

Israeli technology essay sample

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@Hoc business proposal introduced by Guy Miasnik and Ly Tran, undoubtedly, opens new perspectives to internet commerce. The business model proposed has significant benefits. Firstly, the scalability of business alongside with no content management costs allows significant cost minimization. At the same time, while the Company intends to create significant barriers for entry for potential competitors, the likelihood that it will manage to do so is doubtful.

The reason is rooted in the very idea itself. One of the requirements as well as the major benefit to be realized by @Hoc users is that the search of information when using Company services is non disruptive, personalized, and context triggered. While it does offer efficiency and saves time, other companies already operating on the World Wide Web have similar type of technology. To be more specific, in order to find relevant information, often, usage of one key word would be insufficient. As the amount of information available on-line increases and since one word can have multiple meanings and variations, selection of one word will not bring relevant search with the exact results needed by the user.

For instance, if a person selects the word magic and there would be no relevant words in the text to exactly describe the idea of a user to carry out the search, he or she still will have to enter additional data, which disrupts the process. Besides, using Opera as a web browser and having the Google panel installed, a user can carry out the same search without disrupting from his or her current business by selecting the search results to open up in a new page. As such, ad hoc technology even though is innovative, has

substitutes in the market place, which do not employ a similar technology, but achieve similar results that are, perhaps, more exact.

Being a potential investor, I would still invest in the product; however, I would have to find out more about how the program would go about “zooming in contextually relevant information”, as being organized on a purely commercial basis, when, most likely, a user would enter information by selecting a word or a phrase, the key words would be too general, therefore, thousands of partner websites having the same product would go back in the search results. As the user would visit at most only a few first, the remainder would not be interested in participation whatsoever, as the possibility of additional traffic generation using @Hoc services would be very little.

Google Adwords are, perhaps, a substitute for the product, however, in this case, a user enters a narrower key word, whereas with @Hoc technology – a word would be simply selected from the text, so, in most occasions, it would be broad. As such, as an investor, I would think about investment in this project, however, from a perspective of non intentional purchasing online activity solely. The remainder of possibilities described in the business plan already has substitutes in the market to the extent of information presented in the business project.

When it comes to speaking about the financing need of @Hoc Company, I would not suggest increasing investment needs because of a potential need to move company employees to the United States. Outsourcing human resources to Third World countries by now has come to be a common issue.

India is now a leader in technological innovations primarily due to a possibility to employ highly skilled and still very cheap labor. So, I would view the current location of the company key employees more as a benefit that allows greater level of efficiency and cost minimization, whereas current technological solutions allow successful management from virtually any spot on the planet and Guy Miasnik and Ly Tran, more than anyone else, should realize this fact.

As the Company current investment requirements are about \$1.5 million, I would suggest increase the amount. While cost minimization will be realized through outsourcing of Company staff, additional investment is needed to expand the marketing campaign to be undertaken during the first year or operations. According to Company cash flow statements, selling and marketing planned for the first year constitute 54% and amount \$1,986,000, whereas the following year amount doubles constituting only 40%.

As the Company has virtually no other fixed costs involved associated with business expansion and as the technology is revolutionizing in e-Commerce, by investing more in a marketing campaign, the Company would be saving money in the long run, as an increase in sales involves only variable costs and, as such, it becomes a factor of successful advertising.

This would also establish stronger barriers for entry of competitors, as the Company is the most vulnerable during its' first three years of operation, when it is operating at a loss. As such, I would suggest raising more money in order to expand an advertising campaign, which would allow saving later on and would secure @Hoc position. By raising \$2.5 million instead of \$1-1.

5 and investing additionally \$1 million out of the sum into marketing campaign, Guy Miasnik and Ly Tran would double the speed of development of the Company and would get out of the loss much faster.

When it comes to speaking about perspective source and structure of financing, I would suggest involving both - venture capitalists and angel investors. As both investment plans have their positive and negative sides, it is crucial for the Company owners to have the greatest share in the business. According to the data in the case study, when involving only venture capitalists, as much as 50% of the Company share could be lost, which means that neither Guy Miasnik nor Ly Tran would have a great enough share to exercise control over the Company. As venture capitalists normally are not interested in long term goals, but rather seek fast profits and sell out their share, long term position of the Company could be endangered.

Aside from this, venture capitalists are more expensive than angel investors. As such, I would recommend raising funds from venture capitalists so that their share of the Company would not exceed 25%, whereas the remainder should be divided between several angel investors in order to safeguard the position of the Company in the long run.

When involving venture capitalists, Guy Miasnik and Ly Tran could also realize the benefit of highly qualified management assistance that they feel they are in need of. At the same time, as angel investors are normally independent and do not have direct interest in management processes, by keeping individual share of each of them low, the Company owners would still enjoy managerial support and help with recruiting. Finally, the need for

fast investment would be satisfied by angel investors, whereas the capital to be invested by venture capitalists could be used on a longer perspective.

To sum up, the product offered by @Hoc Company is innovative; however, the business owners should think more about functionality and relevancy of the search results that would be delivered using ad hoc user behavior. Guy Miasnik and Ly Tran should think about the way to narrow down the results without the necessity for users to enter additional search data.

The two entrepreneurs should also think about increasing financing requirements in order to speed up the process of business development, as the Company does not require additional fixed investment and expansion is a matter of labor and marketing costs; employee team should not move from Israel. Finally, entrepreneurs should consider raising investment from multiple sources; even though this strategy requires strong managerial skills and greater risks, this would also allow greater level of security in the long run as well as management support from venture capitalists.