

Pacific Virtual Venture Valley

Based on the New-Generation Technology e-ncubate, e-nnovate, e-nvest (Ten³) Concept

Project Acronym: **VVV Pacific**

Executive Summary

Purpose of this Proposal

To attract investors and donors to the development of the customized IT-powered Pacific Virtual Venture Valley (VVV Pacific) for would-be entrepreneurs, first-time entrepreneurs, innovative managers, venture capital investors, and venture/business development support experts.

The Project Purpose

The need VVV Pacific will satisfy

The motto of the new economy "It's not the big that eats the small, it's the fast that eats the slow. In this emerging environment, VVV Pacific is to help enterprises from Australia and/or the entire Pacific region to meet the challenges of the new knowledge economy characterized by globalization, rapid change, systemic innovation, and shift from industrial to entrepreneurial firms. It will provide an enabling IT-powered environment to facilitate rapid commercialization of innovative ideas born both within Australia and/or the entire Pacific and creation of new business models through a collaborative cross-regional effort.

VVV Pacific will provide a comprehensive and lean solution meeting the challenges of the new global scenario:

- For the emerging era of systemic innovation - a systemic and comprehensive support service for managers, innovators and investors.
- For the era of growing entrepreneurship - the first-ever lean and inspiring online Business e-Coach
- For the emerging era of continuous innovation - a continuous coaching and support service for all types of organizations
- For the era of rapid globalization - a global unified service providing online project initiation, planning and execution support to remote partners

Special consideration: shift in the new economy from linear to systemic innovation where being cross-functionally excellent is more important than being functionally excellent creates a great demand for broad-minded experts who are able to create innovative cross-functional combinations. The first-ever Ten³ Business e-Coach (see sample at www.1000ventures.com) makes great advance in this direction through providing 24/7 lean and inspiring just-in-time free coaching support to the new generation of cross-functionally excellent leaders. A customized version of the Business e-Coach will be developed for VVV Pacific to boost regional cooperation.

Services offered

Two types of target customers

1. Business users (entrepreneurs, managers, investors, business facilitators)
2. Business development, education and training organizations (business management schools; corporations; development organizations; media)

Services provided to the target users

The first-ever Business e-Coach is the core competitive advantage of Ten³ portals. Its brief version can be browsed free of charge and provides inspiring guidance to various types of its target clients:

- INVENTORS and FIRST-TIME ENTREPRENEURS - to develop their entrepreneurship and business skills; to understand and master the venture financing process; to develop business partnerships; to transfer technology; to start and manage their ventures
- VENTURE CAPITAL INVESTORS - guides inexperienced investors, in particular business angels and corporate investors, through the investment process; brings much better prepared clients to venture capital investors; facilitates communication between venture capitalists and inventors; provides guidance for negotiating and structuring the deal.
- INNOVATORS - to enhance their own creativity and creativity of their teams; to apply innovative technologies and processes; to transfer technology; to build innovative partnerships; to develop continuous innovation strategies.
- MANAGERS – to build out-of-the-box new business models; to establish a new-generation coaching organization; to master competitive management techniques; to organize highly productive teams; to build a continuously improving organization; to develop effective market and differentiation strategies.
- BUSINESS & INNOVATION FACILITATORS - to develop innovative coaching and support services; to select high potential clients; to develop strategic alliances with other stakeholders; to expand their markets and client base.

Market Analysis

Changing Global Scenario

The global market for Ten³ services is driven by the following five rapid changes in the global scenario:

1. shortening life cycles of products, services, and technologies
2. globalization of economies, technologies, innovations, and capital markets
3. shift to entrepreneurial economy driven by information and innovative technology
4. shift from periodic and linear to continuous and systemic innovation
5. emerging information overflow syndrome

Growing Market of First-time Entrepreneurs

Shortening life cycles of products, services and technologies caused the shift of emphasis from a decaying industrial and manufacturing economy composed of large firms to a more responsive and dynamic entrepreneurial economy driven by information and innovative technology. To illustrate in USA, in the last 30 years, large businesses cut 5 million jobs, while small businesses created 25 million new jobs.

Large corporations, which lack flexibility to keep pace with rapid market and innovation changes are also switching to entrepreneurial methods of managing innovations through creating internal start-up or spin-offs. By 2000, spin-offs, a new form of creating and financing a high-tech company has become more popular. According to a study by the European Commission, in 2000, corporate spin-offs accounted for 28% of all start-ups in Spain, 20% in Sweden, 15% in Denmark and Finland, 12% in Germany, 10% in Italy, 8% in France, and 6% in the United Kingdom.

At the same time, most inventors lack entrepreneurial and business skills. The vast majority of inventors are not able to turn their innovative ideas into attractive business propositions. According to the statistical analysis made by Saratoga Ventures, only 6 out of 1000 business ideas get funded on average by venture capitalists. It does not mean that the remaining 994 out of 1000 ideas are not good enough. Venture capitalists invest in people, not in ideas. They say: Ideas are a dime a dozen, only execution skills count.

Ten³, and in particular its Business e-Coach, will help to turn the fast growing army of good inventors into good entrepreneurs. The market for this service is vast. As it was shown above, 99.4% of inventors, who were rejected by venture capital investors, are potential customers of this type of service.

Growing Market of Early Stage Private Investors

As investments of formal venture capital (VC) companies in early stage start-up companies have been decreasing since 1999, the role of private venture capital investors, such as business angels, has been increasing. In US, the average VC funding per deal grown from US\$ 2.7 million in 1994 to US\$ 13 million in 2000. While VC companies prefer to invest in larger deals at a later development stage, the number of business angels is growing. In US, in 2000, business angels put US\$ 40 billion behind 50,000 deals. The number of business angels in US is estimated to be 400,000. This number grows at an average rate of 20% per year. In Europe, the estimated potential of annual angel investment is as high as US\$ 30 billion.

Though the investment potential of business angels is significant, the size of the angel market could potentially become 10 to 20 times larger. It is estimated that only 7% of potential business angels in US invest in start-up ventures. The remaining 93% are virgin angels who would like to invest but don't do it for a number of reasons. Main reasons why business angels do not do more investment are:

- lack of proposals matching their investment criteria;
- lack of quality business proposals
- lack of trust in the entrepreneur or management team
- lack of experience in pricing deals, and
- lack of experience in due diligence and monitoring.

Ten³ services could help to bring down the above barriers by providing online coaching for investees on preparing quality business proposals. The Business e-Coach will assist business angels in pricing deals, performing due diligence and monitoring. By coaching both investees and investors, the Ten³ Coach will build mutual understanding between them which will result in better communication and trust. Ten³ matchmaking service will connect investors to opportunities. Its online business communities and projects development workspace will facilitate creation of angel syndicates that would allow angels to collectively make larger and more frequent investments. Ten³ project development workspaces would be used by angel syndicates for evaluating and managing specific deals.

Growing Market for Continuous and Systemic Business e-Coaching Service

Innovation used to be a linear trajectory from new knowledge to new product. Now innovation is neither singular nor linear, but systemic. It arises from complex cross-sectoral interactions between many individuals, organizations and environmental factors. Innovation is not divisible – 'good in parts' is no good at all. Innovation systems are only as strong as their weakest links. Further, in today's knowledge-driven world, new technologies appear at shorter and shorter intervals. Knowledge constantly makes itself obsolete. Innovation thus should be not a one-off event, but a continuous response to changing circumstances. The era of continuous innovation requires continuous 24/7 business coaching. Permanently updated Ten³ Business e-Coach meets this market need.

Growing Market of Online Customers

Boston Consulting Group estimates the global business-to-business (B2B) E-commerce to grow to US\$ 7 trillion by 2004. By the end of 2003 it will constitute 24% of the total US B2B market, and 11% of the total European B2B market. Business-to-consumer (B2C) E-commerce is also growing. Individual Internet browsers become increasingly active online buyers. The share of online buyers as percentage of the total number of browser is currently 38% in US; 37% in Sweden; 22% in UK; and 20% in Germany.

Growing Market for a Lean Information Interface

In today's rapidly changing business environment and emerging Information Overflow Syndrome

1. time becomes increasingly precious and scarce resource, and
2. venturing into rapidly growing jungles of unknown requires rather fast and pro-active guiding and risk warning than a rich choice of reference materials.

Ten3 lean support services, specially designed to meet these challenges, provide fast and inspiring guidance to their clients and help them navigate effectively in the rapidly changing business environment.

Service Development

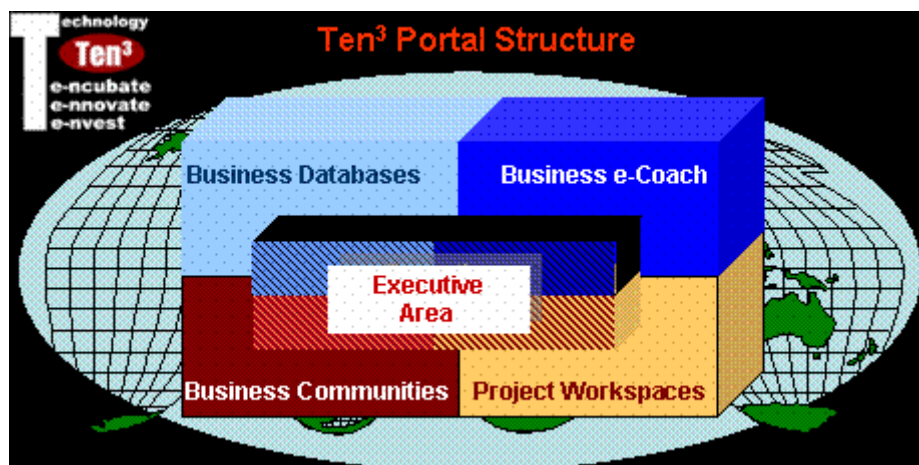
Present Status

The first-ever Ten³ Business e-Coach was launched in March 2001 at 1000ventures.com. Its fast growing popularity of is shown at the picture below.

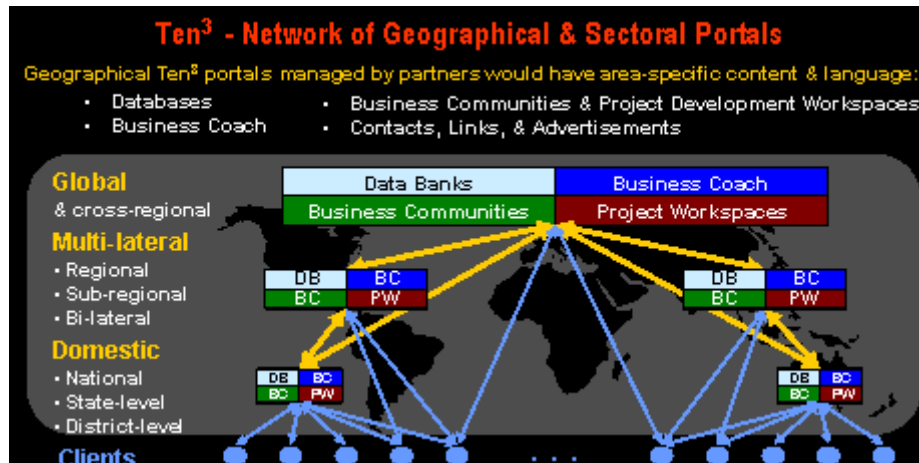


Companies from all the continents – Africa, Asia, Australia, Europe, North and South America – buy subscriptions for the full and continuously updated CD-ROM version of the Business e-Coach. Among corporate subscribers are such well known companies as Nokia and Siemens.

The overall Ten³ portal structure (see picture below) represents a new-generation synergistic combination of the Business e-Coach, Business/Technology Matchmaker, Business Communication Communities, and Private and Secure Workspaces for Project Development by distant partners.



Global Ten³ network is being developed to provide a unified user-friendly business environment facilitating seamless cooperation among enterprises, investors, and business facilitators across countries and regions.



Selected Organizations that have started building customized Ten³ portals include the Asian and Pacific Centre for Transfer of Technology (APCTT), a UN organization located in New Delhi (www.apctt.org); the International Center for Scientific and Technological Information (ICSTI), an intergovernmental organization located in Moscow (www.icsti.ru); and Shanghai Technology Transfer and Exchange (STTE), a semi-governmental non-profit organization located in Shanghai, China (www.stte.cn).

Pilot versions of the customized region- and country specific portals can be visited at:

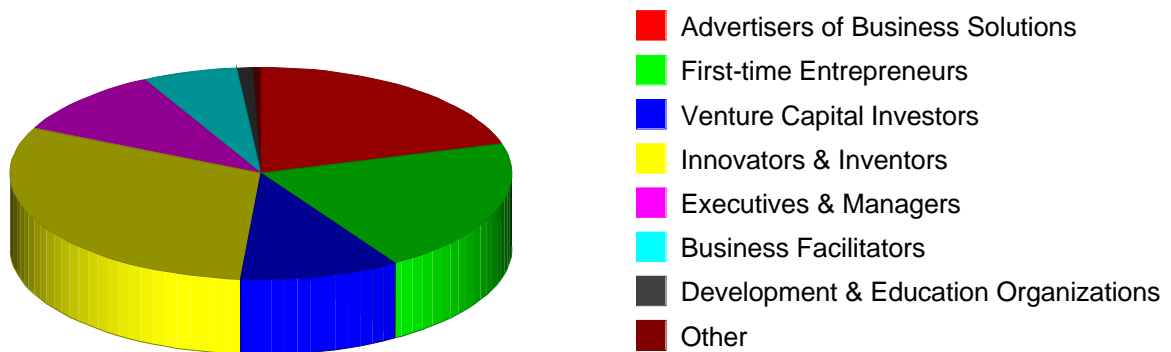
Regional - Asia-Pacific, targeting developing countries: <http://www.technology4sme.com>

National – Russia: <http://www.1000ventures.ru>

National – China: <http://www.technology4sme.com.cn>

Service Marketing and Sales Activities

Targeted Market Segments



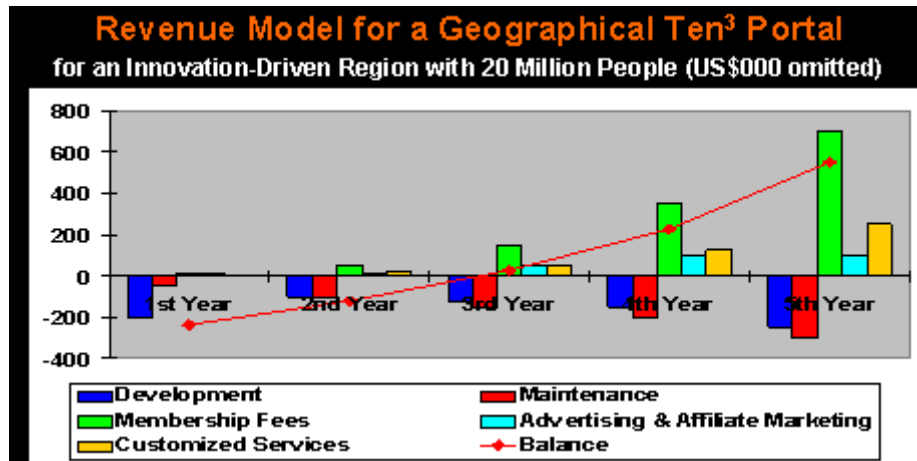
VVV Pacific Positioning and Differentiation Strategy

To position itself against other providers in the heads of its target customers, VVV Pacific will emphasize its three main distinguished features:

1. VVV Pacific is not just a business library, but an inspiring coaching service, available free anytime to anybody
2. VVV Pacific is not just a business match-maker, but a comprehensive project initiation, planning and execution service.
3. VVV Pacific is not just a set of business support services, but a complete online office equipped with all necessary information, coaching, communication, management, and marketing tools.

Target Market Segment Strategy

The target market segments were selected because they include principal stakeholders of the innovation and entrepreneurship promotion system. Rapid changes in the marketplace necessitate development of a lean and systemic service for the fast growing army of innovative entrepreneurs and creation of an enabling environment that facilitates dynamic and creative interaction among all the stakeholders.



Project Implementation Team

The project will be implemented under the public-private partnership (PPP) strategy. The organizations that are already in place and will form the core project team include:

Company	Location	Description
Ten3 Pacific	Gold Coast, Queensland, Australia	Private company, the lead project partner, licensed Ten ³ network coordinator for the Pacific region
Ten3 East-West	Moscow, Russia	Private company, the Ten ³ global network coordinator, the owner of the Ten ³ intellectual property rights and technology
Incubator of Venture and Innovation Strategies (IVIS)	Moscow, Russia	Non-profit organization, a Ten ³ missionary, engaged in promotion of IT-powered educational programmes based on the Ten ³ Business e-Coach
Global Incubator of Venture and Innovation Strategies (GIVIS)	Dover, Delaware, United States	Private company coordinating development of the global Ten ³ sub-network focusing to support incubation of new business models for the new rapidly-changing knowledge economy

Other Australian organizations with complementary competences will join the team as well.

Financial Data

Funds available and sought

Invested by the promoters (US\$):

Start-up cost (including office space):	\$800,000
Ten ³ Solution Development Cost	\$600,000
Operational Cost (for two years)	\$400,000
Total:	\$1,800,000

Funds sought from the donors for:

- Customization of the Business e-Coach to the business environment of the targeted region(s)
- Customization of the Ten³ portal(s) to the business environment of the targeted region(s)
- Integration of the customized Pacific Ten³ portal(s) into the global Virtual Venture Valley.

Detailed information about the sponsorship options is provided in the table below. The project budget will depend on the implementation scale that will be defined according to the donor's preferences. For the evaluation purposes, three possible options are provided below:

Targeted Regions	Australia: One State	Australia: All States	Australia and the Pacific
Languages used	English	English	English
Project duration	15 months	18 months	24 months
Strategic Benefit	The beneficiary state is positioned as a world leader in developing a new-generation Virtual Venture Valley for its innovative firms	Australia is positioned as a world leader in developing a new-generation Virtual Venture Valley for its innovative firms	Australia is positioned as a world leader in developing a new-generation Virtual Venture Valley for its innovative firms and the entire Pacific region
Expected impact	§ More than 50,000 people provided with 24/7 business e-coaching service per year § More than 1,000 prospective business partners matched § More than 500 target users benefit from exchanges in business communities § More than 50 business partnership projects facilitated through online project development workspaces	§ More than 100,000 people provided with 24/7 business e-coaching service per year § More than 5,000 prospective business partners matched § More than 5,000 target users benefit from exchanges in business communities § More than 200 business partnership projects facilitated through online project development workspaces	§ More than 500,000 people provided with 24/7 business e-coaching service per year § More than 20,000 prospective business partners matched § More than 20,000 target users benefit from exchanges in business communities § More than 500 business partnership projects facilitated through online project development workspaces
Funds (US\$) sought from the donor	140,000	250,000	400,000