MEDIA READY FOR ENTERTAINMENT:
Business Plan

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I. Executive Summary

Problem

Though they are half a world away from their hometowns and Hollywood, the men and women fighting overseas for America’s freedom crave the same forms of communication we do: regular contact with family and friends, along with high-quality entertainment to de-stress after a tough day on the job. For us, access to these forms of communication has never been easier, thanks to our hyper-connected world. But overseas, our troops are living in a digital stone age.

Though they nearly uniformly have personal computers, our troops deployed overseas experience spotty access to broadband Internet, along with frequent communication blackouts while in war zones. As a result, these troops have limited connectivity to their friends and family, and even more limited access to the entertainment options civilians enjoy, like Hulu, Netflix, iTunes and YouTube. These troops have created makeshift solutions -- among them, acquiring low-quality, pirated entertainment -- but they hunger for a more permanent solution.

Solution

We have that solution. MRE, or “Media Ready for Entertainment,” circumvents the problem of connectivity by providing digital care packages of content (TV shows, movies, personal videos and the like) to troops overseas and on ships. Our service places TV shows, movies, and personal videos from loved ones and supportive civilians onto USB flash drives, which are then sent to the troops overseas. The physical flash drives allow troops to do the following:

1. Access digital content (TV shows, movies, and personal videos) at their discretion, with or without connectivity to the internet, in an easy and intuitive way;
2. View content in a "social" manner by swapping flash drives with their peers;
3. Maintain connectivity with their loved ones by having the option of sending flash drives containing personal content back to the United States.

Business Model

MRE will generate revenue through four streams:

- We will charge customers a fee for the service of sending a digital care package. In the long term, this will be done on a subscription based model.
- Kickstarter and other “crowd-sourced” campaigns will allow the general public to subsidize MREs, thus lessening the burden on individuals.
- Partnerships will be formed with content providers (e.g. Universal movie library, Disney library) where discounted content will be provided to MRE; there is an incentive for these companies to enter into these partnerships due to the incremental sales, PR of being troop-friendly, promotion of content, and possible piracy prevention.
- MRE will enter into advertising contracts with companies eager to market their products to the troops.
Because this service has never been provided before, it is hard to gauge consumers’ willingness to pay, and hence the MRE team is taking on a cost-based pricing method. By first figuring out the unit economics behind sending each care package unit and scaling up that cost to the potential market size (taking into account discounts and synergies from scale), we can then price our products accordingly.

**Value Proposition**
MRE makes it much more convenient for loved ones and civilians to connect by providing a channel of giving and communication between the two, while addressing a significant pain point experienced by troops overseas. MRE differentiates from other troop appreciation services by adding the personal touch, allowing the sender to literally attach a face and message to the care package being sent. A husband can now watch the same show and movies as his wife while being away. A father can now watch a video of his son’s birthday party despite being deployed. A soldier can now see a civilian saying on video, “thank you for serving our country.” Without a doubt, a service like MRE is much needed, and compounded with the opportunities presented by potential partnerships and governmental support, it presents an attractive investment option.

II. Market Opportunity

**End-Users: Members of the military stationed overseas and on ships**
As of 2011, the United States military had 305,000 men and women deployed overseas, with an additional 82,000 stationed on ships (afloat). These individuals represent our core end-user market, as they a) are separated from their family; b) own personal computers; c) have a strong desire that we have observed to maintain connections with their loved ones and access the latest professional entertainment; and d) are stationed on a base (or ship) with sporadic (if any) high-speed Internet access. Year to year these numbers will fluctuate, based on both U.S. foreign policy and Pentagon funding. (According to the Heritage Foundation, during the last 60 years overseas deployments have ranged from a high of 1,082,777 in 1968 down to a low of 206,002 in 1999.)

Ultimately, MRE is for these troops stationed overseas and on ships. They will be the end-users of our product. Though they will typically not be the purchasers, we envision the troops will request MREs from their friends, family, and the general public. To encourage troops to do so, we will hire one “company representative” on each base to increase word-of-mouth awareness among the troops.

**Purchasers: Friends, family, supportive general public**
Each of the nearly 400,000 troops in our target end-user audience has countless friends and family living in the United States who might be interested in purchasing an MRE and sending it overseas. Assume each of these troops has: 1) a set of parents, 2) a significant other, 3) a best friend, and 4/5) two other relatives (perhaps a sister and grandparent). If that is the case, then our 400,000 end-users give us a market of approximately 2 million purchasers.
Additionally, we expect members of the general public to be interested in sending MREs to troops they’ve never met. We intend to reach these “military supporters” through a Kickstarter model in the long term.

**Sponsors: Corporations interested in showing their support of the U.S. military**
Nearly every member of the Fortune 500 has an office devoted to supporting military veterans and their families. But most of these companies have few ways to directly support active duty men and women. MRE gives them such an opportunity. We will actively seek partnerships with these corporations, giving them the opportunity to purchase large blocks of MREs in support of the men and women who make up our nation’s armed services.

**Advertisers: Corporations interested in showing their message to the troops**
The average member of the U.S. military is male and under 30 years of age; nearly half (44%) of U.S. troops are under 25 years of age. Needless to say, our end-users are part of a key -- and elusive -- demographic whom advertisers crave the ability to reach. We will partner with advertisers, allowing them to place pre-roll and/or mid-roll ads during the content contained on the MRE.

**III. The Solution (Exhibit 1)**

**The Purchase:**
MRE allows the purchaser (a friend, family member, or supportive member of the general public) to visit a well-designed, simple website and personally choose content for the end-user recipient. This website will offer a wide selection of TV shows and movies (current and classic), and there will also be a tool for the customer to upload his or her own personal videos. There will also be an option on the website for a deployed troop to create a “wishlist” of content he or she would like to be sent.

**Fulfillment:**
Once the purchaser has made the content requests, that list is sent to a fulfillment center, where employees will place the appropriate content onto flash drives (Exhibit 2). These flash drives are mailed out on the same day, using the US Postal Service. In addition to containing the flash drives, the care package also contains an envelope earmarked for return mail, which allows the troop to eventually return the flash drive with personal content that he or she has added to it.

**Partnerships:**
A key component of our service is partnerships with major content providers, flash drive providers, mailing services, and other supportive organizations. This will significantly subsidize the cost of the content purchases and overall service, making the process of sending digital care packages both simple and cheap.

**IV. Competition / Threats and Mitigants**
There are no other companies with a similar business model. However, we acknowledge that there are competitive threats to our approach:
As the technology behind satellite Internet becomes stronger, overseas troops may eventually have access to the type of broadband Internet we currently enjoy domestically. Still, our discussions lead us to believe that such a rollout is unlikely to occur anytime soon. Moreover, the frequent communications blackouts in war zones will never be eliminated. In addition, we believe that once we have established MRE as the “go-to” source for entertainment for the troops, we will be able to successfully transition to a digital transmission model as conditions warrant.

Armed Forces Networks currently provides several linear television channels to overseas troops. However, we have been told that AFN’s content is very “hit or miss.” And without access to DVRs, troops are rarely able to find the content they want at times that are convenient for them.

Piracy is widespread on many overseas bases and ships, but we have been told that this pirated content is often stale and low quality. This pirated content will also never substitute for a video from a loved one back home.

V. Business Model

We will have four different revenue streams:

- **Revenue from the sale of care packages**: We will charge customers a fee for the service of sending a digital care package. Initially, these care packages will be sold on a one-off basis, and the price of the MRE will reflect the purchase price of the content contained on the USB drive. **However, as we ramp up, we will add subscription models, which will allow the purchaser to send content to the end-user overseas on a regular basis.**

- **Crowdsourced contributions**: The general public will be encouraged to subsidize the cost of MREs by purchasing “shares” of MREs through Kickstarter. This will allow us to sell the MREs at a lower price point to the individuals purchasing the MRE for their loved one.

- **Partnerships**: We will form partnerships with a variety of businesses to increase our revenue and lower our costs. For instance, we will partner with content providers, who will provide discounted content in exchange for the incremental sales. We will also seek partnerships with flash drive providers, mailing services, and other companies who will provide discounted inputs needed for our business in exchange for recognition as a “sponsor” of the troops. Finally, we may seek partnerships with non-profits and even the government.

- **Advertising**: We will enter into advertising contracts with companies eager to market their products to the troops. We foresee heavy demand for this, as the troops -- largely young men under the age of 30 -- represent an elusive and desirable demographic.

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1 For instance, blackouts are imposed in war zone after someone living on a base has been killed in action. This is done so that news of the death does not reach the victim’s family before the military is able to make the proper notifications. We have been told that these blackouts are frequent and often last several days at a time.
VI. Rollout / Marketing

Base representatives:
Our best marketers will be the end-users themselves. Once troops overseas see our compelling solution to a critical pain point, we expect that they will eagerly ask their loved ones and friends back home for more MREs. To aid in this process, we will partner with a representative on each base where we are selling our product. In exchange for free MREs, this representative will help us spread the word about our great product, and will encourage his or her fellow troops to tell their loved ones about our product.

Viral video/word of mouth:
We are seeking attention in the United States among potential purchasers by creating a viral video that shows the troops’ reaction to receiving an MRE in the mail. While we know the MRE is a winning product, we believe the best way to sell it is to show the impact it has on the life of a man or woman stationed overseas.

Earned media:
We have several veterans of the news business on our founding team (including one member with several years of experience at ABC News, and another who has worked for Bloomberg Television), and we will leverage this knowledge to generate significant attention for our product in national and local broadcasts and publications.

VII. Milestones

Milestone 1, Month 0: Prototype Testing (with 5 test cases)
Milestone 2, Months 1-3: Testing Stage A (with 2 bases)
Milestone 3: Months 4-6: Ramp up marketing efforts to bases around the world

VII. Management

(Backgrounds TBU)
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Exhibit 1:
Care Package Giving Process (described above)

1. Loved one / Supportive Civilian
2. Visits MRE website and selects content to send to soldier (and can add personal videos)
3. MRE takes content request and personal video and loads flash chip
4. USB flash chip is sent via Military to Soldier (Soldier may load chip with other content and send back to loved one)
Exhibit 2: USB Chip Interface

Welcome, John!
### Exhibit 3: “MRE” Content Chip

- **16 GB** – Holds 3 movies, 5 TV episodes
- **Average Bulk Cost:** 5 to 6 dollars

### Exhibit 4: Projected Financials

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<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<tbody>
<tr>
<td>Avg. Monthly Care Package Orders</td>
<td>1,673</td>
<td>35,632</td>
<td>68,365</td>
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<tr>
<td>Sales Revenue</td>
<td>$532,271</td>
<td>$11,335,386</td>
<td>$21,748,300</td>
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<tr>
<td>Advertising Revenue</td>
<td>$5,985</td>
<td>$136,829</td>
<td>$262,522</td>
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<tr>
<td>Total Revenue</td>
<td>$538,256</td>
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<td>COGS</td>
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<td>$10,304,896</td>
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<tr>
<td>Other Costs</td>
<td>200,400</td>
<td>362,400</td>
<td>494,400</td>
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<tr>
<td>Total Costs</td>
<td>$711,975</td>
<td>$10,667,296</td>
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<td>Operating Income</td>
<td>-$173,719</td>
<td>$804,918</td>
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<td></td>
<td>-32%</td>
<td>7%</td>
<td>8%</td>
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Exhibit 5:
Startup Needs (6 months)

<table>
<thead>
<tr>
<th>Startup Expenses</th>
<th>6 Months</th>
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<tbody>
<tr>
<td>Salaries (6 months)</td>
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<tr>
<td>Fulfillment Engineer</td>
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<td>Technical Support</td>
<td>24,000</td>
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<tr>
<td>COO/Business Development</td>
<td>36,000</td>
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<tr>
<td>Web Hosting</td>
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<tr>
<td>Rent</td>
<td>4,200</td>
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<td>Utilities</td>
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<td>G&amp;A</td>
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<tr>
<td>Marketing/PR</td>
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<table>
<thead>
<tr>
<th>Startup Assets</th>
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<tbody>
<tr>
<td>Cash Required</td>
<td>$50,000</td>
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<tr>
<td>Start-up Inventory</td>
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<tr>
<td>USB Drives</td>
<td>9,969</td>
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<tr>
<td>Packaging Materials</td>
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<tr>
<td>Equipment</td>
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<tr>
<td>Hard Drives / Storage</td>
<td>700</td>
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<tr>
<td>Computers</td>
<td>2,000</td>
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<tr>
<td>USB Loader</td>
<td>699</td>
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| Total Funding Required                   | $165,000 |