

Application deadline: 8 pm PST on March 20, 2011.

Please try to answer each question in less than 120 words.

We look at online demos only for the most promising applications, so don't skimp on the application because you're relying on a good demo.

Though we don't make any formal promise about secrecy, we will try to avoid disclosing your plans to potential competitors.

If you're about to answer a question by saying you can't tell us because the answer is classified or controversial, please tell us instead about an instance that isn't.

We recommend you save regularly by clicking on the update button at the bottom of this page.

Otherwise you may lose work if we restart the server.

Your YC username:

huherto, rubentopo, justjico

Company name:

Gamexchg

Company url, if any:

www.gamexchg.com

Phone number(s):

9014957190, 5216141768758, 5216142307701

Please enter the Posterous url of a 1 minute video introducing the founders.

(Instructions.)

<http://huherto.posterous.com/introductory-video-y-combinator>

YC usernames of all founders, including you, justjico, separated by spaces.

(That's usernames, not given names: "bksmith," not "Bob Smith." If the startup has 3 founders, there should be 3 tokens in this answer.)

justjico, huherto,
rubentopo

YC usernames of all founders, including you, justjico, who will live in the Bay Area June through August if we fund you. (Again, that's usernames, not given names.)

What is your company going to make?

A video game marketplace. A website where customers can sell, rent or buy community-supplied video games.

If this application is a response to a YC RFS, which one?

NO

For each founder, please list: YC username; name; age; year of graduation, school, degree and subject for each degree; email address; personal url, github url, facebook id, twitter id; employer and title (if any). Put unfinished degrees in parens. List the main contact first. Separate founders with blank lines. Put an asterisk before the name of anyone not able to move to the Bay Area.

justjico; Isaac Chavez; 26; 2006, ITESM, B.of S. Electronic Systems Engineering, (Harvard University Ext School, ALM IT Software Engineering); isaac@gamexchg.com;
www.justjico.com , none, 658545280, @justjico; AutoZone, Inc R&D Technical Architect.

huherto; Humberto Hernandez; 42 yo; 1995, M. of S. Computer Information Science, University of Michigan-Dearborn; 1992 , Universidad Autonoma de Chihuahua, B. of A., Business Computer Systems; humberto@gamexchg.com; <http://humbertook.blogspot.com/>
<https://github.com/huherto> ; <http://www.facebook.com/profile.php?id=100000115223988> ;
huherto @ twitter ; Autozone, Inc R&D Technical Architect.

rubentopo; Ruben Terrazas;26;2007, ITESM, B. of S Computer Science, (Harvard University Ext School, ALM Mathematics and Computation); ruben@gamexchg.com;
<https://www.facebook.com/rubentopo>; rubentopo@twitter; Autozone, Inc Programmer Analyst.

Please tell us in one or two sentences about the most impressive thing other than this startup that each founder has built or achieved.

Isaac:

Founded Videoclick, a brick & mortar DVD and video game rental store with ~ \$35k dills revenue (FY '10) with ~10k dills investment. Closed on late 2010 due to the drug war. I developed my own POS and in-store interactive kiosks, all while attending two algorithms classes via Harvard Extension School, and achieving a promotion within AutoZone.

Humberto:

At 27, I became and IT Director at Grupo Autrey (one of the largest distribution companies in Latinamerica) and managed a staff of 120 engineers. It was a great experience. A few years latter I had to start over. From my living room, I founded itbrain.com.mx, a consulting company specialized in software development engagements with big companies. Today, a total of 15 engineers are currently working at ITBrain.

Ruben:

Main developer at all the latest (2.5 years back until now) credit card related projects at AutoZone, developed all the the code related with the actual transactions for all these projects.

Please tell us about the time you, justjico, most successfully hacked some (non-computer) system to your advantage.

Isaac:

Around the time I started college, both my parents moved to Spain. I wanted to visit them, but was too proud to ask for money. Since internet café's were popular then, I went into one and talked to the owner. I committed to renting the whole place for a weekend (2 weeks away) for about \$200 dls (which I didn't have). I then advertised a PHP programming course at the café and nearby places. 15 people showed up. I used my first name (Jorge) to avoid being recognized in the ads. There were a few stares at the beginning, but everyone leaved happy and I enjoyed an awesome summer in Europe.

Humberto:

I wanted to study a Master's degree. I had no money and I didn't speak English. I started working in Ford Motor Co in Chihuahua. After one year, I told them I was going to leave to study my Master's at the University of Pittsburgh (I only had the acceptance letter but I didn't have the money). They offered me a job at Dearborn MI and they paid for my Master's at the University of Michigan. I finished debt free. It is not really a hack but it helped me achieve something that it seemed impossible.

Ruben:

When I was in high school, I helped raising funds for the missions in the Tarahumara Sierra. On one occasion, the group I was working with, selling burgers, didn't sell as many as we needed and showed up hung over on the day we had to make and deliver the burgers. Being a kid, your friends won't have much money, but your parents' friends will, so I went home and called my parents' friends that morning and sold about seven times more than my share of burgers in just one day, netting our group about 500 dollars more.

Please tell us about an interesting project, preferably outside of class or work, that two or more of you created together. Include urls if possible.

Isaac and Humberto get to visit AutoZone stores from time to time as part of their job. From those visits some ideas are born and turned into projects, but others are killed and labeled as too far-fetched. One of those that they actually decided to pursue on their own time, was the creation (on-going) of a store display fixture made of load cells (weight sensors) shaped as your normal scan hooks. These enable us to learn when costumers take and misplace (or steal) merchandise, messing up planograms. This is of course an alternative to RFID tags, that bring high labor and hardware costs. The material for some of our prototypes is ~6 dls per hook.

How long have the founders known one another and how did you meet? Have any of the founders not met in person?

We've known each other for 3 years.

Ruben + Isaac met briefly at school (2006), but never really connected until they worked

together at AutoZone's IT production support team (2007). They both enrolled at Harvard University Extension school's IT graduate program during 2010. Humberto met them both during 2008 when he joined AutoZone, and later formed an R&D team with Isaac. Isaac and Humberto have been hacking R&D projects together for almost a year.

Why did you pick this idea to work on? Do you have domain expertise in this area? How do you know people need what you're making?

When Isaac was working on his video rental company he observed that the used video game industry was broken. Common practice from retailers was to take a high profit margin on sales, while paying low trade-in prices to users selling their games, all while locking buyers and sellers by paying with gift-cards instead of money.

We picked this idea:

- Because the current leader (Gamestop) sucks, and it's big: \$9 Billion USD in revenue (2009).
- We think we can proof the concept and achieve profitability with a small investment.
- Once we have a good model, we can scale rapidly from there.

What's new about what you're making? What substitutes do people resort to because it doesn't exist yet (or they don't know about it)?

Biggest player is GameStop (48.1% of profits from used video games), a brick and mortar that will buy any one of your games, but for a very low price, in gift cards or even a lower amount on real money. People selling video games on ebay face high shipping and listing costs, plus they usually resort to lowering their price, as they compete with "power sellers".

Our plan to solve this is to open a marketplace that will (1) rent and/or sell customer's video games in a FIFO order (2) using algorithmic dynamic pricing, based on supply/demand and competitor's pricing, (3) ensuring playability by testing incoming disc quality. (4) We'll be using über-cheap netflix-like shipping envelopes.

In general we think we can:

- Achieve a better distribution model. Cheaper, faster.
- Avoid financial cost of inventory. Since we will not own the video games.
- Avoid depreciation costs. (See above).

Who are your competitors, and who might become competitors? Who do you fear most?

The biggest one is GameStop (see above), but we fear Amazon the most, because if they decide to fully pursue this market and change their pricing and distribution models (instead of relying on third parties), they'll become a formidable competitor.

Other competitors include: Ebay (online auction and shopping website), Gamefly (Netflix for

video games), Goozex(Points-based marketplace), Game huddle (startup, community-supplied rentals).

For more details on competitors, please visit: [website](#)

What do you understand about your business that other companies in it just don't get?

Users feel ripped off if they perceive you're making a very high profit from them, specially if you do it right in front of them, i.e. buy them a game for a \$15 dollar gift card, turn around and re-sell it for 40-100% more . Most don't get the dynamic nature of video game prices, customers are willing to pay premium to play (buy or rent) mvsc 3 today, but not halo 3: ODST ...

How do or will you make money? How much could you make? (We realize you can't know precisely, but give your best estimate.)

- Small fee on every transaction ~ \$1 dll.
- Selling insurance for every transaction ~ 5% of game price.
- Having fees on: disc-cleaning, resurfacing, stocking(after 1 year without being sold), getting cash from your in-store credit, etc.

If you've already started working on it, how long have you been working and how many lines of code (if applicable) have you written?

None yet.

We've been working on planning core modules. No lines of code have been written.

How far along are you? Do you have a beta yet? If not, when will you? Are you launched? If so, how many users do you have? Do you have revenue? If so, how much? If you're launched, what is your monthly growth rate (in users or revenue or both)?

We're on planning stage.

If you have an online demo, what's the url? (Please don't password protect it; just use an obscure url.)

We have a mockup showing how it would look:
<http://gamexchg.appstor.com>

How will you get users? If your idea is the type that faces a chicken-and-egg problem in the sense that it won't be attractive to users till it has a lot of users (e.g. a marketplace, a dating site, an ad network), how will you overcome that?

We plan on buying a small lot of premium games, so users will have access to video games from day one, then grow organically from user supplied -ones.

If you're already incorporated, when were you? Who are the shareholders and what percent does each own? If you've had funding, how much, at what valuation(s)?

NA

If you're not incorporated yet, please list the percent of the company you plan to give each founder, and anyone else you plan to give stock to. (This question is as much for you as us.)

30% each founder, 10% to be defined.

If we fund you, which of the founders will commit to working exclusively (no school, no other jobs) on this project for the next year?

All three.

For founders who can't, why not? What level of commitment are they willing to make?

NA.

Do any founders have other commitments between June and August 2011 inclusive?

No, we all have full-time jobs, but have agreed to fully commit to this project and quit our jobs by then.

Do any founders have commitments in the future (e.g. finishing college, going to grad school), and if so what?

Ruben + Isaac have started a distance graduate education course at Harvard Extension School, however both have agreed to put their degrees on hold, for at least two years to fully commit to the start-up.

Where do you live now, and where would the company be based after YC?

We all live in Chihuahua, Mexico. We would look for the best place in California for a distribution center.

Are any of the founders covered by noncompetes or intellectual property agreements that overlap with your project? Will any be working as employees or consultants for anyone else?

No and no.

Was any of your code written by someone who is not one of your founders? If so, how can you safely use it? (Open source is ok of course.)

No.

Are any of the following true? (a) You are the only founder. (b) You are a student who

may return to school when the next term starts. (c) Half or more of your group can't move

to the Bay Area. (d) One or more founders will keep their current jobs. (e) None of the founders are programmers. (Answering yes doesn't disqualify you. It's just to remind us to check.)

No

If you had any other ideas you considered applying with, please list them. One may be something we've been waiting for. Often when we fund people it's to do something they list here and not in the main application.

+++

- A distance Spanish language school.
 - Hire local teachers in Mexico
 - Develop computer based material.
 - Develop tools to aid teachers and track student's progress.
- A TI-89 as an app for tablets and smart phones.
 - Better UI. It's cumbersome to work on matrices on the TI-89 or existing mobile apps.
 - Finding a symbol should be straightforward, and typing infinity should be easier than pressing a yellow button + catalog. That's not easy to remember (I had to get my calculator and see where the infinity symbol was).
 - Huge opportunity for mobile devices.
 - Explore making some calculations on the cloud and send results to the device.
- Facebook takes a way too much time from teenagers.
 - Help parents monitor/control activity in Facebook.
 - Use Facebook as a motivational learning tool.

Please tell us something surprising or amusing that one of you has discovered. (The answer need not be related to your project.)

You can fit 2,500 dvds with case inside a Nissan sentra. That's 1/3rd of a Blockbuster store.

Video rental customers are not rational, some will buy a bundle even if it is more expensive than its individual components.

(Clicking on update doesn't submit your application; it just saves it to disk.)

