

Western Wise, LLC

Business Plan

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II. Business Model Executive Summary

Western Wise accelerates communicative English skills for Chinese K-12 students through fun, interactive online English tutoring with native speakers. Through passion, patience, and dedication, Western Wise tutors engage clients in an engaging “American Style” curriculum that utilizes a multimedia approach to develop practical communication skills.

Core Value Proposition

From over 150 customer discovery interviews, the biggest pains expressed by our target customers were:

1. a lack of access to native English speakers in China
2. the cultural prioritization of rote memorization of English vocabulary and grammar over practical communication skills

Western Wise solves these pain points through fun, interactive, video-conferencing lessons with native English speakers, with auxiliary services including immersive summer and winter English camps in the U.S. and an online conversation group for adults (created in response to parent inquiries). The single strongest evidence of Western Wise’s traction in the market was the acquisition of 20 paying clients previous to even completing the website in June 2015.

In the last 10 months, Western Wise has built its team, established a client base, developed operational processes and the foundations of the core curriculum, planned and piloted an immersive summer English camp, refined our business model through constant communication with clients, and established key partnerships in China.

Western Wise features a diversified, 4-tiered income model:

- 1) One-on-one, small group, and lecture-style lessons both with individuals and with schools
- 2) Immersive summer and winter English camps (to drive additional revenue and serve as a lead-generator for long-term tutoring services)
- 3) Curriculum licensing through the website Teachers Pay Teachers
- 4) Recently, Western Wise has experimented with adult conversation groups/classes at the request of several of our parents

Through these avenues, the Western Wise business model allows for flexibility as markets grow and change.

III. Customer Segments and Relationships

Customer Segments

(1) Mothers of Chinese PreK-9th grade students learning English

Western Wise targets the emerging market of China's growing upper middle/upper class, which recognizes English as the language of business and education. We work with students who understand the English foundations (as they generally learn it in school) and whose end goal is to improve their overall English speaking and comprehension skills to be more competitive in the future. Within that group, there are 2 primary subgroups:

1. Long-term clients looking for overall improvement of English communication skills for future job opportunities or eventual study in a university abroad
2. Short-term clients looking to improve English writing or speaking skills for a particular reason, such as admittance into an international school or preparation for time abroad

(2) Middle Schools

In July 2015, Western Wise began fostering partnerships with Chinese middle schools who want to utilize Western Wise native English speakers to do group tutoring (one tutor to four or five students) or lecture-style tutoring (one or two tutors to the entire class) in their classrooms. For Western Wise, these partnerships open more available tutoring hours unobstructed by the 13/14-hour time difference that currently serves as a bottleneck for the number of hours each tutor is able to work. For the schools, the partnership not only improves the English abilities of their students, but also serves as a marketing tool to help recruit more students (especially for private schools).

(3) English Institutions in China

Partnerships with English language institutions, like schools, provide an additional high-end market growth opportunities. Western Wise is currently partnering with one private institution.

Customer Relationships

Our customer relationship management is one of our key differentiators from our competitors. We pair each client with a long-term tutor, who develops a close, personal relationship with the client. In addition, tutors complete periodic assessments of the child to track his or her English progress. We also engage the client outside of lessons through initiatives such as postcards sent for a child's birthday. Because most clients indicate on their intake surveys that they wish to stay with us for more than 6 months, good relationships are crucial to sustainability. To this point, current clients have become champions for the brand, with word-of-mouth marketing accounting for about 85% of new client acquisitions.

These customers help refer new clients not only for our long term one to one tutoring services, but also for our more short-term auxiliary services, including the summer and winter camps and the adult conversation group. In some promotions, we credit clients for free one free lesson for each referral who becomes a Western Wise long-term tutoring client.

IV. Description of Services

Online 1-1 English Tutoring (K-12, though primarily 6-10 y.o.) (Primary stream): Tutors are paid \$12-\$17/hour based on qualifications and performance, and Western Wise charges \$36/hour based on the length of commitment. Materials are provided by Western Wise for teachers to utilize.

Group Tutoring with Schools and English Institutions: Piloting in September 2015, tutoring will be done through modified versions of the one-to-one curriculum. We will work through our middle school partners, charging \$15/hour/student, with 4 students for every tutor (\$60/hour in revenue, for which we will pay each tutor \$16-\$20/hour). The higher profit margin and more stable schedule could prove to make group tutoring Western Wise's primary revenue stream.

Immersive English Summer/Winter Camps (8-15 year-olds, pilot launched 7/12): With 30% profit margins on the \$6,000/student price tag, the pilot Western Wise camp featured 2 weeks of an immersive YMCA camp experience, intensive English communication skills workshops, and 5 days of sightseeing in Chicago. The camp also serves as lead generation for tutoring services. Parents were very pleased with the camp and were already asking about our offerings for a winter camp in February (Chinese winter school break).

Lesson Library Licensing (future revenue generation): Once the lesson library is expanded and copyrighted, Western Wise will license it to other ESL teachers through teacherspayteachers.com, where teachers pay to use some of Western Wise's internally developed curriculum. We receive 85% of each sale, which are generally priced at \$4 or \$5 per lesson. Many sellers on TPT have several hundred downloads per lesson, so we anticipate the licensing to be the primary funding source for continued curriculum development.

V. The Western Wise Team: Management, Advisory Board, and Major Partners

Management Team

Located in both Iowa City, IA and Beijing, China, our diverse team is committed to making learning English fun for our clients.

Chen Cui is a 4th year Computer Engineering PhD candidate who is passionate about changing English education in China, as his personal experiences underscored an immense need for a new approach. Chen credits his speaking fluency to his Australian college debate team coach, his first contact with a native speaker. For this reason, he knows that increasing the accessibility of native-speaking English tutors in China is crucial in the development of Chinese students' English fluency. He was the first Iowa student to serve as a University Innovation Fellow, and as such furthered his business skills through a student entrepreneurial program organized by National Science Foundation and Stanford University.

Emily Roberts first experienced the deep need for English communication skills among Chinese students as a head tutor in the Frank Business Communications Center at the Tippie College of Business, where 80% of the clients are international. As she further explored the issues through her many Chinese friends, Emily became familiar with the vast academic, social, and professional challenges created by communication issues with ESL. Her Spanish major, coupled with her Entrepreneurial Business Management studies, allowed her to empathize with the process of learning a language and inspired her to make that process easier for others.

Catherine Heasley is tasked with designing and developing a comprehensive training system for tutors that emphasizes the importance of one-on-one naturalistic learning combined with formal grammar building. She draws on her degree in Linguistics with a TESOL focus, as well as her experience teaching English to young learners in South Korea for a year and a half. There, she observed the growing problems developing among test-focused English-teaching in East Asia over applied communicative language production starting at an early age. She is the lead curriculum developer and linguistic expert on the team, and uses the skills she acquired during her time teaching for developing her own curriculum to implement a unique method of lesson creation and execution.

Advisory Board

Additionally, the Western Wise team is accompanied by a growing team of experienced advisors/mentors:

Josh Manion, who was recently featured in Silicon Valley Business Journal's "40 under 40", co-founded Stratigent in 2002, a company he built into one of the top web analytics firms, serving clients such as Motorola and General Mills. In 2009, he founded Ensignten to enable digital marketers to collect and act on customer data. He led Ensignten's merger with two leading players — TagMan and Anametrix. Last spring, Ensignten expanded operations to Australia, with offices in San Jose, New York, London, Cardiff and Sydney, representing customers operating in more than 150 countries. Ensignten has raised more than \$100 million in venture funding. He is a graduate of Massachusetts Institute of Technology (MIT), BS Management.

Julie Oberweis co-founded and served as managing member and CFO of Stratigent LLC. After growing the organization into a leading digital analytics agency and instilling the discipline to achieve 25% net margins, she led it through its acquisition by Ebiquity, Inc. During her tenure at Stratigent, she also helped lead the creation and spin-out of Ensign Inc., an enterprise data and tag management platform that has raised more than \$55 million in venture funding. Julie has served on the boards of Lifeway Foods, Oberweis Group, and various nonprofits focused on the well-being of children. She is also a Chartered Financial Analyst charterholder. Julie obtained her Bachelor's degree from University of Illinois at Urbana Champaign and holds an MS from the Stanford Graduate School of Business.

Deborah Howard was an Associate Professor in the Department of Humanities of Xi'an University of Science and Technology and lecturer in the Department of Business of the Xi'an International Studies University from 2004 to 2014. During her ten years of teaching English in China, she pioneered the creation of the first English debate community in China, coaching and mentoring thousands of Chinese students. She has served on the adjudicator committee of a plethora of debate competitions including FLTRP Cup, China Open, and the International Debate Championship. Deborah has also been an editor for various academic and professional journals and publications. Deborah holds a Master of Business Administration, B. Applied Science (Applied Psychology), B. Arts, a Certificate of Teaching and Diploma of Journalism.

Thomas Hornbeck currently serves as the Vice President of Engineering for Compass Education Group, the leading ACT/SAT prep tutoring company in the LA and San Francisco areas. Before joining Compass, Thomas co-founded TutorUniverse, one of the largest online tutoring platforms. In addition, Thomas has served as a strategic advisor to many start-ups, especially through his role as Entrepreneur in Residence at the Youweb Incubator.

Jeff Nock's experiences range from working in a Fortune 500 companies to co-founding an education start up, netLibrary. Jeff also worked with high tech start-up Knowledge Analysis Technologies and helped with the acquisition by Pearson Education. Jeff joined ACT in Iowa City as AVP of Educational Marketing and Product Development in 2003. Jeff is also active in working for different nonprofit organizations. He was President of Goodwill for operations in Southeast Iowa and Western Illinois. He is currently the Business Lead for the nonprofit start-up Clubfoot Solutions. Clubfoot Solutions and the Entrepreneur in Residence at the University of Iowa.

Neil Quellhorst is the Director of Entrepreneurial Advancement for the Iowa City Area Development Group. He previously served on senior management teams at a series of small, entrepreneurial companies, securing venture capital and R&D partnerships. Neil has also held Director level positions at Honeywell and Rockwell Collins, both Fortune 500 companies, where he was responsible for product design, innovation and technology integration for mergers and acquisitions. He has helped with new business pursuits and government incentive funding in Singapore, India, and other countries.

Key Partners

Haiyan Li knew that she would be a perfect fit for the Western Wise team after meeting Emily as a visiting scholar at the University of Iowa. Haiyan has over 20 years of TESL teaching experience at the University level and has 6 publications related to teaching English as a foreign language. She leverages her connections in the education market across China to help Western Wise explore new opportunities and connect with new partners.

Jing Cai is partnering with Western Wise to market and implement the Western Wise middle school program and the immersive English camps. Jing has worked 15 years in Marketing and PR for various companies in China (including a travel agency) and has strong connections with several Chinese middle schools.

Zhu Li is partnering with Western Wise to develop the curriculum and provide teachers for her new private English institution. After 17 years in management at New Oriental, the leading private English institution in China, Zhu Li started her own program, which places a higher focus on communicative English skills.

Brenda LaMarche Western Wise works with BRL HR Consulting for our HR processes and payroll.

VI. Target Market Description

Western Wise has developed five interrelated streams of revenue generation and is utilizing its first year to determine the product/service mix that best maximizes revenue and the customer experience. We will focus on the development of the first two through December 2015 to refine our strategy in those markets and establish a foothold, then shift focus to new revenue streams, such as licensing and class instruction.

Online 1-1 English Tutoring (K-12) (Primary stream): Western Wise's primary stream of revenue is fun, interactive, and customized one-to-one English lessons via video conferencing. Our young, energetic tutors build close relationship with the clients, emphasizing long-term recurring revenue.

- **Tutor Profile:** Originally, tutors were generally college students or recent college graduates. Western Wise especially recruited tutors within the Communications, Education, or Linguistics departments, though with the proper experience and success throughout the rigorous interview process, other educational backgrounds were considered. Now, as Western Wise expands, we hire remote tutors as independent contractors. These remote tutors must have several years of teaching experience and ESL education/certifications. (SEE Appendix A: Hiring Forms)
- **Current Client Profile:** Our 50 current clients range from 3.5 to 14 years old and have varying English language abilities, with most of our students falling between seven and eleven years old. While some have strong English reading, speaking, and comprehension skills, and have even spend as long as a year living in an English speaking country, others struggle with basic vocabulary. Most clients have previously had some formal English training outside of school, typically in a large group (15-18) in a classroom setting with non-native speaker. Clients average two tutoring hours per week, or about \$2600 in average annual revenue per client.
- **Client Segmentation:** Through customer discovery with our current client base, Western Wise now recognizes the diverse needs of our clients. We plan to begin segmenting clients into the following groups, each with its own unique curriculum:
 1. English Basics: Students in the English Basics track are learning basic English words and phrases, generally with very little English background or experience (3-5 years old).
 2. Overall English Ability: This group of clients (ages 6-14) wants to improve their overall English writing, reading, and comprehension. Lessons incorporate a plethora of content designed to generate conversation and improve vocabulary, including videos, poems, artwork, stories, and games.
 3. Technical/Exam Preparation: This is for clients that want to focus on the more technical linguistic aspects of English, especially vocabulary, grammar, and writing. Students in this category are often preparing for

highly competitive English examinations, including entrance into an international school (focus on ages 9-14).

Schools/Independent Learning Institutions: Western Wise targets private schools and institutions that are looking to improve their students' communicative English skills. The Western Wise Partnership serves as a strong marketing tool for these schools and institutions. The leading private English institution, New Oriental, is valued approximately \$10 billion USD and is traded on the NYSE.

- **Small group lessons:** Using an iPads, students in a school classrooms divide into groups of four and work with a Western Wise tutor.
- **Lecture:** Using a projector with video-chatting capabilities, the Western Wise tutor gives the students a lecture-style lesson. These lectures are supported by the Chinese English teacher, who acts as a teaching assistant for the lecture.

VII. Market Analysis

Market Size and Growth

English as a Second Language (ESL) is one of the fastest growing markets in China, as English is regarded as the “global language” of business and education. Currently, there are 100 million Chinese students learning English. English is becoming increasingly important with the growth of China’s middle class, an emerging population now able to afford to send their children attend higher education in the US, Canada, Great Britain, Australia, and New Zealand. With over 300,000 Chinese undergraduate students studying in the US alone (a number which has grown exponentially over the last 5 years and a population which renews every 4 years), developing strong English communication skills at a young age has become pivotal to a child’s future educational success.

One of the biggest pieces of evidence regarding the growth of the ESL market in China is the success of New Oriental, a Chinese company in the English education market. New Oriental began with just thirty ESL students in 1993, and has since grown to serve over 16 million students, is traded on the NYSE, and is valued at roughly \$10 billion USD. One of Western Wise’s current partners (Zhu Li) in China was formerly the director of North American Middle School services for New Oriental.

Though many online English tutoring companies exist, the many companies are focused on TOEFL/IELTS test prep and offer a different value proposition. Western Wise focuses on communicative skills because there is an increasing demand for this style of learning English. Additionally, clients focusing on communicative skills are younger, so Western Wise can have more of a tangible impact on their English development. Finally, these clients have a longer LTV than those in the test prep market.

The market is further segmented by the language background of the tutors. Many English tutoring companies in China will use non-native speakers, putting the students at a disadvantage for developing a native-sounding accent or the cultural aspects of the language (for example, the use of indirect language for courtesy). Other companies use “semi-native” speakers, such as Malaysian or Filipino teachers, who use a modified/dialectal version of the English used in “Western” countries. Western Wise has opted to target the higher end of the market by using only native speakers with a standard American accent.

Barriers to Implementation

Dependence on Technology and Government Regulations

Western Wise one-to-one tutoring depends largely on the effectiveness of the video conferencing software and Wifi connection. To ensure that our client meet the connectivity requirements of online tutoring, we do a short, 15-minute connection test prior to the trial interview and lesson. While the majority of our users connect with us through our preferred software, Zoom, we have

several other options that offer less definition in the video quality, but have a lower bandwidth requirements.

While we have incurred no significant problems with government regulations, information entering China through international servers is subject to a government firewall. We continue expand our list of software tools, should one become ineffective due to Chinese government internet restrictions.

VIII. Marketing Plan

Channels

In addition to WOM marketing, the other 15% of client acquisitions have heard about us through our WeChat blog, a Chinese social media. We also monitor and post on several popular Chinese English education forums. Future acquisition strategies will include more social media, such as Weibo and RenRen. As we expand, we want to focus our marketing efforts on small group tutoring, especially middle schools and daycare centers. If we succeed with our two experimental partners, they will connect us to their networks of other schools and organizations that would also be interested in group tutoring sessions.

Our clients initially contact us through the Chinese platform WeChat, a social media and messaging system. Once they complete a questionnaire, they are paired with a tutor for two free trial lessons via the video-conferencing software Zoom, which includes screen-sharing capabilities so the tutor can screen share the interactive lesson (typically a powerpoint) in addition to other curriculum materials such videos, poetry, artwork, or games.

Tutor Recruiting and Training

In order to grow sustainably, Western Wise must constantly hire and recruit passionate, patient, dedicated, and qualified tutors. Until now, Western Wise has hired through job postings and personal referrals; fortunately, education, linguistics, and communications job candidates are generally underserved. Now, potential tutors apply online with a form and 5-minute introduction video, so we can determine if the candidate is a good potential culture fit before spending time in an interview.

Western Wise has built a 9-hour training program which provides tutors with the tools they need to be successful. The program emphasizes three key aspects of tutoring preparation:

Stage 1

- Company Culture and Processes (1 hour)
- Linguistic Concepts (2 hours): In this portion of training, tutors will learn to address key issues regarding language development and second language acquisition
 - Grammar, ESL pedagogy, features between English and Chinese
 - Linguistic diagnostics and assessment forms
- Situational Analysis (3 hours): Tutors are given training and respond to scenarios from recorded lessons, as well as lesson analysis.
 - Practicum, lesson creation, integration of linguistic concepts in the context of lessons,
- Lesson Observation (2 hours): New tutors observe and analyze live lessons with two of the other tutors, participating when appropriate and under the instruction of another tutor.
- Independent trial lesson (1 hour): Tutors are observed during their first contact with a new client and

Stage 2

Co-tutoring: Tutors try their tutoring skills by co-tutoring lessons with another tutor.

Stage 3

Feedback and evaluation: tutors receive bi-monthly feedback and evaluation on their progress based on a random selection of 3 recorded lessons and a feedback form by the clients.

Customer Acquisition Strategies



Current Customer Acquisition Strategies:

As demonstrated in the graphic above, we currently acquire clients through Chinese social media (WeChat), our website, posts on related blogs and forums, and (primarily) through the networks of our satisfied customers. Western Wise currently has over 250 followers on its WeChat blog, adding new followers each day. Additionally, Western Wise is investing in Search Engine Optimization for Baidu, China's leading search engine for the website: www.westernwiseus.com, which has been translated by our team to be accurate in both English and Chinese.

Future Customer Acquisition Strategies:

In the future, we would like to grow through more focused marketing efforts such as the Education Expo China (which garnered over 50,000 visitors in 2014), our summer camp, and another Chinese social media site, Weibo.

VII. Financial Projections

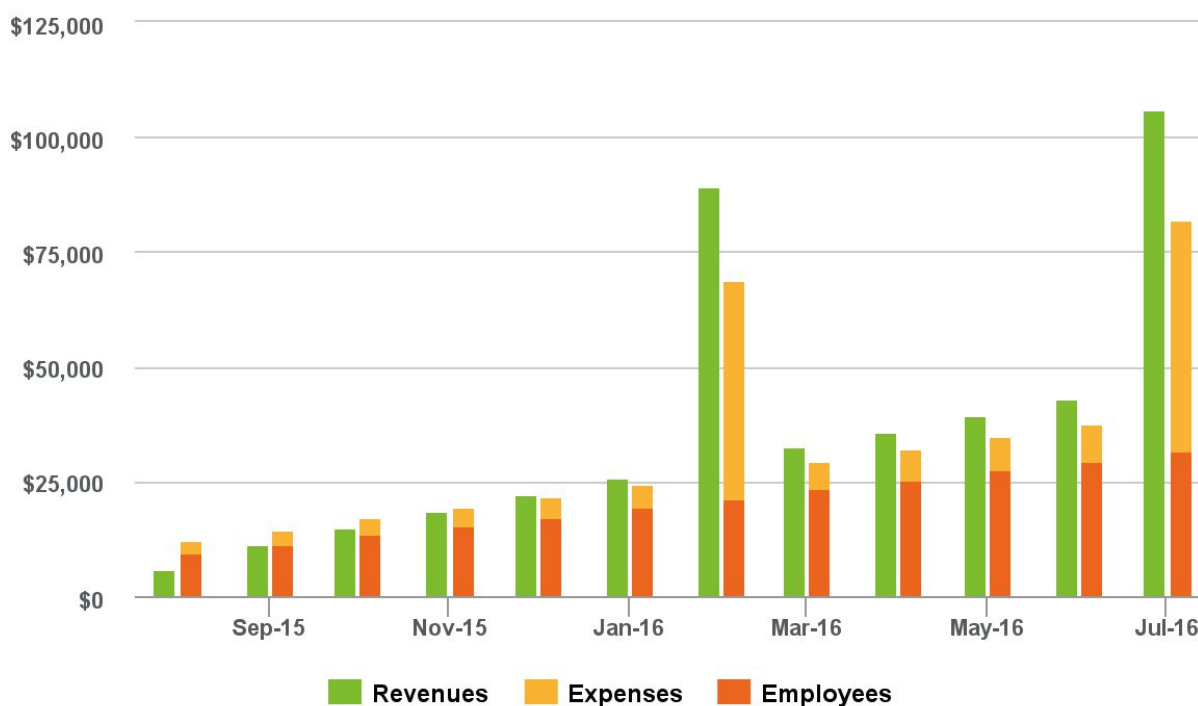
Financial Projections:

Please see Appendix B, financial statements.

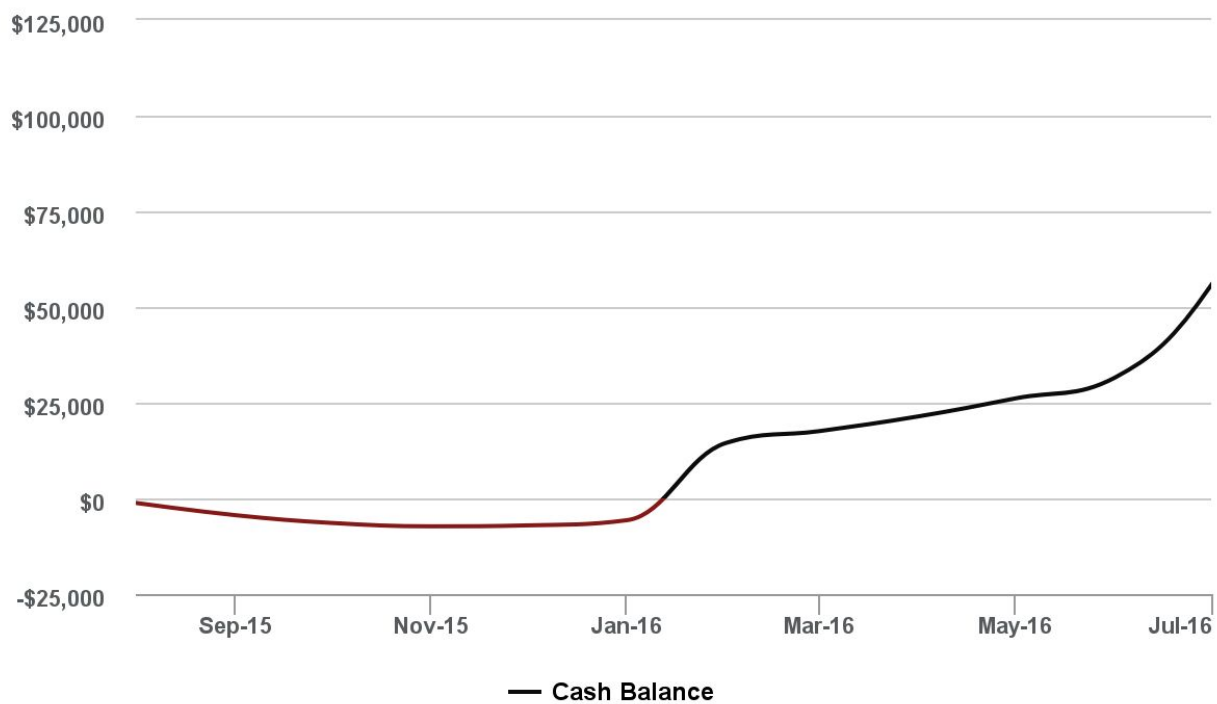
Western Wise is projected to become cashflow positive by February 2016. With an monthly sunk-cost investment of roughly \$2,000/month in curriculum development since April 2015, Western Wise is investing strongly in its development and future. Western Wise has increased profit by an average of 20% month over month in each of the last 9 months (since hiring the first tutors last March).

Western Wise currently has 50 individual clients and breaks even at 85 individual clients (or 150 weekly tutoring hours). Closing the pending partnerships with middle schools would create a near-instant break even, as Western Wise will acquire 50-1000 new students for each school closed.

Overview



Cash Balance



Income

