell Products

Companies looking to sell products directly to Black community

