

CS 466 Web-Based Startup

Team Name: DocuSplain

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Business Models

1. Select and describe your business model in a paragraph. Describe your customer, the options for customers, free trials, pricing tiers, etc. (2 points)

DocuSplain's business model targets high school and college students with several different subscription tiers. These subscription tiers are based on our operating costs of predictions run on our model, starting at \$3.99/month with no determined upper limit. Customers will be given the option to try the product for free, for a certain amount of requests. The DocuSplain product will be built under an open source license, and will reward customers with credits towards their monthly subscription in return for their help in training the model on their own systems. This crowd-sourced model will drive good will and engagement through word-of-mouth, which will help bring down advertising costs. Users will be given the option of a free trial of 20 queries. Our referral program will give a free three months (on basic plan) to users who successfully invite friends to sign up for an annual subscription.

Options:

DocuSplain Plan	Basic	Standard	Premium	Pro
Monthly Subscription	\$3.99	\$7.99	\$12.99	\$19.99
Annual Subscription	\$44.99 (\$3.75/m) 6% discount	\$84.99 (\$7.08/m) 12% discount	\$119.99 (\$9.99/m) 23% discount	\$164.99 (\$13.75/m) 41% discount
Monthly Query limit (limit 300 words per query)	40	100	185	330
Cost per extra query (limit 300 words per query)	\$0.15	\$0.13	\$0.12	\$0.10

*Prices calculated based on estimated cost of \$0.06/query

2. What assumptions are you making regarding expenses? (e.g. Who will you hire and when? What is their compensation? Do you have an office? How much does it cost to run your business on a monthly basis? When do you start advertising?) (2 points)

DocuSplain is currently not planning to hire developers outside of our team. Our founders will serve as CEO/CTO/Board positions, software developers and salespeople/advertising managers. The founders will not be paid for the first two years in order to increase our profit

margins. In order to cut down on costs, we will not be renting an office. One time startup costs would include contracting a business attorney (\$5,000) for help with legal documentation for the business, and licensing. Our expected monthly business costs will be \$1275 consisting of web server costs and advertising campaigns. After two years, our monthly business costs will jump to over \$35,000, when we will start paying our founders' salaries.

3. What assumptions are you making regarding revenue? (e.g. customer ramp/churn, conversion rate, how much do they pay, how often, what other revenue streams do you expect) (2 points)

- **Revenue assumptions:** We assume that the revenue customers bring in will always cover the costs associated with their use of the product i.e., the cost of AWS computing.
- **Customer ramp:** We assume a relatively industry standard customer ramp of 20%
- **Customer churn:** We expect a very low churn rate of around 5%. Open-source software is very sticky and users get passionate about it.
- **Conversion rate, pay and frequency:** Of people who decide to pay for the program we assume that most will try the standard version for \$3.99 per month.
- **Extra revenue streams:** We can license this to software companies, schools, and colleges to use this software to aid in employee training and student education.

Financial Model

4. Your model should tell you when you will be cash flow positive. Will it happen in 2024? What month? (1 point)

Because it is normal for founders to often not take a salary when spinning up a business, we chose to create a model that does not allocate capital for salaries until the business has been in operation for two years. With that in mind, we are first cash-flow positive in July 2024.

5. Your model will tell you when you run out of runway with and without revenue. What is your worst case runway? (i.e. you don't sell anything) (1 point)

Given starting capital of \$25,000, we will be out of money in 20 months if we don't sell anything.