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THE EARLY STAGES OF MOBILE
SOCIAL NETWORK LAUNCH
PROCESS

Bachelor's Thesis
Business Management

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DESCRIPTION

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<p>Name of the bachelor's thesis The Early Stages of Mobile Social Network Launch Process</p>		
<p>Abstract</p> <p>This thesis is concentrated on mobile social network development features and the industry of social networks. The company which this thesis is written for is Guesspoint Ltd. This company is working for the launch of the mobile social network with the same name. The company is based in St.-Petersburg, Russia, but the scale of the future operation is expected to be global.</p> <p>The theoretical part is focused on the scientific explanations of social phenomena and especially on the social network phenomenon, the concept of the financial bubble which is the actual situation on the market of this field. A precise look is taken on the legislation problems concerning the social networks. More, the special attention is given to the foreign markets entry modes and different variations of it.</p> <p>There is a lot of data collected for the questions of mobile internet and social network usage. This data is represented in theoretical and partly in the research methods part. More, in the research part there is a significant support for a single case study method which is applied in the thesis.</p> <p>This information is proved by the real events and also a lot of theoretical postulates were tested. So this study will become a useful guide for any company that sets up a social network or similar product. In some parts of the research there are unofficial rules and specialities of the industry concluded.</p> <p>This thesis has also been a strong support for Guesspoint project. First of all, the immediate implementation of the research results gave a positive feedback and also the company found its place and the strategy for post-launch moves. Personally, I have also benefited a lot from writing this thesis as I have discovered a totally new sphere for me and also have learnt a lot about spheres, connected with this one.</p>		
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CONTENTS

1 INTRODUCTION	1
1.1 Aim of the study	2
1.2 Literature.....	3
1.3 Thesis structure.....	4
2 THEORETICAL FRAMEWORK	4
2.1 Theory: Social networks	4
2.2 Network Effect.....	6
2.3 Financial bubble.....	7
2.3.1 Theoretical concept of financial bubble	8
2.3.2 Startups bubble, modern situation.....	10
2.3.3 Summing up.....	12
2.4 Theoretical figures.....	12
2.5 Law	15
2.5.1 Ways of payment.....	16
2.5.2 Royalty.....	16
2.5.3 Single payment	19
2.5.4 Intellectual property rights	19
2.5 Periods of launch.....	20
2.6 Foreign market entry modes.....	21
3 RESEARCH METHODS	24
3.1 Single Case Study.....	24
3.2 Quantitative research	25
3.2.1 The Poll.....	26
4 CASE STUDY	30
4.1 Guesspoint	30
4.1.1 Second-line functions.....	31
4.1.2 Messaging.....	31
4.1.3 Five days concept.....	32
4.1.4 Software	33
4.2 Monetization.....	33

4.2.1 Operating a business	34
4.2.2 Buy-out.....	36
4.3 Stakeholders, their history and their interests in the project.....	37
4.4 PESTEL analysis for Guesspoint and other Social Networks	50
4.5 Overall reason for action.....	58
5. REALIZATION.....	59
5.1 Chinese scenario. Yixin integration.	59
5.1.1 Intro.....	59
5.1.2 WeChat and the advantage of competition between companies.....	61
5.1.3 Brief information about Yixin.....	65
5.1.4 Legal side of the question.....	66
5.1.5 The market entry modes analysis in apply to Chinese Scenario	66
5.2 General Scenario	68
6 CONCLUSION	69
7 CONCLUDING REMARKS	70
BIBLIOGRAPHY.....	71
APPENDICES	78

1 INTRODUCTION

Nowadays the social network industry is growing rapidly due to great potential for expansion and kind of obsession from the internet users' side. The social network has become a totally new platform for the internet activity, like it was with the search engines before. It brings great expectation for the main term of profit making in Internet – advertising. Social network companies have even started going for IPOs (Facebook and Twitter examples). This business has become one of the most profitable and popular last years.

Of course one of the leading reasons for such a rise is already mentioned obsession about these platforms. The auditory of the largest ones has reached vast numbers – Facebook has approximately 800 million users, Twitter has 250 million, Google Plus 150 million, VK – 65 million. (<http://www.ebizmba.com/articles/social-networking-websites>). These numbers are simply enormous for a mass media and for internet auditory. Of course the number will hardly grow as fast as it was previous years simply because there are not so much internet users all over the world. But still, social networks together unite every forth human on Earth and it's a great net that is not mastered yet and has a lot of opportunities to pioneer in the future.

What is phenomenal – social networks are so interlinked with the real life, that being out of them sometimes gives an illusion of being out of a real social life. Lots of people cannot imagine their routines without the internet social networks already, it brings them everything they need, from the communication till simplified entertainment that doesn't really require any intellectual or spiritual effort and at the same time everybody does the same. Such things always rocket. So people are already kind of locked in to be logged in and this is one of the success matters for social networks that differs it from any other social media.

So, more and more entrepreneurs and IT-related specialists are conceiving a desire to create a new social network that will be one more independent platform with the personal auditory. Unfortunately for them, the greatest spheres are already captured by the universal social networks like Facebook or VK that have a lot of different functions inside. They are seen as a classic social networks and

there is no need to create one more social network like that simply because there will not be any demand for its content.

That is why all the entrepreneurs that start new social network are always searching for some new feature that will be able to attract the users. It really should be either something new, kind of sensation, or something that already exists but with the new realization and modification. Most successful are those who are offering totally new function, like it was carried out by Foursquare, which has given an opportunity of geolocation check-in. The potential of the market is still high – those who want to earn some money on their project are doing it even if not reaching a high scale auditory because usually when their unique feature becomes famous, they are bought out by the Internet giants like Google or Facebook.

More, some people are reporting about the financial bubble on the market of social networks and internet startups now, overestimation of assets is obvious, and it doubles the desire of entrepreneurs to make money out of creation of a new social network. Also the competition between such a powerful players (Google, Twitter etc.) makes the competitors search for a new and fresh ideas, whether they are successfully implemented or not. Buy outs are happening every day and it keeps the enthusiasm about such an assets on a high level – that also helps financial bubble to expand.

1.1 Aim of the study

Within the described situation, the study aims to provide a proper plan for the Guesspoint to launch the mobile social network. The study is split on theoretical and practical parts.

The theoretical aim of this study is to find out and order the previous information about launching a new social network and also to analyze the scientific reasons why social networks were and are filling so rapidly by crowds of internet users. Also the important sphere of theoretical part of this thesis is the legislation question that touches intellectual property rights of the launchers and opportunities for them to earn money in the case of buy-out. Also there is a short analysis about the theoretical description of financial bubble, previous experience of analogical situation and comparison. Lastly, the analytical data was risen to illustrate the situation in the particular industries of social networks, mobile internet penetration etc.

Also, important part of this study is the polls that were carried out to check the theoretical point of view and to understand the moods and needs of potential users better. They just represent figures and are followed by short comments without any opinion of the user, as the cold scientific illustration.

As for practical aim of this study, it is to develop a kind of guidelines for the mobile social networks development and launching first of all for the Guesspoint Ltd., which is the company that this study is dedicated to. Due to the embryonic state that the Guesspoint social network is being at now, the strategy and material analyzed are aiming to be implemented by the company and mostly were implemented while the study was getting finalized. First of all, the question was how to organize the realization of the process, because no one of the cofounders has ever done it before. Also, the question was which strategy to choose for the startup, because the dilemma appeared nearly immediately - if the startup should be kept and developed or if it should be launched and sold. Also, as the potential partnerships were possible in very different countries, there appeared a need to form different scenarios of actions for different situations. This study also figures out the most appropriate way of actions and gives an advice based on experience about the practical part of actions, like negotiations, outsourcing organization, search for funding etc.

The study will not cover the later stages of social network management and sustainable development, as the topic refers just to early development and preparation periods. Also, there will not be any deepening to the technical part neither in practical nor in theoretical parts of this study because the overall sphere of overview is more about business and management. So the technical parts will for sure be highlighted but still it will be abstract information as one of the elements of project realization.

1.2 Literature

While this study was forming up the serious lack of literature about the topic has appeared. The cause of the lack is that social networking business is quite a young sphere of business, especially mobile social network is. So there are simply no serious scientific works that could be reliable for the research. The sphere is still in a rising trend and any opinion cannot be checked because the time did not come to this point yet. So the work is written about the not totally discovered and quite innovative type of business with some try for a forecasting.

Still, the theoretical part is more or less followed by the links to the reliable sources, especially the parts concerning social sciences, law elements and other stable and admitted scientific areas. For example, in social sciences part the *Masses and Power* by Elias Canetti occurred to be an invariably useful material for the phenomena of crowds' explanation and classification.

But concerning the areas that are not properly researched yet, there are lots of sources in a specializing journals, scientific magazines and spare columns by the experts that are in a free access in internet. So these materials were widely used and are tending to be more reliable than the official scientific works sometimes.

1.3 Thesis structure

This thesis is organized in chapters and sub-chapters due to the need to organize the study more comfortably for understanding. Classically, there is a broad theoretical part that includes information about the scientific, legal, statistical and other issues that are needed to be included as a proper backing to the practical actions.

2 THEORETICAL FRAMEWORK

2.1 Theory: Social networks

There is no possibility to avoid some theoretical data about social networks in this work, as the subject of the study is such a network. There is not so much scientific data about this kind of internet products, especially after late 2000-th when the industry, that previously belonged to social networks of an "old-school" like My Space or Facebook, was conquered by "new wave" social networks like Instagram, Foursquare and many others. So it is very important to clarify – this work is absolutely in the trend of this new "wave", so all the previous theory is not really appropriate for usage here that is why there was the try to find something within last 5 years. (Attby, 2013)

Let's return to Elias Canetti concept of opened crowd and closed crowd that has already been mentioned above. In the case of usual social network closed crowd concept doesn't play any role, but an opened crowd does. The issue is that opened crowd is the form of mass that exists due to increase of the member's number of it. The main characteristics of this type of crowd are: it exists eve-

rywhere; this existence everywhere is the reason why it attracts newcomers; this crowd has unlimited ability for growth, it potentially can include as much members as possible; it brings a spirit that everybody has to be drawn in and involved into the movement, doesn't matter what this movement is; and it does want to grow and to grow again. (Canetti, 1962)

This concept is easy to find in the virtual crowds, for example, in Facebook. It exists everywhere where there is an internet, except China and few other (freenuts.com, 2013). Its existence everywhere attracts newcomers due to vanishing borders and distances, not only geographical but also personal. It does have unlimited ability to grow – there is just a need to store the servers and optimize technical part of it. Facebook already includes 1 billion of registered users (Source: Annual report of Facebook for 2012) which is 1/7 of whole the Earth population. Accumulating such a crowd Facebook doesn't really have problems with information storage, so maybe all the 7 billion will not make a problem for this company. More, Facebook still has possibility to grow, as there are a lot of people not registered there. The limit is only a number of people alive, that is always renewed by those who die and those who are born. As for the spirit and inclination to draw in more and more people – of course it exists. The automatic phrase “add me as a friend” is already doesn't accept the reject due to absence of the Facebook account. Also, it is understandable that in most of the times Facebook is just a time killer. (www.regnum.ru, 2013) The crowds, main part of the Earth population, so called “usual people”, psychologically need a time killer. Facebook is a perfect one that also entertains and brings an illusion of a communication, but this communication is better to name chatting because main part of it doesn't make any sense and people do not even remember what was discussed except particular cases. (Guesspoint management research, 2013. See chapter 3)

To finalize with Canetti, it has to be stressed that traditional social network is forming the opened crowd and exists according to the rules mentioned above. But there are some social networks that may seem to be exceptions, for instance, Japanese social network called Mixi.

Mixi is kind of social network that may be mistakenly ascribed to closed crowd because there is possibility to register given strictly to Japan citizens using their passport number. But even taking into account this limit for registration, the social network stays an opened crowd in a scale of one particular country. In 2007 Mixi had approximately 26 million of users (Japan Times, 2007), when population of Japan was around 127 million people (according CIA World Factbook, 2007) in which there was around 87,5 million of active internet users (Internet World Stats; 2010). More, Mixi was

second largest social network in Japan after Facebook (Japan Times, 2007). So it was just a parallel existing opened crowd that was shaping one country but still stayed opened crowd and lived by its rules, as it always is.

So, the usual social networks are of the opened mass concept according to Elias Canetti and all of them are working by the same social mechanisms. (Canetti, 1962)

2.2 Network Effect

In addition to the crowds effect there is another phenomenon concerning social networks which supports the growth.

This phenomenon is called the Network Effect. The sense of it lies in the fact that one user or buyer of the good or service has the impact on value of that product to other people. When this effect is present, the value of it depends on the number of others who use this product. (Shapiro, Varian, 1999)

The broader is the spread of the product or service (the network) that people use personally but at the time all together. This fact makes the network be more useful due to the fact that more and more people are using it, so the value of the network growth. This is the technology how any social network works. It becomes more and more valuable as it becomes more and more popular. The huge scale attracts more and more people who finally become a majority of those who are in the network, oppositely to those who are still out. (Arun Sandararajan, 2013)

When the network effect appears, the most important goal is to gain the critical mass. This is the weakest moment of the network effect existence; as if the critical mass is not gained, the effect will go down and finally disappear. Usually, for such external expansion the network has to offer newcomers some benefit in any form which will be appreciative and attractive. Sometimes in the beginning of the existence, the system does not even include the network functions but provides something useful and free in order to attract early adopters. Then, after the first mass is concentrated in and the system becomes valuable, it becomes able expand the data base and the network effect appears. (Shapiro, Varian, 1999)

The expansion and the mass increase soon or later end. The network becomes saturated and at this moment the most important step is to keep the crowds inside and to try to conquer of other networks that are not connected or slightly connected with yours. Otherwise, the users may abandon the network as it is usually happening with the open crowd. (Canetti, 1962)

The spread of the product or service with network effect is usually based on Peer-to-Peer (P2P) model. This model concerns attraction of the newcomers by the people who are already the users of the system. Theoretically, such model of attraction can last indefinitely, in the scale of the world population. A lot of companies benefit from due to very simple strategy. They provide the service that can replace another one or offers something cheaply or is just useful. So the user of the system gets used to it and while everyday communications attracts another people to take part in the system, as the user wants to share it or to use together in order to make the system more useful or interesting for him or her personally. (Sandararajan, 2013)

So, in the interlink with Open Crowd concept (Canetti, 1962), the Network Effect concept is the vital factor for the Social Network launch as it becomes a tool, the only one tool which can bring sense to the existence of the social network.

2.3 Financial bubble

The vital attribute for the market entry for any company is the knowledge about the current situation on the market. The fact that the sphere is in stagnation or rise will affect the movements definitely. As most of the situation are quite well researched but have a lot of features in the depth, the need for a theoretical overview appears. The goal is to learn the situation on market for the current moment and to check the theoretical data about the situation of this kind.

So, there is this condition demanding to look through. This is a widely spread opinion that now there is a financial bubble on the market of social networks and same sphere internet-connected startups. This opinion appears here and there sometimes and actually people are sure that such a bubble exists (Business Pundit, 2013) but there is not much scientific material written about the current situation as it happens right now. There are obvious links to the similar dot-com crisis happened in the late 1990-th that actually had the same causes and nearly the same history. As the topic of this thesis is about

the sphere of social networks that is now suspected in financial bubble existence, there is a need to study the situation for the strategy formation. For a new-born startup in any sphere, not only internet related, it is vital to catch the wind and to understand where it blows. Otherwise, without understanding of current situation on the market, project may sink staying unknown and not needed. (Drucker 1954; Levitt 1960)

First of all, it is important to analyze the scientific definition of financial bubble at all. After that it's possible to understand more or less clearly the existing data about the dot-coms financial bubble that is already related to our case. Finally, there is the try to find some hints in existing information and market conjuncture. (Lewrick, Maktob, Robert L. Williams, Jr., 2013)

2.3.1 Theoretical concept of financial bubble

Why is it needed to place some theory about the financial bubble concept and other related information?

Financial bubbles are never the same, because their forms always depend on the product or industry where it appears, but there are some strong and easily discovered. (Farlex Financial Dictionary. 2012 Farlex) Here is one of the broadest definitions of financial bubble:

“Financial bubble is a situation in which prices for securities, especially stocks, rise far above their actual value. This trend continues until investors realize just how far prices have risen, usually, but not always, resulting in a sharp decline. Bubbles usually occur when investors, for any number of reasons, believe that demand for the stocks will continue to rise or that the stocks will become profitable in short order. Both of these scenarios result in increased prices.” (Farlex Financial Dictionary. 2012 Farlex)

So, summing up, the main lineaments of the financial bubble are:

- Overestimation of assets
- Huge speculation possibilities
- Prolongation of the price increase
- High interest from the investor's side
- Mass-effect of the object (real estate, railways or something that is widely used)

Dot-com financial bubble 1990-2000

The famous example of a bubble is the dot-com bubble of the 1990s. Dot-com companies were hugely popular investments at the time, with IPOs of hundreds of dollars per share, even if a company had never produced a profit, and, in some cases, had never earned any revenue. This came from the theory that Internet companies needed to expand their customer bases as much as possible and thus corner the largest possible market share, even if this meant massive losses. NASDAQ, on which many dot-coms traded, rose to record highs. This continued until 2000, when the bubble burst and NASDAQ quickly lost more than half of its value.”

(Farlex Financial Dictionary. 2012 Farlex)

It is hard to doubt that current situation is nearly copying those and that some steps are already done. “..even if a company had never produced a profit, and, in some cases, had never earned any revenue” – comparing with current situation, the trend goes on. (Bizbrain.org , 2013)

Lots of startups are not generating any profit due to absence of a planned financial model.

“This came from the theory that Internet companies needed to expand their customer bases as much as possible” – also, the belief is nearly the same. Large companies are buying out the businesses that generate profit for the expansion of their own traffic or delegation of it. For example, when the person logs out the Facebook and logs in Instagram, the same company (Facebook) keeps getting traffic and, consequently, profits. That is why there is such an enthusiasm on the market of internet startups again – the giants are fighting for the traffic. (quora.com, forbes.com, money.cnn.com, 2013)

But it is quite easy to predict the result of such a trend. As it is stated in the main definition of the financial bubble, “Bubbles usually occur when investors, for any number of reasons, believe that demand for the stocks will continue to rise or that the stocks will become profitable in short order. Both of these scenarios result in increased prices.” – This stage is already far away and now the industry is somewhere on the top of the wave, when more and more people are starting to lose the belief in a rationality of the prices of such an assets. So, prediction goes already from the dot-coms crisis example – finally there will be too many applications or platforms that generate main traffic and all of them will be already shared by the giants like Facebook or Google. The human being is physi-

cally unable to be present in a numerous of applications at the same time. Even taking into account the diversity of interests, loyalty to this and those styles and regionally popular applications – finally all the traffic will be shared between them and it will be really hard to gain any more auditory. Traffic is not limitless, so, only revolutionary products will be able to snatch a share of the market from somebody else. But at those time the enthusiasm around this new potential assets will definitely drop, how it usually happens when investor recognize the difference between marketed price and the real price of the asset. (Farlex Financial Dictionary. 2012 Farlex)

So, what were the main characteristics for dot-com bubble?

- *important disclaimer Total NASDAQ market value
- 1990-2000 marked 140% annual growth rates
- Zenith in 2000: IT companies represented 1/4th of all equity value in the world
- 2 years later: Technology value dropped 70%
- The number of technical and IT IPOs dwindled from 457 to 76 (1999-2001)
- DotCom bust was a result of "too much, too fast."

Callout case study:

Delusional investment: Pets.com [sock puppet mascot image]

Amazon.com-backed

Raised \$82.5 million in an IPO in February 2000

Opening stock price: \$11/share

Delivering pet food and accessories online

Due to high shipping costs and low demand, they lost money on most orders

Collapsed nine months later

Worth \$0.19/share

(Bizbrain.org, 2013)

2.3.2 Startups bubble, modern situation

- The aim of startup – to make more money than taken to return to investors.
- 3 out of 4 startups, venture backed, don't return the money invested

- 95% of the don't reach the ROI
 - Those which are successful are overvalued
 - The average "successful" startup raises \$25.3 million and sold for \$196.8 million
 - An investing phenomenon
 - An obvious, but unsustainable, market rise from increased speculation in tech stocks
 - Typically characterized by:
 - investors predicting big ROI opportunities
 - rapid share price growth from hype
 - heightened tech company valuations and acquisitions
 - Overvaluation on unproven demand; gets capitalized basing on it.
 - Demand not met, and bubble pops
- (Bizbrain.org “Demystifying the Tech Startup Bubble”)

Instagram

- Raised funding of \$286 million
- Bought for \$1 billion

Tumblr

- \$125.25 million in venture capital funding
- \$1.1 billion bought by Yahoo

Zynga

- IPO for \$1 billion
- Valued \$7 billion
- Debuted \$10/share
- For the moment lost 55% of value

Facebook

- \$16 billion for IPO,
- 3rd largest IPO in history
- Valued \$104.2 billion
- Debuted \$38/share
- Traded \$28/share 3 weeks later
- Lost 31% of value in a 1 year

(Bizbrain.org “Demystifying the Tech Startup Bubble”)

2.3.3 Summing up

So, while this comparison it is quite easy to see that nowadays enthusiasm around startups and high attention from the venture capitalists are similar to those which took place in the last decade of 20th century with the dot-coms. Nearly all the features are matching. More, both cases are happening according to theoretical image of financial bubble, they are a bit more different due to the nature of products. These assets are intangible and overvaluation of them is quite easy to make. Also, this sphere is quite new and progressing. Some startups are really showing high results and the future looks bright, but still unpredictable, as the products are totally new always; it gives an opportunity to speculate with the price of a company and its representation. (Drucker 1954; Levitt 1960)

As the history says, one day the modern bubble will burst as it was with any other else. It is unavoidable as it is logical according to the theory and proved by the examples in the past. Nowadays the industry is reaching the zenith that was reached by dot-coms in the year 2000. First loud IPOs are done, some are still coming and a few more scandal and great scale acquisitions are foreseen. So the moment seems to be great for jumping in. (Bizbrain.org , 2013)

2.4 Theoretical figures

As Guesspoint social network is based on the mobile internet usage, there is a need to analyze global mobile internet market and data.

TABLE 1, active users of iOS and Android gadgets with mobile internet

South Korea: 30
Japan: 29
China: 221
India: 19
Russia: 19
Germany: 27
France: 23

Spain: 18
UK: 43
Canada: 23
USA: 222
Brazil: 19

(Statista 2013, Mashable 2013, StatCounter 2013)

TABLE 2, the most popular mobile applications

Games: 43%
Social networks: 26%
Entertainment: 10%
Utilities: 10%
News: 2%
Productivity: 2%
Health and fitness: 1%
Lifestyle: 1%
Other: 5%

(Statista 2013, Mashable 2013, StatCounter 2013)

TABLE 3, the fastest growing markets if iOS and Android gadgets

Columbia: 278%
Vietnam: 266%
Turkey: 247%
Ukraine: 237%
Egypt: 211%
China: 209%
India: 189%
Venezuela: 182%
SAR: 177%
Thailand: 176%

Philippines: 171%

(Statista 2013, Mashable 2013, StatCounter 2013)

TABLE 4, number of smart phone users

13-17 years old: 18%
18-24: 21%
25-34: 33%
35-54: 21%
Older than 55: 7%

(Statista 2013, Mashable 2013, StatCounter 2013)

The mobile internet user's number is growing every day. This is an absolutely new market and its potential is huge. In the near past, the Internet was hard to be reached by the mobile phone, but now, with the new era of smartphones and technological progress, it becomes much more affordable and accessible. 17% of the Internet traffic today is generated through mobile devices and this trend seems to continue. (Mashable 2013)

TABLE 5, growth of mobile phones usage for global web access

Periods	July 2012	July 2013
North America	9.4%	15.2%
South America	3.2%	6.8%
Europe	5.9%	9.7%
Africa	11.3%	23.7%
Asia	18.8%	26.6%
Oceania	8.0%	14.6%

(Statista 2013, Mashable 2013, StatCounter 2013)

This data was accounted for pocket-sized computing devices excluding tablets.

Data is given by Statista (statistics portal) Mashable, StatCounter.

So while analyzing this data, the fastest growth in South America and Africa is seen, where the percentage has nearly doubled. This is influenced by the welfare of inhabitants of these countries, who need the internet but are not always ready to buy a laptop or traditional computer because of their

high price. Mobile phone is always cheaper than the computer. Also, these are emerging markets and penetration of internet there is still in progress. So the internet providers seem to popularize affordable gadgets for internet access to increase the number of subscriptions. (Internet World Stats 2013)

Also, the number of mobile internet users in Asia is remarkable. It is nearly one fourth of the whole number of the connections. Of course, there are not so many internet users in Africa, but still, this tendency reapproves that people are choosing mobile internet as a great alternative for traditional connection through more expensive devices. Also, mobile gadgets are very easy for carrying. It is clear how all this factors make the mobile internet growth really enormous in Africa. (Statista 2013, Internet World Stats 2013)

But nearly the same tendency appears in Asia. The situation in poor countries like Vietnam, Bangladesh and so on is nearly the same as in Africa. But how could it be explained in more or less highly developed countries like Japan, China and South Korea? People have much higher incomes here and also penetration of the internet is quite high. (Internet Average Salary Income Database 2013) Also, in South Korea and China, people are very dynamic and hardworking, especially in the megacities like Seoul or Tokyo. They are mostly spending their day at work and on the way there and back. And here another factor comes - "geek" factor. (Peng, 2013) Asians are mad about everything connected with technologies, applications and, of course, internet. If they could, they would spend most of the time using their smartphones, may be. (Peng, 2013) So when the opportunity of mobile internet arrived they couldn't refuse using it, particularly at the time when they didn't have an opportunity to do it in the past - on the way to work and back. (geeksonaplane.com 2013)

2.5 Law

As the strategy of future Guesspoint idea and any startup realization is strongly interlinked with legal regulation issue for the interest protection, the theoretical part of this problem should be described. First of all the term of return payment for the access to intellectual property has to be analyzed and the most appropriate way chosen. Secondly, the protection for the chosen way of payments has to be picked up. Thirdly, as there is always an opportunity for a future cooperation, there may be kind

of reserve done as it can play its role in the future. Even if it will not, it is always better to take from the bargain as much as possible. (Peng , 2013)

Remark – as American law in the sphere of intellectual property rights is accepted by the rest of the world as more or less etalon and used nearly everywhere, one of the sources where the theory can be found is a dictionary of American law. All the other sources will be either from official international law sources, People Republic of China Law or Russia Federation Law sources.

2.5.1 Ways of payment

First of all there is a need to learn the set of possibilities and forms that are appropriate for usage as a fee in return.

There is a list of all forms that are more or less possible to be used in the case of Guesspoint and China Telecom:

- Royalty (in its variations)
- Single payment
- Few transaction payment
- Share provision

All these terms will be described through the analysis of official international information and laws, as both Chinese and Russian laws are quite incomplete in everything connected with intellectual property. All the definitions and statements will be described fully and subjectively analyzed in apply for the case of Guesspoint. (West's Encyclopedia of American Law, edition 2; 2008)

2.5.2 Royalty

To begin with, the first look can be taken on official and broad definition of what royalty is:

Compensation for the use of property, usually copyrighted works, patented inventions, or natural resources, expressed as a percentage of receipts from using the property or as a payment for each unit produced. (West's Encyclopedia of American Law, edition 2; 2008)

As it can be seen, royalty is defined quite widely and includes many different spheres. This definition does not even include our case, as Guesspoint idea is still neither even copyright-protected nor patented. So, the problem may occur here as anybody can pick and use the idea of Guesspoint and the owners of the idea can do nothing as there is no proof of the ownership.

When a person creates a book, song, play, or painting, the work is considered Intellectual Property. Similarly, when an inventor receives a patent on his invention, the inventor has intellectual property rights in the thing created. Typically, authors, songwriters, composers, playwrights, and inventors do not have the financial ability to fully exploit the commercial use of their creations. They must turn to businesses that specialize in the marketing of intellectual property. When a business obtains the right to market the creation, the creator usually receives compensation in the form of a royalty. (West's Encyclopedia of American Law, edition 2; 2008)

This is exactly our case – the Guesspoint idea is totally complete and developed like a painting or an invention but cannot be independently marketed on the territory of China. That is why there is a need to let China Telecom a possibility to use the creation and royalty is something good to get in return.

A royalty agreement is part of the contract that the creator of the work negotiates with the business that seeks to exploit the creation. A royalty can be as simple as a fixed amount of money for each copy of a book or compact disc sold by the business. (West's Encyclopedia of American Law, edition 2; 2008)

This also seems quite attractive – to sign a contract for a future monthly or annual fixed payments with no dependence on the company (creation receiver) well-doing. There is always the risk that the company using the creation will not be able to actualize the creation and the deal may become senseless as the intellectual property rights were given and nothing was and even could be received in return.

On the other hand, there is always a possibility to get tied by this contract and lose huge profits in the future in the case when the creation was actualized even more effectively than it could be forecasted.

An inventor's royalty might be an amount per unit sold or a percentage of the profits generated by the invention. In some cases it might be both. Because a royalty is one of the terms negotiated in a contract, the type and amount will depend on the bargaining power of the parties. (West's Encyclopedia of American Law, edition 2; 2008)

This is inappropriate term for cooperation in our case as there is nothing to be defined as “unit”. It might be supposed as users number attracted, but again, as the know-how of the Guesspoint may be included in Yixin, Chinese mobile-internet based messenger, it may be even impossible to count the number of users attracted exactly by Guesspoint feature. So, the payments per unit seem to be out of our list.

The schedule for royalty payments is specified in the contract. Quarterly or annual payments are typical. The royalty owner has the right to make an independent accounting of the business records to ensure that the figures upon which the royalty is based are accurate. (West's Encyclopedia of American Law, edition 2; 2008)

This is also very important – to schedule the payments smartly. If taking annual payments, the sum may seem too big for the company, psychologically. At the same time, payments within a month could bore the company, if it can be named so. That is why it looks much cleverer to set quarterly payments which will look much more modest as the whole sum than an annual payment and, at the same time, will bring some regularity and stability for the receiver of the royalty. (Guesspoint management team, 2013)

Concerning independent accounting – it is clear that such actions are impossible with respect to Yixin, as it leads to accounting interest of china telecom and Netease. (Peng, 2013) quite a famous example - the case of Sergei Magnitskiy who has started a conflict connected with accounting and white collar crime and the result is well-known. in china the result might be even worse as all these companies are leaded not by the managers but by the officials who are not so much interested in a well-being of the company but are much more interested in hidden schemes of additional profit

sources. it is quite hard to give an official proof of this information. Also, such an independent accounting is strongly undesirable from the side of intellectual property owners due to special accounting standards in china and too big volumes of information to be analyzed. There is even not so much full information about their standards and even the Deloitte china web-site (which is supposed to have a full info about this question) is not translated in English (<http://www.casplus.com/home.asp>, china accounting standards database).

So, as the independent accounting is neither possible nor desirable, the only way for the percentage set for royalties is in apply for revenue, because revenue states for whole the sales and money flow that comes to the company monthly.

2.5.3 Single payment

Single payment could be very comfortable for both sides, due to the fact that for the huge corporations single payment is usually not a big deal, but for the Guesspoint founders it could be great money to set up a new project. More, the sum is demanded in the exchange just for an intellectual property rights and nothing else, so it is an attractive action to undertake. (Peng, 2013)

2.5.4 Intellectual property rights

As WTO disclaimer says, intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time. (WTO disclaimer 2013).

Broadening, the definition of copyright needs to be mentioned:

The rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculpture, computer programs and films) are protected by copyright, for a minimum period of 50 years after the death of the author. While the basic social objectives of intellectual property protection are as outlined above, it should also be noted that the exclusive rights given are generally subject to a number of limitations and exceptions, aimed at fine-tuning the balance that has to be found between the legitimate interests of right holders and of users. (WTO disclaimer 2013)

So, the ‘computer program’ here is included in the intellectual creation term.

2.5 Periods of launch

Now let’s turn and look through usual scenario of the development. In our case it seems to be quite classic one for such projects in this sphere and refers to the general set of actions. There is a stable image formed by all these success stories and unofficial but accepted formulas of those success stories how to prosper and how to plan the emerging project for the future gain. (Reber, 2013)

The process is usually split on three phases (Appinions, 2013)

-Pre-launch phase, when the product itself should be totally prepared, the financing found and the first marketing steps made. Also, the awareness around the project should be created exactly at this phase. The actions undertaken usually are:

- Market Research
- Pre-Launch to Tech Influencers
- Keyword Research
- App Description Writing
- App Monetization Strategy
- Implementing SDKs and Analytics
- Social Media Sites Setup
- Pre-Launch Press Release

(appspire.me, 2013)

-Launch, the process of launch itself, a short and concentrated period of time when the product is released and is now for a public access. Here the marketing is vital as the impetus which you can give on this phase will be a matter of success for all along the story of this venture.

- Announcement to Influencers
- Outreach to PR Database of 1.4 Million
- Social Media Updates & Monitoring
- Creative Social Media Campaigns
- In-app & Mobile Ad Management

- App Store Optimization
- Launch Press Release
- Launch Mobile Ad Campaign

(appspire.me, 2013)

-Post-launch , all the story after the launch when the actions may be very different, according to wishes of the owners, managers and the situation on market. So the strategies for this period are unpredictable but usually lie in the fact of buy-out or maintenance.

- Campaign Optimization
- Description Optimization
- Reputation Management
- Cont. PR Outreach
- Social Media Fan Acquisition
- New Features Request & Development
- Outreach to 300+ Reviewers
- Creative PR Material Release

(appspire.me, 2013)

Nearly all the sources are recommending the same sets of actions, but some are advising to make some psychological steps in addition to usual promotion. It involves promotion through the grapevine, creation of the awareness through the human resources etc.

(Appinions, 2013)

2.6 Foreign market entry modes

The modes of foreign markets entry are tightly connected with the Social Networks. Especially in the cases when such networks are developed as startups with target for a future buy-out.

The usual ways for the companies of this sphere to enter a foreign market, chosen from total set of modes, are:

- Licensing
- Turnkey project

- Wholly owned subsidiary
- Joint venture
- Strategic alliance

(Salomon, 2006)

Licensing

This term refers to a written agreement entered into by the contractual owner of a property or activity giving permission to another to use that property or engage in an activity in relation to that property. The property involved in a licensing agreement can be real, personal or intellectual. Almost always, there will be some consideration exchanged between the licensor and the licensee. (Investopedia, 2013)

Usually the main goals and advantages are of licensing are:

- Getting more income for technical know-how
- Expand to new markets not accessible due to this or those reason
- Quickly growth without much risk and large capital investment
- Political risks are low as the licensee is often 100% locally owned
- Comfortable for the new players in international business

(Foley, 1999, Trofimov, 2013)

Turnkey project

A turnkey project refers to a project when clients pay contractors to design and construct new facilities and train personnel. A turnkey project is way for a foreign company to export its process and technology to other countries by building a plant in that country. Industrial companies that specialize in complex production technologies normally use turnkey projects as an entry strategy. (Peng, 2013; Mike W., 2009)

Wholly Owned Subsidiary

A company whose common stock is 100% owned by another company, called the parent company. A company can become a wholly owned subsidiary through acquisition by the parent company or spin off from the parent company. In contrast, a regular subsidiary is 51 to 99% owned by the parent company. One situation in which a parent company might find it helpful to establish a subsidiary

company is if it wants to operate in a foreign market. This arrangement is common among high-tech companies who want to retain complete control and ownership of their technology. (Investopedia, 2013)

Joint Venture

There are five common objectives in a joint venture: market entry, risk/reward sharing, technology sharing and joint product development, and conforming to government regulations. Other benefits include political connections and distribution channel access that may depend on relationships. (Foley, 1999) This mode is usually used when:

- The partners' strategic goals converge while their competitive goals diverge
- The partners' size, market power, and resources are small compared to the Industry leaders
- Partners are able to learn from one another while limiting access to their own proprietary skills

(Foley, 1999)

The main issues to reckon in a joint venture are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions. But some problems may also occur:

- Conflict over asymmetric new investments
- Mistrust over proprietary knowledge
- Performance ambiguity - how to split the pie
- Lack of parent firm support
- Cultural clashes

(Foley, 1999)

Strategic Alliance

A strategic alliance is a type of cooperative agreements between different firms, such as shared research, formal joint ventures, or minority equity participation. The main characteristics are:

- They are frequently between firms in industrialized nations.
- The focus is often on creating new products and/or technologies rather than distributing existing ones.

-They are often only created for short term durations.

(Bartett, C.A., 2009)

The Strategic Alliance is usually has a lot of similarities with the Join-Venture mode but the difference is that the Alliance is usually created for a short-term cooperation. The advantages and disadvantages of these modes are very similar. (Bartett, 2009, Foley., 1999)

3 RESEARCH METHODS

3.1 Single Case Study

The research method applied in this work is quite narrow but at the same time going to the depths instead of going broad.

As the thesis is written for a company, the case for a study is this single company. It is so due to the fact that the topic of the thesis "Early stages of the mobile social network launch process" is much more reliable to be disclosed on the example of this company, as other well-known companies in the field are tending to hide or trim their early stages concentrating on the success stories.

Also, a single case focusing is recommended by Robert Yin ("Case study research", 2009), he maintains the single case studies are pertinent in the situations when the target is to test theory, to prove or to refute it. The single case study can also be used when the case is quite deep or special or revelatory. (Yin, 2009)

Also, it is supported by Siegfried Lamnik, who claims that "The case study is a research approach, situated between concrete data taking techniques and methodological paradigms." (Lamnik, 2005)

Jenifer Rowly in "Using Case Studies in Research" also regards that single case studies are the most appropriate for the work where the experiment or critical test of the theory takes place. More, she describes the object of such studies as the unique or special or important one for a check as it may have an impact on the practical performance of the object in the future. (Rowly, 2002)

In the case of this study exactly this method is to be used, as it is quite a typical example and also goes to some extremes in its research. So the way here is to concentrate on and work it out with the tight interlink with the theoretical part in order to test it on practice. (Yin, 2009) Also, the experimental factor takes place here and refers to single case study. (Rowly, 2002) In next chapters of this work it is exactly what will be happening and the results will be provided in the conclusion and remarks.

3.2 Quantitative research

The sizable part of this work is a poll conducted by Guesspoint management in the quantitative research method. The sampling method chosen was random.

Steps of random sampling:

1. Identify and define the population;
2. Determine the desired sample size;
3. List all members of the population;
4. Assign all individuals on the list a consecutive number from zero to the required number, for example, 000 to 249, 00 to 99;
5. Select an arbitrary number in the table of random numbers (close eyes and point);
6. For the selected number look at only the appropriate number of digits (2 or 3 digits);
7. Match the selected number with the number assigned to individuals in the population, if the number corresponds to the number of assigned number of individual, the individual is in the sample;
8. Go to the next number in the column and repeat step 7;
9. Repeat step 8 until the desired number of individuals has been selected for the sample.

(Gay, L. R. 1996)

It was important to learn the opinion of potential users exactly about these questions due to the need for the orientation in the moods and inclinations of future traffic members of the social network.

(Guesspoint management, 2013)

3.2.1 The Poll

While preparation period, Guesspoint management has made few polls within a random people for few topics. Here are the results of them as there links to it and the opinions based on from the other chapters of this thesis.

The research was done according to random sampling method within potential users groups. The steps of it are reported in the research methods description above.

The questions were addressed to VK and Facebook users via these social networks and also while massive events where the author of this thesis was present (100 persons totally). The interviewees are citizens of Russia, European countries, Israel and USA, aged from 17 to 30 and being members of low-middle, middle and upper-middle classes of the society.

1. First poll was done to recognize the importance for users of what they do in social networks. This was done to prove or shut down the claim that social networks are senseless time killers for most of the people.
The question was formulated as: Do you remember what did you discuss, talk about or do last time using social network?

TABLE 6, answers for the poll question 1

Didn't remember: 58
Could remember just who talked to: 17
Could remember the topic abstractly: 9
Really valued what they discussed: 5
Determined practical values and importance: 2
Never use social networks: 9

2. Second poll was to analyze the usage of a mobile internet to access social networks and traditional way to access social networks within internet by the PC. As those 100 people polled were quite an active persons, at least are students, workers, or someone who doesn't have an access to internet from home all the day, the results are quite predictable. The question was targeting the average time of usage of this or that way, so, some people asked were using both ways but the answer is representing the most popular one.

TABLE 7, answers for the poll question 2

Use more mobile internet to access social networks: 62
Use more traditional internet to access social networks: 29
Never use social networks: 9

3. Third poll was done to recognize the number of social networks used. It was quite important to know whether people are inclined to diversification of the platforms where they are present or not. Also, this inclination could help to monitor if there are a social networks that are complete for users and the users don't need to switch to another one for getting the desired content. So, the results were:

TABLE 8, answers for the poll question 3

Use more than 6 social networks: 9
Use from 4 to 6 social networks: 7
Use 2 or 3 social networks: 70
Use 1 social network: 5
Never use social networks: 9

It is quite important to mark that those who are not using social networks are actually registered in some. For example, those who have gmail, the email provided by Google, are auto-

matically registered in the social network Google Plus and Google is actively trying to involve them in usage of it.

4. How much time all together you spend in social networks? (Ball park)

TABLE 9, answers for the poll question 4

More than 10 hours a day: 7
From 6 to 10 hours a day: 37
From 3 to 6 hours per day: 20
From 1 to 3 hours per day: 22
Less than 1 hour per day: 5
Never use social networks: 9

These are ball park figures as it is quite hard to examine them. More, they are claimed by the users who are not managing their time precisely; at least most of them.

5. Also, Guesspoint managers have asked whether the interviewees are using special software for their mobile devices (the applications) to access social networks through them, or using mobile device adapted versions of the website of these networks, or just login in the browser and use initial web-site.

TABLE 10, answers for the poll question 5

Using applications: 80
Using mobile device adapted web-sites: 8
Using initial web-sites: 3
Never used social networks: 9

Here it is important to stress that all the popular social networks do have the official application (and few unofficial ones). These applications are a very comfortable so called clients to access the network and this is really pushing users in usage of them, as it will be simply uncomfortable to use full version of Facebook or VK via iPhone or other Smartphone. More, all this kind of software is free for downloading, so there is no reason for users why not to use it. Some unofficial clients are not free but usually they are offering something really worth buying so people in their majority do not reject even such offers.

Still, there are some people who are using mobile device adapted versions of web-sites, but it happens only in the case when it is as comfortable as official application is or if the social networks do not have such an application.

As for those who are using initial web-sites through the mobile device browser – it is not easy to find explanation for it, as it is really uncomfortable. This may happen in the case when the social network doesn't have an application yet or if it is personal position of the user and he or she prefers this kind of usage which actually gives much more options to the users than the mobile device adapted web-site or an application.

6. The last question was targeting the reason why people do use social networks. While launching the product like Guesspoint it is very important to know which functions to stress and which can be included later while being not of a high importance.

TABLE 11, answers for the poll question 6

Pragmatic reasons (getting this or that kind of benefit out of it): 9
Communication tool: 32
Self-realization: 19
Media content storage: 18
Just a time killer: 3
The way to gain the lack of social activity: 10
Never use social networks: 9

Actually, in the opinion of Guesspoint management, there are some reasons not to believe in the sincerity of the answers of the responders exactly in this question. People are not always able to admit the senseless reasons of their actions or the lack of their social life, as they do not want to believe in it and do not want to see it as their shortcomings. So the results are quite subjective. (Guesspoint management team, 2013)

Sum up

So, summing up all the results it can be declared that people are really tending to use mobile internet to access social networks; that most of them are using it without any concrete purpose; that they are actually thrilled by it; they are not against usage of few social networks. (Guesspoint management team, 2013)

4 CASE STUDY

4.1 Guesspoint

Guesspoint is mobile devices oriented social network. It does not have any PC adaptation version as all of its structure and idea is lying in mobile internet sphere. The functionality of the Guesspoint is shaped for the special usage of geolocations plus organizer and possibility to share them. This is visualized very simply: there is a map of the city, where the user dwells and there is a possibility to mark the future areas of supposed presence. For example, the user is looking forward to have a coffee in a café somewhere in the evening, so he marks this neighborhood on the map (a small circle or other form tag appears showing the marked neighborhood). Then it is possible to fill the information inside formed event – time, name of the place and comments. (Guesspoint management team, 2013)

So, people can mark any events of their day (of course only those that they would like to share) and they will appear on the map as a circles or another connected by the lines by time sequence. (Guesspoint management team, 2013)

Also, it is possible to mark the planned events on the abstract font that does not refer to any location or geographical target but simply shows the sequence of events for the planned day and, tapping the circle or tag, it is possible to see the filled information about the time, place and short description of the event. (Guesspoint management team, 2013)

Generally, both actualizations of this function are represented on these screenshots of already developed interface of the social network. These are not drafts but the last version of development:

In this work the technical background is skipped, it just demands to be mentioned that this simple way of showing the plans that, probably, some of people have used many times, is not actualized in any other social network, organizer application or other virtual product. So, it is quite an original know how of Guesspoint and is the main feature of the social network. Making plans and sharing them – simple and thrilling. (Guesspoint management team, 2013)

4.1.1 Second-line functions

Of course, nothing ends with this planner. There are plenty of other functions in Guesspoint and some of them are nearly the same as in other social networks. There are:

- Possibility to login via Facebook, Foursquare, Twitter, email and VK
- Possibility to integrate with social network from above (to invite friends, synchronize the information)
- Possibility to set a profile with short information about yourself plus download a photo
- Messaging (it will be described separately, as there is something that also brings difference to us)
- See the news line, so called “feed”, formed by the events created by the users and their plans changes and finalizations
- Many other functions that are actually repeating the general ones for social networks.

(Guesspoint management team, 2013)

4.1.2 Messaging

Messaging in Guesspoint is quite simple; it looks the same with any other chat in Facebook or VK. But the trick is that all the information older than 2 days is automatically deleted from the servers. It is not a secret that previously this idea was found simply to reduce the costs for information storage as

it is the main costs for the just launched project. But after, when thinking about these mere CEO of the Guesspoint has decided to represent it to users as the advantage. It is a right time to do so – now Western world is in the panic about espionage from the governments that keeps an eye on their internet correspondence and confidential information. Last leaks given by Edward Snowden put in a bad light the main players on the Internet market – Google, Facebook and other giants. There is even more to say about the governmental structures – they are totally loosing the trust of their people. (Guesspoint management team, 2013)

Due to this matter some developers are now trying to invent more and more secured messaging systems that will not let anybody in. But it is quite a doubtful way to solve the problem, as it refers to the competition of sophistication. Sooner or later governmental specialists will anyway fight these new technologies and will become stronger again. So, this race may last forever and anyway at the times when government will be reaching the goal, the personal data will be again and again taken and used. (Guesspoint management team, 2013)

That is why the simplest way seems so logical – not to store any information but simply to delete, demolish. That is that factor that may be represented to the users of Guesspoint as an advantage instead of disadvantage. Both sides seem to win, but of course Guesspoint wins more as it gets rid of the main costs statement in its balance sheet. Also, even if the information is taken, there is no possibility to prove that it belonged to anybody, as in 2 days it will be deleted from the servers forever.

4.1.3 Five days concept

So, the edge for the past in Guesspoint is before yesterday day. It is not only applied to messaging but also to the plan chains and any other information. Everything gets deleted when getting 2 days old.

But there is also a future border – the day after tomorrow. This edge is also made in a purpose to save money on information storage. So, users can make plans only for 2 days ahead, not further.

Of course, there is today, so, altogether, there is 5 days scale in a social network. It is quite outstanding also, as all other don't have any scale at all; they have only "today" and the unlimited past.

So users are not feeling any scale of actions, and, at the same time in Guesspoint this limitation brings the feeling of the volumetric timeline. This is the paradox, but still, an attractive and special feature. (Guesspoint management team, 2013)

4.1.4 Software

The mobile internet oriented products are strongly dependant on the software for the mobile device – the application. Even the traditional social networks that aim to cover mobile internet users recognize the importance of it and develop them attentively.

4.2 Monetization

Any project or startup has the aim; otherwise it will not just have any stimulus for existence. Some startups are aiming to change the world, to solve a particular problem or invent additional comfort-making product, but when watching in the depth, nearly all the startups are aiming to be profitable in this or those scale. At least, startup has to repay the costs. But of course, everybody also wants to make some money out of it as it takes time and not everybody is rich enough to set up projects for charity. (Guesspoint management team, 2013)

The Guesspoint is not an exception. The main aim of the project is to make a profit out of the idea; even the idea (know-how) actualization and social encourage go secondary. Management of the Guesspoint thinks quite pragmatically and this is not something to blame – the project will never rocket without the backing. Also, the money always goes before the social encourage or recognition. There is interlinking with Maslow's pyramid, shaped from the personal demands to the company demands. The sequence stays the same, money here replace first needs. (Abraham Maslow; 1943)

Now when it is clear that the first aim is to make money out of the idea, lets overview the ways to do it. Taking into account all the conditions of the sphere and current situation, there are two ways to reach the named goal: to initiate a buy-out of the share for the sum that will repay the expenses and bring a sizable benefits, or to start a monetization and earn money out of the traffic by standard ways (advertising, in-program sales). This ways could be called "buy-out" and "operating a business" and analyze both of them. (Guesspoint management team, 2013)

4.2.1 Operating a business

This is a traditional way of a startup evolution. From the beginning, this is usually planned how monetize the project and all the way long the actions are influenced by the need of profit. Usually, the social network stays totally free and clean of advertisement at least for the first time when innovators and early adopters are coming in. (“Diffusion of Innovations”, Everett Rogers, 1962)

It is usually fatal for the startup to get monetize right at the start of the projects. Something to buy always psychologically pushes away the newcomers (Harvard Business School; 2013), even if these purchases are not obligatory. This is unofficial rule for the internet-related projects to be totally free at the first period after launch. More, it doesn't even matter if you ask the user for 1 dollar or 1 cent expense – this is the edge when the product demands money and such an action may spoil the attraction of the product. Harvard Business School, 2013) That is why Guesspoint is planned to be free for the first period of time. The trick is that the monetization is not urgently needed in the case of this company as the expenses for existence are not very high. As it was mentioned, all the information older than 2 days is to be deleted, so the situation is more or less soft and doesn't pressure the budget too much. The scheme has to look like this that Guesspoint will rent a particular volumes of memory for storage on servers and it will be enough for a determined amount of users to fit their actions inside network into the scale of rented servers. After it, when the auditory shows the tendency to growth, the scale will be expanded by the rent of new servers. The advantage is absence of so called “dead” information, the old data that is extremely rare used by the users and that holds the place on the servers which could be used for new information without new expenses. (Guesspoint management team, 2013)

So, when it is determined that monetization is not really urgent for Guesspoint, the perspective to operate this business traditionally looks attractive. If it is done so, the company would work for a traffic growth and monetize the company after reaching first 500 thousand users or may be even 1 million of them.

At that moment there will be already a possibility of sizable profits and the main group of loyal users formed. But of course even at such a stage the monetization should be quite soft and starting with just

a simple context advertisement. It may be payments for the promotion of events or organizations, possibility to develop the official pages of the organizations. So this kind of monetization stays invisible for most of the users and sometimes is even useful, as the context advertisement is usually connected with something that is interesting for this particular user. (Guesspoint management team, 2013)

After the time goes by and if the positive growth of traffic still exists, at some level of it the advertisement may be turned on. That will be already the time when lots of advertisement companies already know about the Guesspoint and potentially would like to use this new platform for their operations. So it might be a time to open the gates for them, but always to limit the presence of their content inside the program, in order not to make users angry and disappointed.

Step by step, the Guesspoint may be monetized till the maximum possible level and, for sure, will be bringing good profits. Described optimization of information storage process will make Guesspoint quite attractive as an investment and, probably, there will be that capital that will come and will be used for even broader expansion. This scenario, operational one, seems quite attractive from this point of view.

But there are also some disadvantages and threats on such a way. First of all it will take much more time and efforts, because building the effective structure of organization and keeping positive dynamics in an environment of a high competition always takes all the time and much personal energy. Also, this will not let the developers to do any other activities like studies or other businesses. More, there will be a higher responsibility for the records to investors. When the course targeting independence and profitability is taken, there are corresponding expectations. So, here comes personal factor of the founder and cofounders, it is a big question to think about, if it costs all the time and risks.

It is unimportant here to deepen the personalities of founder and cofounders because these factors are not scientific at all and also belong to personal information, it is just to be resumed that all of them came to the conclusion that it is better not to take this step and better to focus on the second way, the buy-out.

4.2.2 Buy-out

Since 2012 it is a dream of all the startupers – to repeat \$1 billion success story of Instagram. It is even to be said that those story made a trend – more and more projects are started with no financial planning in order just to become popular, to bring something new and get a check for a \$1 billion from Mark Zuckerberg. So, the competition on this buy-out oriented startups market is quite high and potential buyers are getting numerous of offers that are mostly not of their interest. That is why it is quite hard to reach the possible demand for such a supply nowadays, as the supply exceeds demand.

So it seems quite hard to shine through such a mass of projects. But there are always the possibilities to do so, especially on the wave of enthusiasm that is present at this market now. There is more broad information proving that such an enthusiasm exists in the theoretical part of this thesis in a part about financial bubble. But now let's accept it that such an enthusiasm may be even unhealthy one, exists. (See Chapter 2, The Financial Bubble subchapter)

On such a market the investments are usually done betting on image. The companies are sometimes not potentially profitable at all, but the perspective of resell is quite stable and lots of investors are trying to speculate by playing a role of the “producers” for such companies. The set of the characteristics for a potential speculation is nearly the same in all the cases and will also be described later.

What is also important, there is less demand from the investors which invest on the first stage. Right from the beginning there is an agreement that the Guesspoint doesn't have to bring any profit and there will not be any monetization. The task for the company is to attract as much registered and active users who will form the main asset of the company, the independent traffic. All the efforts will be focused on this and on the presence in the news. Catch somebody's respectable glance may decide the future of the Guesspoint. So, finally, the company will get prepared for a buy-out, sold and the profit shared between shareholders.

The advantage of such a strategy is that there is always a possibility to return on the way of “operational business”. Also, this way doesn't demand so much investments and time to serve the social

network. It will be more about to launch the thing and to market it. In a buy-out targeted strategy the marketing will play central role, indisputably.

So, after a discussion the way of a buy-out was chosen and the course of all the activities linked to it.

4.3 Stakeholders, their history and their interests in the project

CEO and Founder

This is a founder, developer of the idea and chief executive of the project. His interest here lies in realization of his idea and development of the product. As a founder, he keeps the control over the project as the control share (51%) and is the only one person in the project who is in charge to reject or to agree with the decisions. More, in the case of future buy out by third side party he is the one who will be the first target, as this person holds the control share.

As a CEO, he has to lead the company on its way to the future finalization of predetermined strategy. Also, the CEO is the one who has to develop this predetermined strategy and form organizational structure.

Development director

Our development Director is the second person in the project as he is one of the most sophisticated people and the second carrier of the idea and intellectual property. He is also the owner of 10% of shares and second executive manager in the firm.

Also, he is the one who takes part in the interior kitchen of development. This means that he doesn't only deal with the outside information and development process, but also takes part in the company functionality. He makes an issues concerning development process, new implementation. He has to do it in the right time, of course, because these issues are influencing other stakeholder's decisions and behavior. In this reason, he is the right hand of the CEO and they are working as the closest partners, because even the investors are kind of alien for the company.

Designer

Our designer has played significant part in the earliest stages of the project development. He has been the one who could visualize our idea by Adobe Photoshop and create screens of the mobile application. Why it was so important? Because the created final-version screens give lots of oppor-

tunities for future moves. First of all, it is great for presentations to investors. When you are talking about an idea it looks like you have got some idea and now you don't know what to do with it or you want to put it away, because you cannot give it a realization or you are not really interested in it. But when you have the screens to put on the table it gives a good impression. It already looks like you have worked out the design, the interface, may be you have already tested it and now all you need is money and programming.

Also, this visualization is useful for you. When you have an idea in mind, it is just something you can imagine, but when you have it visualized, it already gives an opportunity to understand the shortcomings and to see the real thing, not an unformed image.

So, designer is quite an important person in our project, he doesn't take part in a management process but still owns 3% of shares.

Angel Investor

Angel investor was a real angel for Guesspoint in the beginning of the project. As it is usual in axiom of "who gives money for a start-ups? 3F, Friends, Fools and Family" he was one of this 3F, not actually a family member and not a fool but a friend. He was a connection and friend of one of the co-founders in USA, who has also been interested in the project and advised to ask this angel investor from Saint-Petersburg for money.

At that moment Guesspoint has really had a need for money, first of all to pay for the web-site hosting, secondly to encourage a designer and development director by a small sums. All together the company needed \$700. The guarantee for the Angel Investor was a word of his friend from USA. Also, he didn't really care about this \$700, because he has never had a lack of money and has started investing from the age 15. So, when the meeting with the CEO of Guesspoint happened, he gave this sum for the company not even understanding fully what the idea of the project is.

Anyway, the company management have promised him a small share for this money, like 1%, or to return \$1400 in a 1 year term. Right now he didn't get the share yet, but still there are 4 months more to think about which way to choose to return this investment. It might be necessary mark that

all of the agreements were oral and no papers were signed. But it doesn't mean that the Guesspoint management wants to deceive the investor. The company is planning to pay its bills for sure.

So, the Angel Investor's main interest in the project is to get back his investments, even if the project will not rocket.

Investors: Asset management company "Papashi"

"Papashi" (Папаша) in Russian means "Daddies" or "Fathers". This company includes around 15-20 high-income individuals who are investing the shared sums in a startups.

Asset management company "Papashi" is based in Saint-Petersburg and invests in a very different profile assets on the early stages of development. Their main targets are companies based in Saint-Petersburg and they have been the first backers of quite a popular restaurants, fast-food cafes, internet payment systems, button shops etc. So their specter of investments is quite broad and they like to keep control in the company they invest into. That lets them keeping control over assets and they are always able to correct the course of the company. Not a lot of money searchers like such a policy but while the cooperation with "Papashi" is quite comfortable and pleasant more and more people are coming to them with their projects.

Luckily, one the Guesspoint managers appeared to be a son of the friend of one the executives in "Papashi" and it was quite easy for the company to arrange a meeting. Thanks to this connection, Guesspoint have got a special interest from "Papashi" as the Guesspoint management had a strong recommendation. After a discussion, they came to the unofficial decision that Guesspoint is giving 30% share for a \$100 000 from "Papashi" in exchange. But as later the situation changed a bit and they still wanted to get a control over the projects sides have decided to keep the dialogue opened.

There are two ways sides can finally choose to go. First one is asking for a smaller sum and giving a smaller share, they can agree on it as the sum less than \$20 000 is quite unimportant for them and they can invest as angel-investors just to blow the price of the company as a push for future growth. Other way is to get a huge sum and letting "Papashi" get a control over the project. This may lead also to a special payment for the founder and developer of the idea, for me, as the compensation for the control capture, as it is traditionally done in such situations.

Anyway, "Papashi" are strongly attracted and tend to invest in Guesspoint; the question now is only the price, control and legal positions in the company. These questions are in discussion now. Also

“Papshi” will for sure struggle with other shareholders and possible shareholders. So these conflicts should be somehow avoided or solved with as little losses as possible. Finally “Papashi”’s side will be stronger, but there is no need to destroy relationships with others as there is too much personal inside some of this relationships and this relationships are linked to other outside relationships.

Chinese consultant

In Saint-Petersburg CEO of the Guesspoint has a good connection and partner in other projects, Peng Zushi who is a son of ex-consul of People Republic of China in Saint-Petersburg. He became a consultant for Guesspoint company in its actions concerning Chinese market. Now his father got promoted and keeps even a higher position in Chinese Ministry of foreign affairs. Of course he is a respected member of the Communist Party and has a lot of connections in it.

It is widely known that all of the most powerful people in China, like highest management of the biggest corporations, politicians, businessmen etc. are members of the Communist party and are connected with each other. And when you have someone on the top you can get a lot of solutions for your problems in China.

So, Mr. Peng highly assessed the idea of Guesspoint and has offered to find investors in China. The situation for such products as Guesspoint there is so, that they cannot just enter the market and start their business. First of all, they need to go through analysis in National Security Committee and this is always very hard for Western products in IT sector. Also, it is quite impossible to make any marketing, because the competition is very high and there are simply too much people to embrace. Only few Chinese State-owned corporations are able to launch a wide scale projects and to push them through the Committee of Security. These companies will be described a bit later but now it is more important to focus on that consultant has successfully found a connection to the China Telecom branch and the Guesspoint management is now in negotiations about cooperation.

Chinese market consultant is interested in earning money as a facilitator or getting a share in the joint-venture or any type of cooperation that may be developed with China Telecom. This implies that he is highly interested in a proper company image, successful launch and especially its success in China. He is also taking a look on a share in the main company of Guesspoint but right now the CEO is limiting his appetites in this direction. Guesspoint has enough to work with even if the company takes only Chinese market together.

USA consultant

CEO of the Guesspoint has also a connection in USA, Mr. Ostrovskiy, studying in university. When CEO just came up with this idea of Guesspoint, he wanted to launch the campaign on kickstarter.com, the internet-based platform for crowd-funding. It was the easiest way to get the first investments without giving any share to anybody. But the problem was that only residents of USA and UK have the opportunity to launch campaigns on this web-site. So USA consultant's mission was to help CEO with it. He was offered a percent from the money collected on the kickstarter.com. After some time, the idea of Kickstarter was given up due to their limitations for social networks and focused on traditional investment search. Also, Guesspoint management came to decision that their USA consultant will be also their representative in USA and will be managing things there. His responsibilities were connected with marketing, law consultancy, patent and copyright organizing etc.

He has a strong interest in the project and wants to get a sizeable in the company. But as he operates only in USA, he has been offered to have a share on USA market and the CEO will handle it through the branch USA-based company which he is currently opening. Also, he is the only one of idea-carriers who didn't sign NDA with the CEO because when CEO has disclosed this idea to him he didn't really think about consequences. So he might try to work on his own, but Guesspoint management hopes that these thoughts are not coming to him through the wall of their friendship and other controlling features.

China telecom

China telecom is a huge telecommunication company in China. The role of it in our project will be described later on as there are some changes happening right now and influences the strategy of Guesspoint concerning this company.

It is just to be marked that they are interested in Guesspoint project know-how and technology. They are not going to buy the project out but are quite interested in buying a right of usage and intellectual property for some main functions of Guesspoint.

Competitors

It is better to name them "future competitors" as now Guesspoint didn't officially enter the market. Mostly, it will be Foursquare, which offers not the same, but really same-sphere functions. Guess-

point just interprets them in another way with addition of another tone. So, might be Guesspoint will clash with them. It is even predictable that one of success factors of our marketing is clashing with Foursquare and making users of their networks argue which one is better. Of course these questions will never come to final answer because each will have its own advantages and disadvantages, but for Guesspoint it may be a matter of successful launch because people will be logging in just to try what everybody is talking about. The same situation can be seen in the confrontation between Apple and Samsung. The last one has gained its success partly while making conflicts with Apple and putting the name of the firm on the same line with Apple's name. Also, Foursquare has around 60% of its users in USA and rest of the world is just fragmentally occupied by them. For instance, in China and rest of Asia people don't really know what is Foursquare but for sure would use something with its functionality or similar. So this may be the first loyal market for Guesspoint versus Foursquare's western world. So predicting Foursquare reaction, it may be quite tough and global. At the same time, in the Guesspoint social network the management is using some elements of the Foursquare that they are offering for free, so, may be, there will be a possibility for alliance if our interests match.

But generally, any social network may be our competitor because the traffic is not unlimited. When there a new net appears it generates traffic by snatching it from others. So any social network can be declared as Guesspoint's competitor, but mostly mobile ones. Guesspoint bets on mobile internet users, so traditional internet users are not really our target group.

Anyway, the competition in this sphere is sometimes just blind. There are numerous of social networks and each works more for itself. It is like numerous of theaters on the same street which are offering different things but people sometimes visiting 2 or 3 or all the theaters generating profit for each. So competition here lies more not in the aggressive war-style confrontation, but in upgrade of your own product and attracting more and more people to come from these crowds.

Potential buyers

The Guesspoint project's mission, of course unofficial one, is to be sold for sizable some of money. So, right from the beginning Guesspoint managers need to think about proper biography, image of the company, financial model and potential buyers of our social network. It may seem strange that Guesspoint management is targeting Big Boys of internet industry, but it is quite logical. There are not a lot of companies who can afford to buy an existing social network, and more, there is not much

who has an interest in it. Also, this Big Boys of internet industry are competing with each other and trying to acquire as much traffic and intellectual property as possible.

-The average investors

The most possible buyers for the Guesspoint are just average investors who are related to IT industry and could manage this buy-out. Simple interest of the new assets could drive them.

-Google

There is no need to represent Google Inc. This company has already become a legend and is not only associated with search engine already. Their assets and profiles are situated in very different fields and nowadays it is not only software or internet technologies, but even an energy production assets and mobile devices producers.

The company has evolved from a narrow-oriented internet company to a huge conglomerate that has an interested in everything connected with innovations, technologies, progress, social life and those products that seemed fantastic couple of years ago.

Google is a sweetly dreamed buyer for many projects in the world. And actually, it is more than realistic to be bought by tem if you have something new to contribute. In 2011 Eric Schmidt, chairman of the Google Inc., has declared on the LeWeb conference in Paris that Google “acquiring around one company per week” (StartupSmart, Thursday, 8 December 2011, By Michelle Hammond). Right now temps are even a bit higher, but even in 2011 Google has acquired 57 companies for the total sum of approximately US\$1.4 billion (eweek.com By [Clint Boulton](#), Posted 2011-10-27).

The range of investments is, who it was mentioned, quite wide so Guesspoint managers hope for the buyout from Google somewhere in the future. But Google Inc. is the company that doesn't invest on the earliest stages (usually doesn't) so Guesspoint needs to gain some success and stable position on the market before getting a desirable attention from Mountain-View, California.

-Facebook

Facebook now, as it will be explained further, is interested in spread of the traffic on other platforms because its own growth seems to slow down. So the company needs kind of delegation of its loyal users on the new social platforms which will also make a profit as new advertisement platforms. So

the users of Facebook are now the asset that the company needs to actualize for the full potential usage.

Guesspoint may become one of those new platforms for Facebook users and theoretically might be interested as a purchase. Everyone remembers grand Instagram acquisition. It is grand for the sellers, of course, because 1 billion US dollars doesn't seem an adequate price for such an asset. But it is possible that Facebook would never pay such a price if there was no potential for return of investment. Guesspoint managers don't dream about 1 billion dollars for our platform but still if Facebook is not counting money for the expansion now, it may be a proper time to think about the future dialogue.

-Twitter

Situation with Twitter is similar but not same as the Facebook's situation. Twitter also has a huge loyal auditory and wants to use it at the same way, to generate more profit by advertising to the same people on different platforms. But first of all, Twitter doesn't have such a scale of users as Facebook does, the difference is, roughly saying, around 2 times. So Twitter doesn't need much of platforms to share same auditory because it simply doesn't have such an auditory to share. Also, Twitter doesn't have as much resources for acquisitions as Facebook does. But there are some factors that could make twitter pay an interest to Guesspoint and may be even start acquisition negotiations.

It is not a secret that Facebook and Twitter have a series of conflicts with each other and are the main competitors for each other. No any other social network is as potential and popular as Facebook and Twitter are. Both of them are quite worrying concerning the advantages of each other. That is why if there is a question appears they might be interested in Guesspoint buy out as a part of war with the Facebook. But it seems quite hazy.

-Mail.ru Group

Mail.ru Group is a Russian investments group specializing in internet projects and IT. Previously it has been a part of DST (Digital Sky Technology) Investment Company that has been splitted on two parts, Mail.ru Group that is investing in Russian assets and DST Global, which is investing in assets abroad but also in an IT sector. Both companies have the same owners, whose shares in each are

distributed differently, but still the main owners, if not taking small-share minority owners, are the same and leading both companies in the interlinked course.

This company may be potential buyer first of all because of its specialization, IT, and they are the most powerful players on Russian market in this field. Also, they are particularly interested in social networks. They have invested in Facebook in the year 2009, on the more or less early stage, buying 1.96% of the company. Later DST has increased its share on Facebook till 5%. Right now they are getting rid of these shares after earning a huge profit on the increase of capitalization, so investment seems to be quite successful. There is no open data how much they have earned but they say it was not less than 30% profit.

Also, they own 100% of ICQ, 100% in Odnoklassniki (Одноклассники) Russian social network, kind of analogue of MySpace, 39.99% of social network VK, which is, in opinion of some, becoming even more popular than Facebook, 70% in NaszaKlasa social network and a small share in Twitter. This is just a short list of assets that are or connected to social networks, other assets are connected with other spheres. But even through this list it is seen that Mail.ru Group is actively investing in social networks and does it even globally.

As Mail.ru Group has a special department for the investments on Russian market, Guesspoint is in favor due to Russian location and origins of Guesspoint. Investment companies, especially internet- and IT-oriented, are always interested in fresh and wide assets with the future potential of growth, so, hopefully, Guesspoint will manage to use this opportunity in the future.

-Chinese internet companies

Nowadays China is the hugest and most promising Economy in the World and, however, the huge economy has the huge companies. And Internet industry in China is not an exception. There are few internet companies, state owned, obviously, that are do weather and rule on the domestic market. The most powerful are Tencent (腾讯) and NetEase (网易), which is also called 163 due to its domain name 163.com.

They are not really found of buying the companies on the early stage and buying the companies at all. Their usual strategy is taking a western company like Facebook or Twitter and copying their product

totally. It may seem illegal, but no one will ever try to sue any Chinese company on the territory of China due to strong paternalism politics from the Communist party and all the Chinese government. Chinese market is enough for generation of a high profit due to the number of potential users of internet products. So this business model worked properly and Chinese market stayed occupied by the domestic companies. Some western companies, for example Facebook, don't have any access to Chinese market because their resources are forbidden and blocked in China. But nevertheless Chinese internet users are getting what they could get from Facebook because Chinese copies are nearly 100% repeating the originals.

Analyzing this information Guesspoint management came to the decision that there should be some special approach to Chinese market as it is impossible to enter it as it can be done with any other country except North Korea, may be. Management recognized that if Guesspoint gain success it will simply get copied and our company will not be able to start a conflict or prove something. So, the decision that was formed is quite compliant but also pragmatic at the same time. Guesspoint management has decided to enter the market in an alliance with one this huge corporations, giving them control over the business in China and keeping the minor shares. After the growth will be seen Guesspoint owners are going to sell their shares to the same company, as they always try to have full control over assets, or owners can sell it to the competitor of our partner. "When selling an assets it doesn't matter already who is buying. Assets are not kittens.", Roman Abramovich says. When having a share in a Chinese company the position of co-owner already becomes quite stable because nothing can be copied anymore and even if it does, co-owner has a powerful position for the defensive activity.

-Other investment and telecommunication companies

Of course, it is quite hard to shoot the moon and to get the offer right from the grandees of Internet industry. So, the company should be also taking into account the investment companies, telecommunication companies and holdings, private investors etc. The companies of these profiles are now quite interested in internet-sector investments and, most possibly, at the first gains the Guesspoint could be sold to one of the, the same operation can be done with any size of shares of the Guesspoint.

Users

As for users, all of them are still potential as the project is not launched yet. It is obvious that they are the people who Guesspoint Company works for and who will bring success and profitability to the project. From the side of Guesspoint managers, they are interested in as much registered and active users as possible.

From the side of users they are interested in lots of things. First of all, they are interested in a fresh, shooting idea, technology and function that will make them thrilled and let give a share of their time to Guesspoint instead of other social networks or applications.

Secondly, the functionality itself, the quality of assembly matters. People will never keep using the program which gives bugs every 5 minutes or works too slow. Usually if something happens in a first minutes of usage of the product, people give it up forever.

Thirdly, this is design. It is out of the discussion that design can attract and oppositely, spurn, the users and usually the function doesn't matter. Here the awful designs are meant. Of course, if the functionality and idea of the product is good, any neutral design and interface are making people not to pay an attention to absence of brightness or elegance. The Facebook example proves it; they have a great idea and few functions with the design that is on the edge of being defined as "bad and insipid". (Quora, 2013)

Fourthly, the social factor matters. As the product of a company is social network, the users are usually coming in only when seeing few of their friends already using this program or visiting this website. For this reason it is important to make the Guesspoint integrated with other social networks like Facebook or VK to make it possible to invite friends and make the net crowded from its first days.

Also, users are always interested in a future development of the social network and news connected with it.

Programmers

The Guesspoint management was thinking a long time how to organize programming part of the project. Previously a couple of middle-level iOS programmers were found through the friendship connections in Saint-Petersburg. As programming is vital for the social network, it was decided to

hire both of them and to give to one of them a share in the project and a position of technical director. The project needed at least one programmer who could always keep technical part in fit, support and make changes through the time of renewals.

Otherwise, the project seemed quite weak due to absence of programming skills within all of Guesspoint managers.

So, the negotiations with the possible programmers took around four weeks and finished with the result that one of them didn't believe in project and denied to take part and another one has agreed to make the work of first launch within couple of months for \$1000. Things seemed to be managed and on its way but soon it became clear that this programmer cannot make this work in time and also with the proper quality. After three weeks there was only a one function finished and it was done not as it was agreed. Also, this programmer was working as a full-time junior-developer in the iOS application making firm in Saint-Petersburg, so he simply didn't have time to work with our project.

That is why he has abandoned the ship but still there are a lot of questions unanswered between management of Guesspoint and him. He has done some work and wants it to be paid but from the side of Guesspoint management it is senseless to pay, as no contribute to the development was done. No any papers were signed, so situation is more favorable for Guesspoint, but still, as this programmer was found through the friendship connections it will not stay without consequences. That is why Guesspoint managers are going to solve the problem with him in a closest future and he still stays as our stakeholder, interested not in the project success already but in balance of the company.

After such a failure Guesspoint management understood that the programming part, especially first version and platform development, should be outsourced for a more or less professional company. More, at that moment it became more or less decided that Guesspoint gets investments, so the question was only the price and time. After a long search Development Director has found a 5 year old iOS development company that that could satisfy company's demand. It was RINO Ltd, there was a bunch of a good projects totally actualized by them and also a few small-size social networks. They are taking money and no share in the project, so it seemed quite attractive for Guesspoint management, as there was not so much free space in Guesspoint already.

So, after a half an hour negotiations all came to the consensus that sides will be working together and started writing a technical task for them. After this RINO management claimed that all together should take not less than 6 months and \$200 000 dollars of investments. It was quite frustrating be-

cause waiting such a long period of time might be fatal is someone launches the similar or the same thing before. Also, it might frighten investors who were looking forward to see the launch in a 2-3 months time after they supply Guesspoint with money. The project seemed getting ruined. Few stakeholders were ready to give up after this news.

So something had to be changed. RINO management offered to through away all the needless things and put them on the line for monthly renewals of the product. For the first launch it was decided to keep only those unique functions that were making a product special and attractive as a fresh one. So all the messaging, event creation, advertisement etc. went to the second and third stage launches.

All this led to redesign of all the application because without all those functions it seemed to be empty and too gargantuan. So it took couple of weeks more to change the design and internal structure of the network.

Right now the new technical task with redeveloped network is nearly finished and after this Guesspoint will be waiting for a new, also redone, price and plan from RINO ltd.

RINO is mostly interested in their payment and do not pay attention to the project at all. It is philosophy of the company – to do their job well but not to get in because it may spoil the work with other projects.

Apple Inc

It may seem fantastic but Apple is also one of the Stakeholders of Guesspoint project. First of all, Guesspoint software (application) will be represented in Apple Store, where all the applications for iOS devices are represented. This service costs \$100 a year payments and 30% of revenue to be paid to Apple. As Guesspoint software is free, there will not be a need to pay this 30% of revenue, but still, there will be those annual payments.

Also, as the first version of Guesspoint will be done only for iOS devices, Guesspoint point is quite dependent on Apple actions and actually has already suffered from this. Few months ago Apple has issued the launch of new operation system, iOS7, in September 2013. As all of our screens in the prototype of Guesspoint were done in iOS6 style, it had to be totally redeveloped in new iOS7 style as Apple has decided to change the design of the operational system totally. So it took also not less than 1-1.5 weeks to redo the prototypes. But now Guesspoint management is going to launch the application in both styles, iOS6 and iOS7, due to a split in the opinions of Apple fans which opera-

tional system is better. Some will never (as they say) upload iOS7 and will stay on more or less traditional iOS6. So, if launching application on totally renewed iOS7 basis the possibility of reject from iOS6 loyal fans appears.

To sum up, Apple stays quite an important stakeholder but not as an interested one. It is more an influence that Guesspoint cannot avoid due to fundamental conception of the social network.

4.4 PESTEL analysis for Guesspoint and other Social Networks

It is quite comfortable to use classical PESTEL analysis of risks for the broader analysis of Guesspoint social network perspectives in a global expansion when all the shareholders are already marked and general image of the company given.

Political

Political risks for Guesspoint are not very high, but differ from the country to country. For example, in China they are extremely high and there is even special scenario developed by Guesspoint CEO for the penetration in this country. It is quite hard to pass censorship there and much harder not to get prohibited. Even the Facebook and Google didn't manage to solve this problem, but it is understandable due to strong paternalism policy in China. This paternalism is also something to beware.

If talking about other problematic countries from the political point of view, it might United Kingdom and United States of America. Governments and intelligence forces of these countries are tending to invade into personal information of their citizens, especially with a help of social networks and email services, so Guesspoint management is expecting a possibility of pressure. One of the reasons of it is the main know-how of Guesspoint – sharing of the future places. (The Guardian 22 June 2013); (TechRadar 21 June 2013).

Also, the possibility of such a pressure is always present in Russian Federation, but there it is more possible that the business of Guesspoint may become a victim of corporate raid as a useful and profitable asset. Example of VK social network proves it. When business of this social network (previously copied from Facebook) reached a special level and too free activity inside was detected, the problems for the company have started. (THEORY) So in Russia the entrepreneur always have to

remember that one day the government will knock their doors. But when entrepreneur decides to cooperate with the government, there are great possibilities for him or her.

In all the rest of the world political risks are quite low but still present. This risk also may appear in authoritarian countries of South America, but these countries are not really targeted by the Guesspoint as there is not enough mobile internet penetration.

More, there might be a political risks connected with the content but it may happen in any country with any cause and this risk is present for all the companies business of which is connected with the content.

Summing up, political risks are more or less influencing Guesspoint and management is always keeping an eye on political situation when making decisions as political risks in this case are connected with the Economical.

Economical

As for Economical risks, there is a paradox as they are low but at the same time quite high. They are not the most threatening within the PESTEL analysis but still are quite significant and should be described attentively. More, as the Guesspoint is a commercial project, Economical risks are important for the financial model formation.

The Economical risks are low for the operations of the Guesspoint as there is no money required and the service is given for free. Deepest crisis are even favorable for Guesspoint because when people have less money, they can spend less on traditional entertainment like cinema, theater, café visiting and generally for going out. So, they need something to replace old habits and turn to internet and social networks especially because the only expenses for the usage them are internet expenses.

More, during the hardships people are tending to use the mobile internet as it is usually cheaper and mobile devices (hardware) for entering it are cheaper than traditional ones like laptops or PCs, it is quite obvious and does not need any proof. At the same time, when the economy is prospering, people are not giving up the social networks because it becomes not only the way to entertain their selves but also the possibility to share a happy moments of their life. So, from the operational point of view Guesspoint is not really dependant on Economy.

On the other hand, Guesspoint is the project set up with the idea of future buy out with high profits. As it is described in the theoretical and representing parts of this thesis, this operation is possible only on the level of high enthusiasm about such assets, or, scientifically saying, only in the conditions of financial bubble. So, Guesspoint as an asset of exactly this strategy is potential for a limited amount of time, till the first indication of drop of the enthusiasm. When the bubble start bursting, nobody will trust in such a project and oppositely, the price can decrease. So, as the company Guesspoint is strongly dependant on overestimation of the same sphere assets.

To conclude, Guesspoint can survive within any condition when the mobile internet is present and users have devices for usage of this internet. But as the project thought of following the economical trend Guesspoint is quite harmful and profitability for the founder and cofounders will be influenced mainly by the behavior of a mentioned financial bubble.

Social

Social risks are very high for Guesspoint at least because it is social network which functionality is based on the society. Society is a real influencer in this case and it is even stronger than economical trend. More, Guesspoint main function is based on current habit of the society to share personal information, but one day it may be over. Of course it is quite hard to imagine but still possible.

Social factors are the only ones that can bring success and popularity to Guesspoint. However, the ways to thrill the society are already tested and many examples gave quite clear picture how to manage it. The correction – Guesspoint is influenced by the mobile internet society, so the rest of whole the society is not of a high interest for Guesspoint, but still some interest is present. There is a great example of a company brand popularization within the masses – the Facebook example. Even those who have never been logged in know the company and its CEO Mark Zuckerberg with a help of media and especially the movie “Social Network”.

The story of this company is the legend within internet industry and nearly every startuper tries to see himself and his project as next Facebook. The attention of at least one billion of people (official number of Facebook registered users, source - annual report of Facebook for 2012) is always more or less focused on this company. This is also kind of social phenomena, because when Facebook was

started there were a lot of alternatives existing already long time, but only Facebook rocketed, because internet users suddenly thought that “everyone is already in”, when actually not everybody was. Maybe, the image of such a place provoked such a trend. There may be much versions but the most important thing was that it worked out.

Here an interesting feature appears, feature of the crowd transferred to the virtual reality of internet which is strongly interlinking with a true reality in the case of social networks. There are two concepts of the crowd issued by Elias Canetti, the respectful social scientist and Nobel Prize winner - opened crowd and closed crowd. The usual social network is actually an opened crowd; the theoretical proof is represented in the Theory chapters of this thesis. But here it is to be marked that one of the characteristics of opened crowds is that right after a drop in a newcomer’s number the crowd starts splitting and vanishing, because it becomes not attractive and powerful to draw anymore. So this is another social risk, the risk that the attitude to Guesspoint will become neutral and the Guesspoint, as a usual social network, will start suffering from a leak of users. Of course, loyal ones will stay, but this will already be the platform with too limited traffic and no opportunity for growth. Nevertheless, there will always be possibility to rise again and again. (“Masse und Macht” Elias Canetti, 1962; English version - “Crowds and Power”, Elias Canetti, 1962)

Taking into account all these factors, it is quite easy to claim that social risks are the highest from all of PESTEL and they are the first to pay attention to. If economical risks can only decrease the price of an asset, but not to destroy the project, social risks are threatening the project every single day after the launch and managing these risks are definitely of some psychological and social sciences sophistication.

Technical

As few of the Guesspoint project fundamentals are software and internet connected activity, technical risks are high for it. Here they will be described according to each sector because the term “technical” is quite broad and includes many definitions in the case of Guesspoint project.

-Software

Software of the Guesspoint is a free mobile phone application for iOS and Android operational systems. The risks here belong more to the start stage – the development. It is very important to devel-

op high quality software and test it precisely before offering to potential users. As Guesspoint functionality is reachable only through this particular software, the shortcomings and bugs experienced by the first customers (innovators and early adopters) may bring a terribly bad fame to the project and make an image of rubbish.

So it is vital to control the development process especially as there are no programmers and more or less sophisticated technicians. So the choice of the firm that is able to outsource software development process has to be very attentive. Also, there may even be the need to hire another development firm to check the quality of work done and to test the produced product.

At the same time, if the first version is done properly, technical risks connected with it are becoming much lower. After it the management just has to keep an eye on the trends in the global technical world and follow the progress. Also, the management needs to keep a renewals of functionality by the small launches of a new functions regularly, may be once in a month or once in a quarter.

More, there is such a term as a virtual fashion. It is slightly connected with progress mentioned before. This fashion concerns the dominating tastes in the industry and refers to design, different styles of interface, buttons disposition and so on. This may seem quite unimportant because does not refer to the functions, idea and comfort of usage. But still this is the trend to follow at least sometimes because the internet crowds are highly dependent on such trends, as most of them are dependent on fashion in a real life clothes industry.

-Social network itself, the System

The system risks are to be defined as clients' satisfaction process. It refers to usability and the depth of think out. It totally depends on the idea carrier as he or she is the inspirer and the creator of the system and on programmers who are those who actualize the system and their actualization is equal to level of understanding between idea carrier and them.

Benchmarking plays significant role here, as there are some stable expectation on the program interface and internal structure on the market. The fresh ideas are encountered with the delight until they are understandable and useful.

Systematical risks are also connected with a misfortune when the program gets hated with no clear arguments and there is even no possibility to change something for a supreme of this hate. It is really hard to explain, but such trends happen sometimes and this is an inclination of the society, to hate someone or something and this society doesn't usually need strong arguments against the subject of hate.

-Hardware

There are some risks connected with the hardware (the mobile devices with an Internet access) also. The swift changes in the technical characteristics can affect the Guesspoint and other mobile devices oriented products. There might such changes as, for example, display characteristic change or even total renewal of the usage principles. Nowadays there are shared principles of it that everyone knows as Smartphone with the sensor display and few buttons but nobody knows how technology will turn in the future. This risks and many other in this PESTLE analysis are really dependent on future, as IT industry now is one of the most rapidly progressing and changing.

-Internet supply

Guesspoint workability also is addicted on internet itself, the net through which all the information goes. Connection to the internet is like a blood for Guesspoint and it cannot function without Internet connection at all. This risk is accidentally possible for Guesspoint and kills all the traffic while absence on the connection but it is not really serious as Internet nowadays is such an important thing that connection to it will always be repaired very fast, at least in developed countries and the big cities which are the Guesspoint target markets. Another case is developing countries like Thailand, where the internet connection is disappearing from time to time, but still, it is usually repaired quite fast.

-Servers, information storage and delivery

This is a strategically important risk for Guesspoint, as all the information, the content of the social network, is planned to be stored on rented servers. Obviously, any accident connected with servers will destroy all the system, there is no possibility for the social network to work without the content that is blocked or demolished due to the accident with servers. More, servers are rented, so the company, which has taken the responsibility to serve it, has some more clients like Guesspoint and there will not be possibility to get a priority in a queue for restore of the information.

Such accidents are not happening very often but still there is always a possibility of it. This type of risks is a bit correlated with environmental risks.

Environmental

Environmental risks are the least important within all. The virtual world is hazy connected with virtual reality. But still, there are some. First of all it is natural disasters. The floods and tornados can easily destroy electricity supply systems, server storages and telecommunication company's infrastructure, like antennas and operational centers. Without electricity all the devices will not work within a few days because there will not be any possibility to charge them. Also, if server storages are destroyed, the social network or any internet activity will be impossible. Telecommunication companies are providing the internet that is vital for the social networks usage that is why absence of it will also strongly affect Guesspoint. Actually, taking into account the scale of a disaster that has to appear to bring such consequences, people will not think about using Guesspoint. On the other hand, Guesspoint could become a tool for actions coordination, as it gives an opportunity to see where people are going to be in a very simple way, so it might be used in a beneficial way. But for sure it will not be possible without the internet connection or charged mobile device with the possibility to connect internet.

Also, environmental risks refer to the future. Nowadays humanity is in the period of revolutions in different spheres of science and it is very hard to predict how the environment will be changed or used in the nearest future. As internet industry is deeply connected with telecommunication and waves that is still unclear what effects of it will be discovered soon or how it might be replaced. So, these risks belong to science fiction and are not to be discussed here.

Legal

Legal risks for Guesspoint and other social networks are the most unclear from all the PESTEL analysis. First of all, there is no developed legislation for the social networks done, neither as to a type of business nor as to the mass media. Social network is the term in a law and it cannot be explained and treated through the existing terms of the similar sense.

Social networks have stayed untouched by the government for a long time (if not taking the accusations in espionage). The virtual reality stayed uncontrolled and quite free for a long time. There were

some administrative regulations but it was quite weak and ineffective, appearing only in a radical and scandal cases. In such a cases the administration of social network is usually quite powerful, even more, it has absolute power and is able to delete any account and penetrate any dialogue or hidden media content storage. But still, administrative regulations are always tried to be avoided by the management of social networks as users are enjoying virtual freedom and any sensible limitations can definitely push part of auditory.

But such regulations sometimes are unavoidable as government has great opportunities for pressure on businesses and politicians can always find the legal way for shutting any operations down, even if these operations are done in the virtual reality. It is enough to declare the company that owns social network out of order and it will not be possible to function anymore.

The government in all the countries is highly interested in social networks as this kind of mass media is progressively replacing traditional media like TV or newspapers that used to form public opinion. Now social networks are these tools for the social opinion and mood formation and more, for its monitoring and analysis. This mass media has something different from traditional ones – it is interactive. People have an opportunity for their opinion expression by, for example, “like it” function or opportunity to post numerous of comments, discussing the situation with unknown opposition. Of course, their “likes” and angry posts with an often bright lack of sophistication are not making any sense and don’t change anything, but when there are crowds expressing the same opinions and “voting” through these “likes” – there is a large space to play with it. And to use this mass media, government has to regulate it legally first of all. This part of legal risks overview is nearly repeating the issues from political risks overview, but still, there is much left to declare.

Another kind of legal risks is referring to the content uploaded into social network by users. Fortunately, social networks are not blamed when the problems with illegal content appears, at least when they are deleting it immediately. But sometimes it is impossible to delete everything, especially when uploading is massive. When the illegal content appears in a social network every day, soon or late other media will stress it in their news and put in a bad light for sure, as they are competitors. This can be seen on VK example that still has problems with these legal issues because of massive uploads of the illegal videos. Another problem for them is author rights, as numerous of users are downloading pirated music into VK. The administration deletes it (when the author asks for it) but right after the music is downloaded again by other users. The same situation exists with the movies.

Fortunately, Guesspoint is not planning to include any content like music or videos, the most problematic ones, at least at the first stages. In the future it has to be added of course, because people have got used to some functions, like photo sharing, and cannot imagine the social network they would use without it. But, first of all, this problem will appear not earlier than in a couple of years and secondly the optimized information storage process proves its' profitability again. Guesspoint is ready for any illegal content or pirated music, as all of it is deleted when getting older than 2 days and its appearance in the social network will be impossible to prove. It will take at least 1 day for legal institutions to send an official notice about the exact case of brake of the law to the Guesspoint management and it will also take at least 1 day which will be officially declared by Guesspoint as "case analysis" and when this day ends there will not be any need to continue with the case as the subject, the evidence, will simply disappear. This scheme is not "black" at all and cannot even named "grey". This is specifics of this particular social network and nothing can be changed due to the conflict of interest inside the company that appears if any reform of this limited days system is done. Of course, there may be a problems, because systematic downloads will finally provoke legal institutions to undertake an action, but the worst cases can be regulated by the deleting of the most problematic accounts. Still, the situation stays quite unclear and the real situation will be possible to describe only after such conditions and problems are faced or at least not far from it.

So, legal risks are emphasized by Guesspoint management. These risks are not the terribly high but still there is a possibility of them and even worse, they are hidden in the haze of future and some of these risks may happen to be like icebergs with unpredictable threat that one day will appear from beneath the visible part of them.

Conclusion to PESTEL analysis

Guesspoint social network has the highest risks in Social, Technical and Economical spheres, as they are vital for its existence. All other risks are either are not as hazardous or appear regionally and do not threat a global presence and growth.

4.5 Overall reason for action

What is the need for change now and which are the possible actions to be undertaken?

As Guesspoint is now in the development stage, there are lots of things to be done. Roughly saying the social network needs to be launched. But it's not as simple as it sounds and all this work is dedicated to this process and preparation for it.

First of all, during this process there is the need to choose the strategy for the global invasion and its elements for particular markets like Chinese. Actually, this is not the only one market of some specifics – these specifics are to be faced by Guesspoint on each market of a large size that already has some internet industry traditions, like Russia or USA.

Secondly, there is the need to finalize the programming part but there will not be much written about it as this process goes quite automatically and there is nothing to take part in from the position of executive manager. The process is outsourced and there is only the need to control quality and time of work. Anyway, this is also quite important, as mobile phone internet oriented social networks are in a vital dependence on the software.

Thirdly, there is a lack in a legal control over the intellectual property actualized in the Guesspoint and other law issues connected with tax payments, forms of registration for advertisement, censorship etc.

5. REALIZATION

5.1 Chinese scenario. Yixin integration.

One of the scenarios of the future realization for Guesspoint belongs to the China-oriented policy of company.

5.1.1 Intro

The plan of penetration to Chinese market should always be, as mentioned above, quite special. Guesspoint management has spent a long time thinking of different ways of how to start our activity there and finally came to the conclusion that there is no way to do it except cooperation with strong

Chinese same-profile corporation. The reasons for this decision are disclosed in the Chapter about Stakeholders, but briefly reminding – it is strong paternalism from the Chinese government, oligopoly on the market of internet industry and social networks and strong control and cense over new internet projects from the National Security Committee of People Republic of China. More, there is a law according to which it is quite hard for foreigners to own more than 49% of assets on the territory of People Republic of China. So launching something independently seems not very clever at such conditions. Even if the launch went clearly, there would not be a possibility for complete marketing and official representation of the company due to sizable market controlled by state-owned giants.

So, Guesspoint has faced the need of a strong ally in the figure of mentioned giants. Here the Chinese consultant played a great role – during his regular trip to China he has spent a lot of time trying to organize an alliance for Guesspoint there. His task was quite broad because Guesspoint was ready for any variant – it might be immediate buyout of the control on territory of China, joint-venture, investment etc.

First target for Guesspoint was Tencent, one of the most powerful Chinese internet corporations. But they have totally denied the possibility of an investment or joint venture. The policy of the company is that they do not invest in the projects on early stage. They only start it by their selves or buy out already working, successful couple-of-years old startups that have already gained a loyal auditory and may be even some profits. This possibility was stated orally and consultant interpreted it as a gentle deny. (Peng, 2013)

Also, the Chinese consultant has been meeting with individuals who could become investors for the project but all of them wanted to invest only in ongoing company with at least 1 year of history. It seems that in China big organizations and powerful people do not tend to invest in something that is on the half-done condition and making first steps on its way. It may be explained by the huge population of China, especially in big cities like Beijing or Shanghai, where people are enthusiastically starting something new every day with the belief in maximum results. This belief is provoked by a bunch of success stories of self-made Chinese entrepreneurs who made money out of an enormous economic growth in China within last few decades. So, lots of people are trying to start internet startup and the amount of those who desire to sell their young businesses to Chinese giants is great. Of course it is impossible to check out all the ideas that are offered, so Chinese corporations prefer to

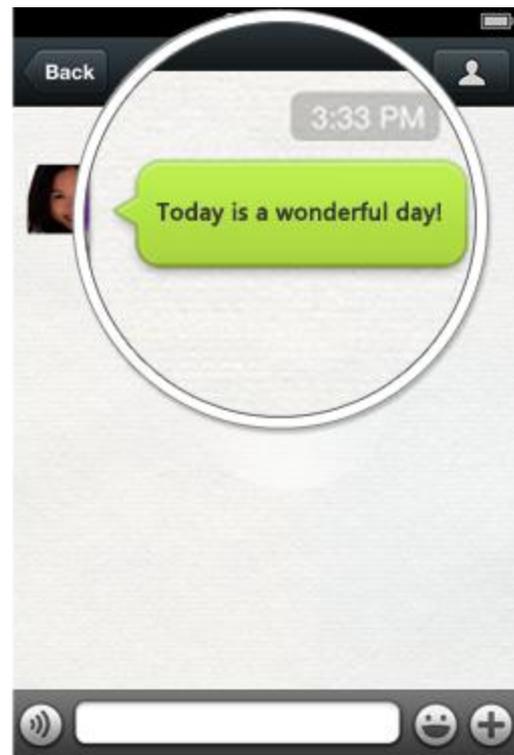
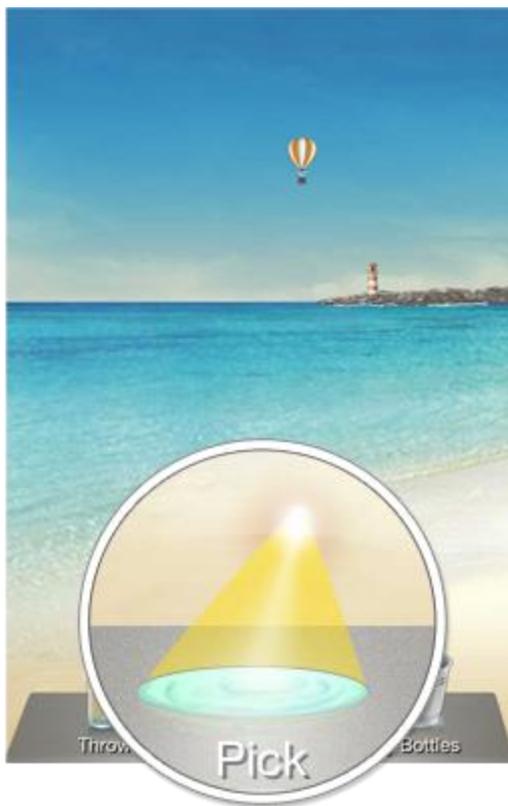
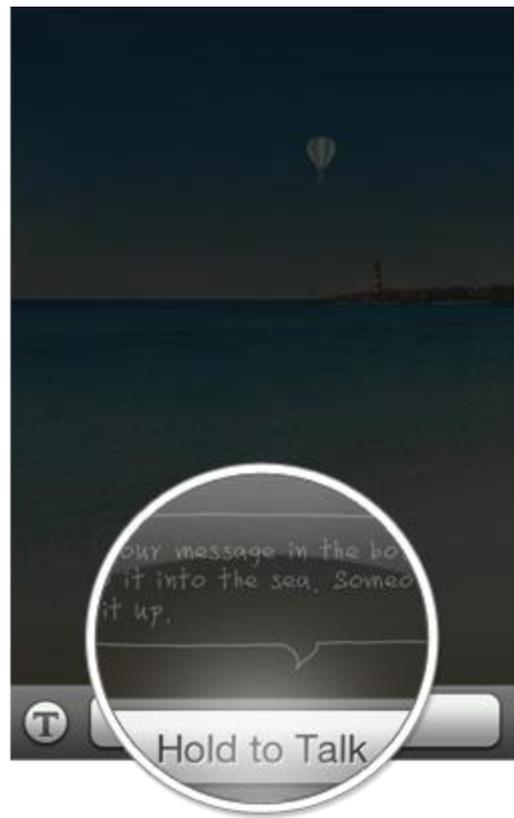
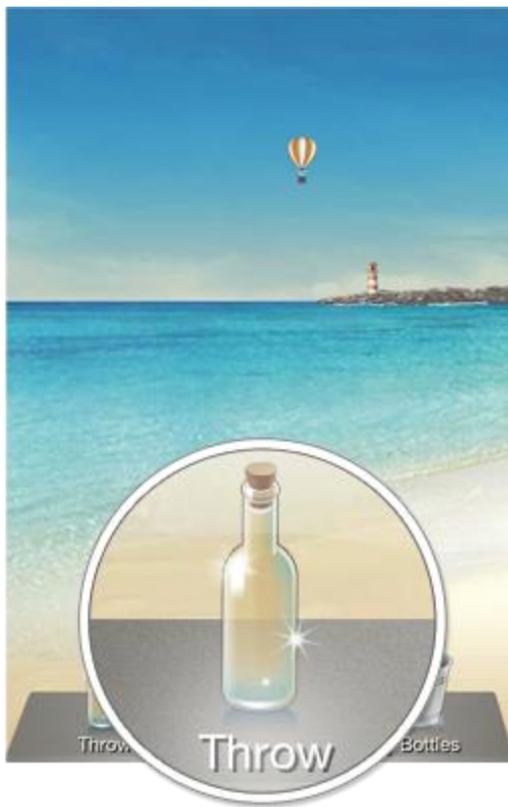
use this, let's call it, natural selection. They open the dialogue only with those who have already survived and gained some success even having the lack of money and support. This proves that such companies really have something worth to buy and only in such a condition interest from Tencent and similar companies can tend to appear.

Recognizing this, Chinese consultant was feeling really despaired. First of all, his trustworthiness was now not to be sure in. When going to China he claimed that he will surely bring some good news and may be will already return with the ready contract for buyout or other gain. So now he was in quite an unstable situation and his role in the project was losing its need.

5.1.2 WeChat and the advantage of competition between companies

Here, as it usually happens, the bright idea has arrived. While visiting in Tencent, the consultant of Guesspoint has learned about the recently flagman product of this company called Wechat. It is the new project for the Tencent, mobile social network that lets do usual social network actions like sending media content and messages. Also they have some features like voice-messaging and included mini-games oriented on mobile usage. Wechat users number now reaching more than 300 million and it is already making this social network a serious organization, because it is quite hard to name a social networks in the world that have attracted more than 100 million users. More, it is not only national – they have translated Wechat on different languages and now generating around 70 million users from abroad. All this data is issued by Tencent CEO Ma Huateng. (TechInAsia, January 17, 2013, Steven Millward)

Wechat has different features included to the social network that are actually might be named a separate applications. For example, there is the function “swimming bottle” which is visualized so that the user records the voice message or text message, puts it in a “bottle” and “throws” it to the “sea”. If skipping all this words, user just makes a message and sends it to the store of the same messages which anybody of other Wechat users can find, open, read and reply. Generally, there is nothing new in this technology of random messaging, but the visualization of this simple function is great:



PICTURES 1, 2, 3 and 4. Screens of the functions and interface

And this is just the only one of the functions inserted in Wechat. Each of them may be accepted by users as a separate application and some users are using Wechat only for one or two options like this plus messaging.

It is quite well-known that Chinese are tended to gadgets, games and all these virtual activity that makes some, again virtually, visible result. This will be proved by the poll made by the Guesspoint management.

So, Wechat has become not only an instant messaging system but grew to the multi-form messaging system or, better to say, communication tool. More, it became a great entertainment platform for mobile internet users. Many of people are not even ever shutting Wechat and it using it within a day from the time when they woke till the time when they go to bed.

As Facebook is forbidden in China, this function doesn't work there, but in the rest of the world there is Facebook integration function that makes an access to Wechat easier and nearly instant.

Also, such integration always brings some dynamics to usage of the application.

So, Wechat is dominating on the market of mobile social networks in China and is one of the main and promising products for Tencent. But, as it was mentioned, there are other internet industry corporations in China who are competing with each other and especially with Tencent. One of them is (also mentioned in the Stakeholders Chapter) NetEase, so called 163.

NetEase is a bit smaller than Tencent but still keeping a high ambitions and having good resources for a brave initiatives. Their website, www.163.com is the most visited in China and 27th in the rating of most visited websites globally in 2010 according to Alexa internet rankings

(<http://www.alexa.com/topsites> ; information for 2010). Also, NetEase is keeping strong positions on the market of Chinese online games, which are so popular in this country. So, NetEase is quite a strong competitor for Tencent and actually strongly willing to fight it. Last year NetEase (unofficially) was attentively backed by Chinese government as the future organization that may take a place of Tencent on the internet market. That is why lots of support was given and some artificial upgrades done. So, in the middle of 2013 Yixin was launched.

It is quite easy to explain what Yixin is when Wechat is described already – Yixin is the same thing, totally repeating functions of Wechat but in new design and interpretation. It could seem as totally senseless idea to launch something similar on the market where there is a giant with 300 million users which would never give up dynamic and pleasant Wechat for something less developed and not

popular yet. But the trick here was Yixin alliance with China telecom. Yixin is formed by them as a shared project and initiative of development was formed together.

China Telecom is keeping 74% of Yixin and NetEase is the owner of the rest 26% of shares. The reason of such an allocation of shares is that project is mostly financed by China Telecom and also, China telecom provides Yixin users a unique opportunity to send totally free SMS and voice messages for any mobile operator numbers in China. They don't take any money and, of course, such an opportunity wildly attracts people. People are massively registering in Yixin having in mind never to pay for the mobile communications again. Of course, there is a special little detail. When registering in Yixin, you are always offered to change your mobile operator on China Telecom and everybody does it in order to save money for the communication. But as the operator is changed, China Telecom becomes the one who is getting the payments for the internet connection without which it is impossible to log in Yixin and, consequently, impossible to send those desired free text and voice messages.

Tencent is unable to repeat such a trick (but there is unofficial information that they are trying to) as they are unable to find the ally of the same size as China Telecom which could try to start campaign of market expansion with the same scale. There is huge money needed to afford a previous investments and losses that will appear at the first times of free messaging usage. The way how China Telecom wants to return and money for such a gift to Yixin users, except internet and other payments, is advertising. Of course free messaging will attract a crowds so there will be a possibility for it. Also, that is why China Telecom owns 74% of Yixin – they do deserve such a great share for such a great move.

NetEase plays the second role in the project. They are just programming a renewals and keeping the software in order to handle the level of Wechat and may be even jump over at some moments.

Nevertheless, even having such a rocket as free mobile communication in an arsenal of social network, it is very hard to fight Wechat in a short period of time, as Wechat has already 300 million of users and global fame. More, Wechat also has quite pleasant functions that were developed through the years of its existence. Not everybody will give it up even in order to get free mobile communication, especially those who do not really care about the mobile communication expenses.

5.1.3 Brief information about Yixin

Anyway, Yixin is making a good statistics now and inclines to make even better one.

(<http://www.skyscrapercity.com/showthread.php?p=109426455>)

Strong dominant of Wechat, competitive situation, absence of another competitors, encourage from the Government and Party (even if unofficially), great profit possibility, first success, promising growth and high ambitions – all these together is clearly explaining why Yixin management and owners are always in a search for a new shooting feature that have a potential to bring to their business the same effect that was brought by the China Telecom's action.

Luckily, the consultant knows a CEO of one of the regional China Telecom branches who has a direct contact with the head office and also Yixin management which is ruled by the China Telecom Social networks department. They have met and firstly Guesspoint's consultant started, as all the previous times, trying to haggle about buy out, alliance or investments and of course it had the same effect as previously. Zero effect. But when the CEO of the China Telecom branch saw the main function of the Guesspoint, the visualization of planned day on the map in the form of circle-and-line sequence – his eyes sparkled.

Immediately he formed the future plan of actions – this function will be bought from Guesspoint and implemented as a new renewal in Yixin. He has explained the promising light of this idea firstly by the freshness and uniqueness not only in China but all over the world and secondly by, let's call it so, "traffic-attractiveness" – ability to attract a waves of traffic by the usability, interesting form, conditional return for the check out and, of course, timing of usage. As the function is pretty simple to develop separately for already existing and complete social network such as Yixin, Guesspoint will not need to make any technical consultancy and any programming part. The only demanded from Guesspoint company is the idea, intellectual property and know-how full description.

But here another detail appears. Guesspoint Ltd is already a company, an incarnation of the idea of a one person. And this person is CEO of Guesspoint Ltd. And the Chinese consultant is not a member of Guesspoint management and not even a shareholder. So dilemma here is – what is better, to answer a demand of Chinese as the company or as individual. The idea of Guesspoint is totally untied for the moment – no documents were signed according to which idea of this social network belongs

strictly to Guesspoint Ltd and all the details of this idea are to be used only all together and only in a one software or product. This is an advantage of early stage of the project - the possibility to still look around for the better ways of implementation of the idea.

It seems quite fair at this moment that Guesspoint co-founders personally negotiate with China Telecom about realization and usage of their intellectual property for some reasons. First of all, there is no abuse to anybody – Guesspoint social network is not launched yet and is still in the development process. Secondly, the firm formation and share distribution itself is not finished yet due to the sequence of fortuities. So this deal is quite clear and doesn't even cross the interests of Guesspoint Ltd in China as, analyzing previous consultant tries, it would be impossible to do anything with this market in the next years for sure.

5.1.4 Legal side of the question

So, when the possibility of such a deal is beyond all manner of doubt, the question is how to legally regulate all the terms of the deal and what will be these terms. Further the theoretical and legal information will be represented for disclosure of all the analysis that has to be made within closing this deal. Running ahead, it should be said that all the described events happened just a couple of weeks before, so the theoretical analysis will be done also as the future guideline for actions. For the moment actions of co-founders and Chinese consultant are in a delivery to China Telecom of a broad Non-Disclosure Agreement (NDA) that was kindly shared with them by some students on the Harvard Law School forum.

5.1.5 The market entry modes analysis in apply to Chinese Scenario

As the market entry suggests this or those form or mode that is proper time to comment on the modes marked in the theoretical part of this work and to choose one for the usage.

-Licensing

Licensing seems the easiest and the most appropriate way for the Guesspoint now. As the entry of Chinese market is only possible through the collaboration with the giant, which is Yixin in case of Guesspoint, licensing looks quite logical and even polite when the deal is to be made between new-

born startup and the huge state-owned company with the long history. Also, the passive nature of income may be very useful for Guesspoint on this early stage of development. (Peng, 2013)

More, as it is marked in the theory, this is a proper way for a newcomer on the international arena. Yixin may become a good ally for Guesspoint and also help to become known on the global market. Also, it does not require any investments.

The mode of licensing is one of the most possible for Guesspoint entry to Chinese market.

-Turnkey Project

This mode is much more complicated for Guesspoint and also not the most desired. If Guesspoint management and owners agreed on developing the project till the level of turnkey project, they would keep it for sure and try to promote, but not selling it. (Guesspoint management team, 2013)

This mode is also economically wrong, as the same work of development can be done by Chinese partner much cheaper and much faster. So it is quite senseless to do the work and sell after with making may be the same level of profits but with much more investments.

The turnkey project mode is not considered as suitable by the Guesspoint management.

-Wholly Owned Subsidiary (WOS)

The WOS mode might be attractive for Guesspoint in the case if it was already well-developed company. But right now it is impossible to set up wholly owned subsidiary, because Guesspoint as parent company is not well developed yet and the product, the social network, is not launched. So there are even no possibilities for predictions of the effect or the form. (Guesspoint management team, 2013)

Thus, WSO may be used later after the parallel launch of the main Guesspoint product and something that will be launched in China through another mode of market entry.

-Joint Venture

The joint venture mode is extremely attractive for the Guesspoint. This is the classical win-win situation, when one side provides the intellectual property and another one provides the production power and support. But this is again not the proper situation to implement. The scale of the parts of this

joint-venture is too incomparable. Also, Yixin has no interest to open new enterprise when the company is already a profitable social network. So the possibility for them is only to take, not to give or share. More, this system would be too dangerous for the Guesspoint. Because foreign shareholders soon or late lose their share of Chinese enterprises due to paternalism policy and other unofficial rules, as it was claimed by Chinese consultant. (Peng, 2013. Guesspoint management team, 2013)

-Strategic Alliance

The same situation as with the joint venture appears with strategic alliance. The scales do not let the companies take part in negotiations equally. More, the short-term alliance would not be productive for Guesspoint, as after it is over the presence on Chinese market for Guesspoint will be endangered.

-Conclusion

All in all, the licensing mode appears to be the most suitable for Guesspoint at this moment. This is understood by both sides of the possible deal and the management of Guesspoint has come to the conclusion that this way will be the best one.

5.2 General Scenario

Now let's turn and look through general scenario of the development. In our case it seems to be quite classic one for such projects in this sphere and refers to the general set of actions. There is a stable image formed by all these success stories and unofficial but accepted formulas of those success stories how to prosper and how to plan the emerging project for the future gain.

As it was mentioned in the theoretical part of this study, the general scenario of the launch usually consists of three phases: pre-launch, launch and after launch. Now the Guesspoint is on the pre-launch phase. So, also according to the theory, now the things to do are:

- Making traditional media promotion plan
- Making social networks promotion plan
- Set up the outreach
- Press-release plan
- Administrative preparations

(“Boost Your Product Launch With Influence Marketing” <http://appinions.com/>, 2013)

When all this is ready and also a technical part is completed, the launch phase begins:

- Starting the prepared promotion campaigns
- Making press-releases
- Launch itself
- Launch event

(“Boost Your Product Launch With Influence Marketing” <http://appinions.com/>, 2013)

And after the launch the immeasurable by the length period begins, the post-launch:

- Assessment of the impact
- Testimonials and reviews
- Expansion on the new markets
- Market researches
- Possible buyers for the company search
- Increase of the traffic
- Possible monetization

(“Boost Your Product Launch With Influence Marketing” <http://appinions.com/>, 2013)

The post-launch actions are unpredictable, as everything always depends on the conjuncture.

It's important to mark that the technical part is totally skipped in the description the launch phases, as the technical part will be outsourced. Also, this study belongs to the Business Management sphere, so only the Business Management details are represented here.

6 CONCLUSION

At this point, it is pertinent to summarize. First of all, the theoretical part was properly formed with the materials from competent sources and the needed information was distilled and represented in this work. The theoretical analysis represents the scientific view on the phenomena, the legal view and the theoretical view from the point of history and previous studies about this or the similar phenomena.

As for the practical part of this study, it is formed from the broad analysis of the situation in the company and on the market, including stakeholders and PESTEL analysis; also, there are guidelines and possible scenarios for the actions represented and the main goals for the company are stated.

The goals are stated according to the current situation and the moment when this thesis was started, so while the time has passed by few of the goals were already reached. Nevertheless, all of the information in this thesis is very useful and topical. Also, it is topical for the companies that are working at the same sphere and are on the same stage now, so this study may be used as the guidelines for them also.

The study doesn't only guide by the theoretical information or the list of actions advised. It also gives a kind of report of the history of Guesspoint, the problems that company faced and the situations happened. All these explore the horizons and the ways, what actually to do and where to head. The examples are reliable, as the situations have happened in real life. It is not a time to call the story of the Guesspoint a "success story", but it already can be named "useful".

7 CONCLUDING REMARKS

In the concluding remarks I'd like to express my own opinions and remarks concerning the features described above in this study and especially concerning the theoretical part. All along this work the statements and conclusions were done according to the theoretical framework, which consists of the previous scientific studies, researches, documented experiences and other materials.

So, I would like to mark that all of them are not for a blind following. For example, the concept of "pre-launch, launch and post-launch" is just an accepted form of the usual startup. It is quite easy to imagine that it is more appropriate in some cases to go through only pre-launch and launch, if it is possible and desirable to sell the product immediately after creation. Also, it is quite imaginable that all the project timeline may be into just pre-launch phase, if there are only outsourcing work are to be done.

I should mark again, that writing this thesis was quite a dualistic work. From the one point of view, the topic is quite modern and touches the sphere that is on the upgrade now, but at the same time there is not much scientific information about it. Still, it was possible to find the info in the particular directions by reviewing these directions apart from the general topic. For example, it was done with Elias Canetti's scientific work in sociology, which explains some features of the crowd-related phenomena. As the social networks are possible to be classified to this phenomenon, it was pertinently to use the scientific materials that were written decades before the social networks appearance.

Anyway, there is a lot of statistics information collected by different researchers. But another problem appears and the problem is that there are too much researchers with a different points of view. More, the figures change rapidly as the expansion runs faster and faster every year and even every month. So, the figures concerning this industry should be accepted as approximate data which was recorded at the particular period of time. While reading this work the fact of approximate data should not be skipped. Nevertheless, the data is quite a serious and influencing part of the study, so I hope that it will become an explanation, illustration and proof for most of the features and claims of this study.

Development of this thesis supplied a significant contribution to the practical work of the Guesspoint social network launch. The theoretical and practical parts gave quite a clear image of the set of methods to choose for the next steps and also the statistical injections gave an orientation in the sphere. Of course, the statistical part will need to be refreshed in a few months, but still I hope that this thesis will be useful for other researchers with the same usefulness that it appeared to have in the case of the Guesspoint social network launch.

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APPENDICES

Appendix 1

Maslow’s Pyramid of needs, the model was used in this thesis:

