

Base Case 2 (Pet Supplie)	Company 1	Company 2	Company 3
Summary	Online-only retailer. Aggressive marketing, high-service, medium price strategy	Online-only retailer. Low price, low service strategy	Online subsidy of Bricks and Mortar--company. Starts with significant assets.
<b>Initial Conditions</b>			
Starting Date	1999	1999	1999.5
Initial Cash	\$10 Million	\$10 Million	\$100 Million
Initial Brand Equity	\$50,000	\$50,000	\$2,500,000
Initial Product Selection	10,000 SKUs	10,000 SKUs	15,000 SKU
Initial Warehouse Space	50,000 SQF	50,000 SQF	150,000 SQF
Initial Experienced Employees	5 engineers, 5 customer support	5 engineers, 5 customer support	5 engineers, 5 customer support
Initial Server Infrastructure	\$50,000	\$50,000	\$50,000
IPO date	2000.125	2000.5	2001
Initial # of shares outstanding	10 million	10 million	10 million
Initial % of Founder Ownership	40%	40%	40%
% reserved for employees	20%	20%	20%
Stock Market Valuation Model	100% Internet-Style	100% Internet-Style	100% Internet-Style
Other Conditions	Bricks-And-Mortar margins are assumed constant at 30%.		
	Early Internet users are assumed 20% likely to buy pet supplies online, so are late adopters also.		
	The book market is assumed to have 40000 SKUs.		
<b>Company Strategy</b>			
Minimum Marketing Spending	\$1 million/year	\$1 million/year	\$1 million/year
Target Marketing Spending as a percentage of revenue	60% in the beginning, declining by 6% per year until 2008	50% in the beginning, declining by 5% per year until 2008	75% at start, declining by 7.5 % until 2008
Desired Product Selection	40000	25000	40000
Desired Time for Fulfillment	2.5 days	4 days	3 days
Target Gross Margin	-10% until 2001, increasing to 10% by 2011	5% below lowest competition	5% until 2001, increasing to 15% by 2011
Editorial budget	\$1 million/year	\$1 million/year	\$2 million/year
User-Generated Content	Enabled	Enabled	Enabled
Hiring Policy	Automated	Automated	Automated
Fundraising Policy	Automated	Automated	Automated
Server Purchasing	Automated	Automated	Automated
Warehousing Policy	Automated	Automated	Automated

**Table 8 - Parameters for Base Case (Pet Supplies)**