Open Sky Business Plan

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Executive Summary

The Problem: The demilitarization of drone technology has spawned companies manufacturing drones for civic use. Drone technology has inspired the imagination of farmers to employ it to survey expansive lands and monitor plant health. Conservationists have made a compelling case of using the technology to monitor endangered animals and collect data. Emergency services have employed it in rescue operations and in journalism it’s been adopted as a low cost alternative to costly news helicopters with new applications being developed. Despite the exciting possibilities the growing use of the technology has however led to new challenges. Government authorities are concerned about the security threat and privacy problems posed by camera equipped drones. In the U.S, the law bans commercial drone operation while allowing recreational use.

While the U.S lags behind in approving commercial operation, other countries around the world are leading in integrating drones in the civic space. Canada and Australia are most notable.

Some countries have not restricted usage, giving drone operators by default a carte blanche: Brazil is one such country. Because of the newness of the technology many countries have remained ambivalent about developing laws to guide or restrict usage choosing instead to deal with issues as they arise. In Kenya, the situation was so up until January 2015 when the government banned civilians from using drones after an operator caused a stir in a public event attended by the president.

However, it is in Kenya where Africa’s first drone journalism team was founded. African skyCAM won the inaugural African News Innovation Challenge and has since been making a case for the use of drones in journalism. Some of its notable projects are covering political rallies, marathons, conservation projects, floods and even using a drone to produce 3D models of a dumpsite. Since 2012 the project has been making a case for safe and responsible use of drones with an ambitious plan to start drone journalism teams in newsrooms across the continent, a model that can be replicated.

Consider the earthquake that recently hit Nepal. In order for an American news organization to get footage of the devastation, a journalist would have to fly from the U.S all the way to Nepal, and then get into contact with a local helicopter company in order to take the shots that are needed. The problem is that too much time, money and effort are being spent, when life could be so much easier with drone technology.

The Solution: Open Sky provides a platform that allows journalists in the U.S to connect with drone specialists all around the world. Through Open Sky, a journalist will be able to save time
and money by connecting with any of our drone specialists located in various parts of the globe. This new platform will allow journalist to cover stories anywhere at anytime.

The business model will be similar to that of AP Images and Getty Images. We will produce our own drone footage from our staff drone technologists as well as buy video from drone technologists in our global network. The whole "drone video" collection will be made available to news organization through a subscription. To attract smaller news media companies that may not have the resource to purchase a subscription, we also offer the option to buy individual footage.

The video footage will be priced depending on factor, such as the time our drone technologist spent in the field, editing time, and length of the footage. For larger media companies that want a more customized experience, we will offer the opportunity to partner with us for long-term projects that require specialized video on specific topics.

The proverbial "secret sauce" behind Open Sky, the reason why it will be successful, is both simple and obvious. It relies on, and integrates, a sorely underutilized technology, bringing it into the world of journalism. It is not enough to find a few drone technologists—to make this work, there has to be an army to meet the growing demand of drone footage for a wide variety of topics. Implementation of a network to bring this technology to the larger media community is difficult, but the strong global connections and vast experience in drone journalism of Open Sky CEO, Dickens Olewe, will ensure that the company not only executes its mission but do it better than any other possible competitor.

By making drone content readily accessible for major news networks, Open Sky acts as the harbinger of the next era of media journalism. In a few short years, the public will not be able to imagine a world in which stories aren't accompanied by crystal-clear aerial shots depicting with visceral clarity of any news scene -- from serene wildlife to crazed riots.

As the first firm to recognize the revolutionary potential that drones offer to news organizations, Open Sky will be as a rain cloud in a drought, with a first-to-market mover advantage linking a network of drone journalists to a news network of customers.

Company description

Open Sky strives to be the Getty model for drone footage. Founded in 2015 at Stanford University, the founders of Open Sky saw a demand for consistent, high-quality drone footage in journalism. Varying international regulations on drones and the newness of this technology, has made it difficult for news organizations to capitalize on drones to constantly produce drone footage, especially smaller news media companies. When the team of four met at Stanford, they
envisioned bridging together a global network of independent drone journalists with news media hungry for drone footage.

Building on a track record in Kenya, we plan to next target Brazil, a county rich in content and light on drone regulation. From there, Open Sky hopes to expand to other regions in the world to bring high quality footage to news media across the United States. The goal is to become one-stop shop for all drone-related needs of news media, whether that be a breaking piece, a customized assignment, or even footage of scenery and events. Open Sky hopes revolutionize the journalism industry by providing easy access to a more modern way of storytelling.

**Business Model**

Open Sky’s main offering will be the large collection of drone footage gathered across the globe. Through Open Sky a journalist will be able to browse through a catalog of video material on our site created by drone specialists. Our customers will have two ways of accessing our content: subscription or pay-per-piece.

In the subscription model, customers will be able to use any of our drone produced content. As we start out, there will only be one type of subscription, priced initially at $24,000 (see “Revenue” section) but as we expand our collection, we will consider rolling out different tiers of subscription at various price points to capture a larger piece of consumer segments for our subscription base. For example, we could provide a subscription for access to a specific topic, such as the environment, or even a geographic region. That way, more niche publications that can’t shell out large sums for the whole subscription will be able to access a more appealing price point.

For those publications with even smaller budgets, we plan to offer them the option of buying individual drone footage, priced according to factors: like length, demand, and time spent by drone technologist in the field and editing. This option I designed s to capture the customer segment that does not always utilize drone footage and, thus, does not need a full subscription but could potentially find times when inserting drone video to be optimal (i.e. breaking news like Nepal earthquake).

A service that we will offer is working with media companies on long-term projects so that we can provide them with more customized drone content to meet their needs. We foresee this as being a popular option for documentaries and ethnographic films. Depending on the scope of the project and how busy the local regional center is, we may either have our full time drone technologists working the case or hire out independent technologists in our network.

**Market Analysis**
Size

The coalition is following a model between CNN and Georgia Tech, a partnership that was sanctioned by the FAA to conduct research on using drones for newsgathering. Several news organizations have independently applied for special permission to operate drones in reporting.

This trend is set to continue. In fact, emerging technology trend forecaster ABI Research estimates that by 2019 the small unmanned aerial vehicle commercial sector will have revenues exceeding $5.1 billion. The trend also paints a picture of solid interest in drone journalism content in the US and a ripe market for producing syndicated or partnership projects.

Following determined lobbying by commercial drone operators, which includes journalists, the FAA in February 2015 published a Notice of Proposed Rule Making (NPRM) that was interpreted by many as a mellowing of its hard stance.

Matt Waite, a journalism professor at University of Nebraska and a leading advocate of drone use in journalism and the founder of the Drone Journalism lab said of the rulemaking, “Put simply, drones for journalism becomes very possible and very legal under these rules. Only a few things wouldn’t be allowed, and they’re minor in the grand scheme of things.” he added that, “Under this regulatory framework, every newsroom will have drones and people certified to fly them. They’ll just be part of the equipment. That’s still years away yet, but you can see it clearly if these are going to be the rules.”

The debate for licensing drones for news reporting is ongoing the world over with countries developing a wide range of rules with commercial operation which includes journalism requiring drone operators to meet certain levels of competence and to apply for special filming permits. Because of tighter controls there is a growing need of professionally licensed operators. Also, with safety being a key component for safe use, leading drone manufacturers like DJI Phantom and 3D Robotics are making their devices more autonomous which allows for easy operation.

Reaching Our Audience
One of our team members, Dickens Olewe, has a wealth of experience in the use of drone technology in news reporting. He been running a drone journalism project in Africa for three
years and has made good connections in the industry. He recently organized the first-ever drone journalism conference. The event, held in Silicon Valley, brought together leading drone manufacturers, lawyers, journalists and academics to discuss the future of drone journalists. The event was sponsored by Google New Labs and the Center for Investigative Reporting. We will build on these contacts to expand and reach the network. Already, AlJazeera has reached out to the team to help in connecting them with licensed operators in Africa. A platform that has a profile of our on staff drone operators and its geographical areas of operation would help Al Jazeera in this case.

A social media strategy would also help us advertise our services and showcase our journalism and talented operators in our network and the gadgets that we use as well as our partners. With several U.S. news organizations balancing scaling internationally at a time of limited resources we would offer a convenient partnership model that helps publishers meet their journalism interest. Such long-term relationships will ensure we provide value to media partners and win others based on assured value. We will also target media conferences where we would exhibit and sign up new members.

**Risk and Opportunities**

The FAA has mostly been intransigent in allowing drone operation in the US but it has recently showed willingness to allow some operation. Its concern has mostly been driven by safety and privacy. In another, of recent, progressive steps; it issued a memo which was welcomed by journalists because it opened a window to full drone journalism operation as well as the possibility of hobbyist sharing their footage with news organizations, opening up a model for ‘drone citizen journalists.’ In a memo published on May 7, 2015 the FAA restated its current policy that news-gathering outlets may only operate their own drones with specific permission from the FAA (generally only granted for a specific purpose or event, rather than a “blanket” permission.) More importantly, at least in the short term, seems to be the government’s OK for news gatherers to accept and broadcast drone-produced video from someone not affiliated with the station or outlet (i.e.; viewers or other interested parties who may operate drones as a hobby).

Further, the FAA allows payment to these individuals for their footage—so long as the supplier’s primary intent in shooting and providing it was not to engage in a business proposition. “Intent” is the key word here—and it’s something the FAA says it will examine, if necessary, to insure these third-party drone operators still qualify as hobbyists, rather than business operators. So far, the FAA has authorized some limited testing and development activities for news-gathering drones—giving CNN, among a few others, authority to operate them for that purpose. In its memo, the FAA says that news footage gathered by those organizations while conducting their tests, may also be used on air and online.

Given the U.S.’s influence and regulatory influence around the world this model is likely to be replicated in several countries the world over opening up a space for professional use of drones
in journalism. However, critics have pointed out that the proposed regulations are not liberating enough for journalism, which means that wide-scale operation is still very much in the future.

We foresee our main competitors to be independent drone journalists, wire houses, and news media developing their own in-house drone journalists. In-house drone journalists could potentially be more cost effective for the media company, particularly in providing customized services. However, our global network will provide a larger range of drone footage content on a scale that would be difficult for these media companies to match. While independent drone journalists could also provide services at a lower cost, we strive to maintain high-quality content across different regions and topics, making us more reliable. Wire houses, like Getty Images, can be a big concern because of their vast resources and brand name, but we are confident that our existing specialization in drone journalism will allow us to create this catalog of drone videos more efficiently.

**Strategy**

Our strategy for getting Open Sky up and running involves two important parts-- establishing a network of drone journalists to generate the content upon which we rely, and fostering relationships with news organizations to whom we might sell content. In terms of the former, we have our sights set on Brazil as the launch point for our drone journalists. There, we will seed a core team of “dronographers” acting as our employees to generate a library, or catalog, of compelling marketing content, which will serve both as our marketing reel to news networks as well as our video marketplace.

We have settled on Brazil as a starting location due to several factors; firstly, Brazilian drone laws are extremely lax and allow for both recreational and commercial use of the technology; secondly, the vast area of unexplored, uncultivated wildlife present in the Brazilian rainforest is extremely conducive to producing compelling drone footage; and finally, the international spotlight shone on Brazil during the most recent World Cup highlighted a brutal socio-economic stratification within the country, providing a humanitarian cause to which drone technology’s application might be bent.

On the other side of the equation-- establishing relationships with potential consumers-- we have decided to begin locally, branching out only once we have demonstrated proven value to Bay Area news media organizations. Not only is the concern a geographic one, with all of our team members situated here in Northern California; with San Francisco representing such a hub of international news, and Silicon Valley just next door providing constant support and innovation on the technological side, the Bay Area seems like the ideal hotbed for an operation such as ours.

Once we have proven Open Sky's concept in these two respective starting locations, our model has the potential to scale easily across continental borders. Our plan is to use our original core team in Brazil to establish a South American continental base of operations, from which we can
coordinate speedy response to news events across the continent using a mixture of trained employees and hired contractors. We will then work to establish similar operations on mainland Europe, Africa, and Western Asia in order to extend our reach and cut down our response times on stories with the potential for enrichment through drone footage. On the domestic side, we plan first to expand to New York City, and then look internationally to Western Europe and beyond for additional customers who might be interested in our services. With scale we will build ubiquity, and hopefully bring drone content from the hands of hobbyists into the household of every American with a television or computer.

**Implementation Timeline:**

Present - September 2015: Our first step moving forward will be to form and train our initial core team of three South American drone journalists. With help from our existing drone technologist network, we hope to have these first employees battle-ready by the end of this summer, with the goal of establishing them in a Brazil office by the end of September. Meanwhile, we will reach out to smaller publications and news websites based here in the Bay Area, with the goal of establishing a dialogue and gleaning what sorts of content their international news teams might be interested in buying. This will allow us to build relationships with future customers while tailoring our current efforts toward economically viable targets.

September - December 2015: During this four-month period our Brazil-based journalism team will be hard at work constructing a backlog of content with which Open Sky can dazzle its clients and customers. Domestic focus will be on marketing said content to larger and larger news media organizations, ideally landing a subscription contract with a televised news network by the end of the year. As such, we will move away from advertising individual videos for sale, and instead promote the suite of products and services offered by either a subscription to our services or a long-term project in a given region.

January - June 2016: This will be our international expansion phase-- having generated a wealth of content in South America, our initial team of drone journalists will leave one member behind to run the South American central hub while the other two seed similar operations in Africa and Asia/the Middle East. As we work to develop these offices, we will reach out to news organizations in the UK and continental Western Europe, hoping to establish a relationship similar to the one we have with American news media corporations.

**Management Team**
The Open Sky team draws from a variety of different backgrounds, giving the company unique perspectives on the industry. Our team consists of three Stanford-educated founders and a member of Stanford’s prestigious Knight Fellowship.

*Dickens Olewe, CEO:* Dickens Olewe is a Kenyan journalist. He's currently a 2015 John S. Knight journalism fellow at Stanford University. He's the founder of AfricanSkyCAM, a drone
journalism project which was a winner in the inaugural African News Innovation Challenge. He was the digital content manager at the Star newspaper where he led the establishment of the newspaper's website, social media platforms and drove the digital strategy. He also led a project on collaborative journalism that involved citizens contributing stories through a mobile app and the creation of a health data portal to kick-start data journalism in the newsroom. He's been invited to speak on drone journalism, media trends, social media, crowdsourcing news at several conferences around the world including SxSw in Austin, Texas, Re:publica in Berlin and The World News Media Congress in Vienna. He contributed to BBC's Future of News Report. He was part of the team chosen by Deutsche Welle Academy to develop a manifesto on how to use digital technology to promote freedom of expression in the global south. He's a trainer for WAN-IFRA emerging markets webinar series and advises hivisasa.com - a mobile news startup in Kenya.

Tracy Vu, CMO: Tracy received her undergraduate degree in Anthropology and a master’s degree in Media Studies at Stanford University. Her time at the growth equity firm, Anthos Capital, has given her experience in evaluating companies and has exposed her to various different business models. She has also worked at Kurt Salmon, a consulting firm that specializes in conducting due diligence for private equity deals. With her business background, Tracy brings an understanding of the components that form a thriving company.

Luke Kaumatule, CFO: Is a current student athlete, attending Stanford University under a four-year full scholarship while majoring in Science Technology and Society. Luke also graduated from Punahou High school, a very prestigious high school in the islands of Hawaii, where Barack Obama and Pierre Omidyar are alumni. Luke Kaumatule has experience with working on team dynamics and team chemistry being that he is a student athlete All-American coming out of high school.

Miika Weekes, CCO: Is currently a junior at Stanford University studying Science, Technology and Society. Having several years’ experience working at a hedge fund, Ellington Management Group, he has developed a keen eye for internal business infrastructure and investment strategies. Additionally, his interest in a career in entertainment industry management has pushed him to gain experience in manipulating and marketing through digital media platforms. Combining these skills, Miika will be an asset in both communicating with and onloading new drone journalists as well as developing and designing the internal structure of Open Sky.

Financials
Costs
For the first year, we have two main non-recurring costs: website development and purchasing drones. We plan on purchasing two drones: a DJI Phantom 3 at $1,350 and 3D Robotics Solo Quadcopter at $1,399 for our full time drone journalists. We expect to buy more drones as we
expand our team so that we have one drone for every full-time drone operator. In addition, we need a working website to host our services and products. After looking at freelance web developer rates, we estimate that our site will cost us around $5,000.

For recurring costs, we will need to account for costs of annual salaries to all four founders and full time journalist/technologists and editors, rent for office space, website maintenance, marketing to attract new customers and retain old ones, travel for the founders to fly to other regions for business (i.e. establish a new regional center, find qualifying local drone journalists, etc.), and insurance for our full time journalists.

For the first year, we plan on focusing on Brazil and thus employing only two full time journalists/technologists to begin building our collection of content so that we can establish our company name. We will continue expanding our team, but in addition to full time employees, we will also begin building our network of independent drone journalists, to whom we will be paying for each drone footage to be sold to our media company customers. Since many of our full-time drone journalists will be located in different parts of the world, wages may be substantially lower than those in the United States. Drone maintenance is another recurring cost and will grow as we expand our team and purchase more drones.
### Costs

#### Annual Costs

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<th>Name</th>
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<th>Quantity</th>
<th>Cost per unit</th>
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#### One Time Cost

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<td>Drone - 3D Robotics Solo</td>
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#### Total Costs

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### Revenue

Our revenue will come from four main streams. The first is through the subscriptions. Customers who opt for the subscription at $24,000 a year will gain access to our whole catalog. We based our pricing off of that for AP Images, but we lowered our own subscription price, at least initially for the first year, since our collection won’t be as developed yet. However, we plan to slowly raise subscription prices every year by 3% to make up for the larger amount of content that will be produced for Open Sky. We hope to secure at least 4 subscriptions by the end of the first year for a total of $96,000 in revenue from subscriptions. We will continue to aggressively grow this part of our revenue since it is where we anticipate that we will make most of our money.

Since we know that not all news media can or want to pay for a full-year subscription, we have the option of paying for each drone footage or picture used. In order to do so, we will need to
determine a competitive comprehensive way of pricing our drone footages. Since we want all of our drone-produced products to be of comparable quality, we will vary pricing based on length, predicted demand (a video of the Nepal earthquake would be more sought after than a video of the Amazon rainforest), and time our drone journalist spent on the field and editing the footage as well as using comparables such as providers of stock video, like Getty Images, and multimedia companies like Media Storm.

Our third way of earning revenue is through customized assignments with a media company, for example, providing video of the Amazon basin for an environmental piece. A small professional film crew costs around $1,200-3,000 a day, so we plan on pricing it around $2,500 a day since we won’t have more than 1-3 people assigned to the job, but the technology is specialized and in high demand and post-production editing will be included. However, we do not think that these assignments will require 2 hours of footage, since we will assume that they are going to be used to accompany a written piece. Based on existing pieces of journalism with accompanying video, we expect final assignments to be around 20 minutes. We still base our shooting ratio (ratio of total duration of footage created for a project to duration of the final cut) on documentaries, which is 25:1, meaning that our drone journalists will have captured 500 minutes of film, which we estimate to take around a week to film in addition to another two days to edit. This makes a typical customized assignment to be $22,500 per assignment. We aim to support even longer-term assignments, such as full-length documentaries that would take much longer to produce. It is our goal to have eight assignments by the second year, although we may raise that goal if our capacity to produce is above what we anticipate.

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**Funding**

In order to get us started, we are asking for $200,000 to get us established the first year. As seen by our projections, by year 3, we are already turning profits. However, before we can achieve that, it is very important that we have the capital to continue expanding. Since much of our value depends on providing a wide range of drone video and pictures to news organizations, we must establish a global network of drone journalists who can deliver breaking news footage in any part of the world (according to drone laws in that part of the world, of course). Most of this funding
will go towards this international expansion and recruitment of talent, especially to help us further develop further streams of revenue.