

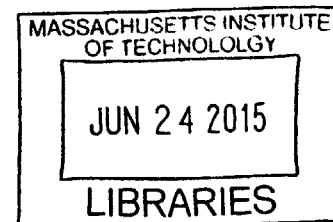
**Business Plan of an Online Social Commerce Platform for the Middle-aged
and the Elderly in China**

ARCHIVES

By

Yanghui Xie

B.A. English Literature and Language,
Shanghai International Studies University, 2001



SUBMITTED TO THE MIT SLOAN SCHOOL OF MANAGEMENT IN PARTIAL FULFILLMENT OF
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Signature of Author:

Signature redacted

MIT Sloan School of Management
May 8, 2015

Certified by:

Signature redacted

Professor Yasheng Huang
International Program Professor in Chinese Economy and Business
Professor of Global Economics and Management and Associate Dean for International Programs and
Action Learning
MIT Sloan School of Management

Accepted by:

Signature redacted

U
Professor Michael A. Cusumano
SMR Distinguished Professor of Management
Program Director, M.S. in Management Studies Program
MIT Sloan School of Management

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Yanghui Xie

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Management Studies.

ABSTRACT

This thesis is a business plan for creating an online social commerce platform, Second Life, for the middle-aged and the elderly in China.

There is a huge and growing middle-aged and elderly population in China. A large portion of this population faces some social and economic issues, such as loneliness and low pension income. This thesis proposes to address these issues by building an online community tailored for the middle-aged people and the elderly in China. On this platform, users can have active online social activities to reduce the sense of loneliness and to enable peer-to-peer help. At the same time, the platform will also serve as an online marketplace for seniors to show and monetize their skills, knowledge or other resources.

To examine the feasibility of Second Life and to get ready to make Second Life happen, this business plan covers the following areas. First of all, it articulates the business idea and strategic goal. Then, the business environment is examined through PEST (political, economic, social and technological factors) analysis to understand the opportunities and threats posed to Second Life. Next, product design guidelines are discussed through observation and literature review. Then, the initial business model is introduced. The beachhead market is identified and the competitive landscape is examined through the lens of Michael Porter's Five Forces. Later, sales and marketing strategies, approaches and a three-step sales and marketing plan are mapped out. Next, the management team is introduced. And finally, financial performance over four years is projected and the key assumptions are pointed out.

Thesis Supervisor: Professor Yasheng Huang

Title: International Program Professor in Chinese Economy and Business
Professor of Global Economics and Management and Associate Dean for
International Programs and Action Learning
MIT Sloan School of Management

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Executive Summary

This thesis is a business plan for creating an online social commerce platform, Second Life (website and APPs), to serve the middle-aged and elderly people in China. This business plan is structured in the following eight main sections.

I: Business ideal and strategic goal: The idea is to build up an online social commerce platform, Second Life, dedicated to serving the huge and increasing middle-aged and elderly population in China, to allow these people to show and monetize their life-long accumulated knowledge, skills or any other resources, and to form communities based on similar or complementary knowledge, skills and location. The strategic goal is to address existing issues on the humanity, social and individual levels.

II: Business environment: With PEST (political, economic, social and technological factors) analysis of the business environment, it is clear that there are both opportunities and threats to Second Life. On one hand, there are significant business opportunities posed by the facts, such as the huge and growing senior population, and deeper penetration of the internet usage among seniors. On the other hand, there are threats posed by some factors, such as the poor pension system in China and the potential over-competition caused by the government's policy to encourage the private sector to enter the senior-related industries.

III: Product design: Second Life website and APPs will be our products. The design will be tailor-made for the middle-aged and the elderly users. General guidelines, specific customer requirements and technical requirements are considered throughout the complete user engagement cycle - from user sign-up, first-time use, active engagement, to users' constructive feedback and referral to new potential users.

IV: Business model: Second Life has two revenue streams. One revenue stream is advertisement fees, and the other is service charge fee for each transaction on Second Life. As an online social platform, Second Life connects the middle-aged and elderly users with their peers and with potential buyers of their products or service. Second Life has both the social platform function and marketplace function. Users can use the social platform function free of charge, while sellers who use the marketplace function will be charged a certain percentage of the total transaction amount as the service fee.

V: Market and competition: Second Life will be launched in Shanghai first, then rolled out to other tier-one cities and cities with relatively high density of senior people. There are some websites or BBS (online discussion forum in China) positioned to serve seniors, these online platforms are not designed to be senior friendly, so the user base of the existing platforms is limited and users of these platforms are not actively engaged. WeChat groups, QQ and small-scaled online platforms provided by senior care providers could be potential competitors to Second Life, but Second Life has the chance to be the first and only online social commerce platform dedicated to serving the senior people in China.

VI: Sales and marketing: Sales and marketing strategies include: 1) leveraging existing resources; 2) focusing on customer experience; and 3) empowering the users. We will adopt B2B2C and B2C sales and marketing approaches. A three-step plan is developed for the first year. Step one is to educate the potential users and business partners and to get them fully aware of the Second Life before the product launch. Step two is to support the users to sign up on Second Life after the launch. Step three is to engage users through multiple customer relations management tools and functions, and recruit new users through referrals by current users.

VII: Management team: There are three members in the management team to oversee the company's strategy and operation, sales and marketing, and product design respectively. These team members have complementary expertise and backgrounds, with an average working experience of over 10 years. In addition, a CTO is expected to be hired in three months.

VIII: Financial projection: The financial projection over the next four years is briefly shown and the major assumptions regarding user base, market share, cost and business partnership are discussed.

I: Business Idea and Strategic Goal

Business Idea

The idea is to build up an online social commerce platform (platform's name is Second Life, website and APPs) dedicated to serving the huge and increasing middle-aged and the elderly in China, allowing these people to show and monetize their life-long accumulated knowledge, skills or any other resources, and to form communities based on similar or complementary knowledge, skills and location.

Strategic Goal

The strategic goals of this business idea are in three different levels:

On the humanity level – This platform aims to keep the mental wealth and treasure of normal human beings, and to enable the ordinary “wisdom” to last long and shine.

On the social level – Psychologically, this platform could reduce the mental depression of the middle-aged and the elderly, leading to less pressure on society. Economically, this platform can help seniors to get income stream by monetizing their knowledge, skills or other resources. On one hand, seniors are less dependent on the social welfare and pension system. On the other hand, with more disposable income, seniors can be more robust buyers of the goods or services provided by the active laborers.

On the individual level – This platform could help seniors to mitigate two key issues that they face, the loneliness and the low pension. Especially, the retired middle-aged and elderly in China can enjoy a more meaningful and richer post-retirement life by connecting with a larger community, and showing

or monetizing the knowledge, skills or resources that they are best at or most proud of.

II: Business Environment

To understand the business environment, PEST analysis, a widely-used environmental scanning tool to analyze the macro-environment in which a business operates¹, was conducted to map out the opportunities and threats posed to Second Life. Figure 1 shows the four factors in the PEST analysis: political, economic, social and technological factors.

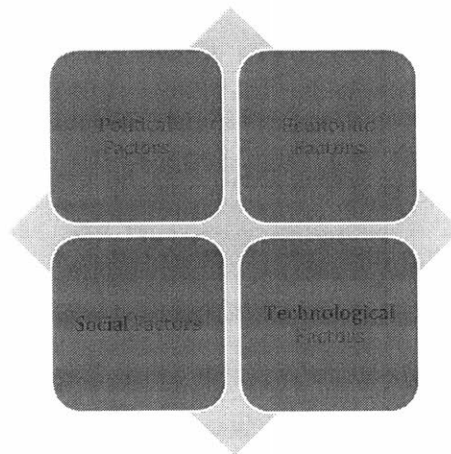


Figure 1: PEST Market Analysis Model

Political Factors

With the increasing number of the aging people in China, the government is fully aware that to serve the elderly community, policies should encourage or even incentivize the private sector to develop the market through the investment of capital and talents. Currently, there is a positive political context with guidelines and policies from the China central government to support the development of the senior related industry in China, but it takes time for the local governments to clearly interpret the policies and to launch local regulations. In addition, it takes time for the potential or current players in the

¹ Adapted from *History of the PEST Analysis*, Sidharth Thakur, Edited by Linda Richter, 30 December 2010, <http://www.brighthubpm.com/project-planning/101201-history-of-the-pest-analysis/>

market to understand the policies and regulations in order to leverage them. Furthermore, the positive political context may cause over-competition in the industry, when the regulations are all clear. Below are two examples of the policies.

The first is to launch the preferable policy inclination to the senior related industry. Ten central government ministries or bureaus, including Ministry of Civil Affairs, National Development and Reform Commission, Ministry of Education, jointly issued *Opinions on Encouraging Private Capital to Participate in the Development of Senior Related Service*² (hereinafter referred to as “*Opinion*”). The *Opinion* encourages private capital to enter the senior related industries, such as senior finance, senior real estate, senior product and senior care services. The government encourages the private sector with a combination of different means, such as subsidies to the elderly, advice, certification, government procurement policies to the companies to enter certain defined industries. For the senior care service, in some regions, the regulations allow changing some clubs or lounges which are now exclusive to some privileged government officials into places for public senior care.

The second is to remove a barrier to scale the senior related business. The geographically rigid residential and pension system in China used to be a barrier for some senior related business to scale up. For example, in the past, if one person worked in two or more different provinces, he or she needed to have two or more pension accounts in these provinces, and there were lot of restrictions of how to use their accounts in different regions. The geographically rigid pension policy restricts the mobility of people, especially the customers of senior related business. The mobility of the elderly is not critical to the senior product industry, but it impacts the senior finance, senior

² Translated by the author and adapted from *Opinions on Encouraging Private Capital to Participate in the Development of Senior Related Service* (关于鼓励民间资本参与养老服务业发展的实施意见), 28 February 2015, <http://www.cncaprc.gov.cn/contents/12/73852.html>

real estate and senior care service industries a lot. If these industries can mainly serve regional customers only, making the companies in these industry not able to scale up beyond their regions. At the end of 2009, the government issued regulations to facilitate the inter-province pension transfer, making the mobility of the elderly highly increased. By the end of 2014, over 5.6 million pension transfers had been made.³ To some extent, the inter-province pension transfer policies remove one barrier for the senior related business to scale up.

Economic Factors

Key economic factors that affect the middle-aged and elderly people in China significantly are the pension that they will get and the adequacy, sustainability and integrity of the pension system in China. Currently the average pension in China is lower than the average of OECD countries and the pension system has some favourable features, but it has great room to be improved.

The average pension in China is low. The pension fund in China has three part, individual contribution, organizational contribution and government' subsidies.⁴ According to *OECD Pension at a Glance 2013*⁵, in 2012, "China has a two-tier pension system, consisting of a basic pension and a mandatory employee contribution to a second-tier plan. This system, which was introduced in 1998, was significantly revised in 2006. It covers urban workers and many of the parameters depend on province-wide (rather than national) average earnings." Though there was an annual increase of the bottom-line of the basic pension in the past 11 consecutive years⁶, the pension for the people retired

³ Translated by the author and adapted from *Ministry of Human Resources and Social Security: In 5 Years, 5.6 Million People Made Inter-province Pension Accounts Transfer* (《人社部: 5年560万人次办理养老跨省转移》), 4 March 2015, <http://www.cncaprc.gov.cn/contents/5/74310.html>

⁴ Translated by the author and adapted from *Opinions regarding Setting up an Integrated Basic Pension System for the Urban Residents by State Council* (《国务院关于建立统一的城乡居民基本养老保险制度的意见》), Official website of China government (中国政府网), 21 February 2014, http://www.gov.cn/jzwgk/2014-02/26/content_2621907.htm

⁵ *Pension at a Glance 2013*, OECD

⁶ Translated by the author and adapted from *2015 Pension Adjustment of Nationwide Retirees from Companies* (《2015年全国企业退休人员养老金调整方案一》), Bendibao.com, <http://sh.bendibao.com/news/201515/121481.shtm>

from companies is still low, with the monthly average just above CNY2, 000⁶, about USD325 per month. Table 1 shows that in *OECD Pension at a Glance 2013*, the average worker's earnings in China is USD7, 500, less than 18% of that in the OECD countries. In addition, public pension spending is 3% of the GDP in China, while it is 7.8% in OECD countries.⁷

Table 1: Key Indicators of Pension System Profile in China, Source: OECD

		China	OECD
Average worker earnings (AW)	CNY	46 800	266 100
	USD	7 500	42 700
Public pension spending	% of GDP	3.0	7.8
Life expectancy	At birth	75.3	79.9
	At age 65	15.6	19.1
Population over age 65	% of working-age population	13.1	25.5

Great efforts are needed to further improve the pension system in China. According to Figure 2⁸, the average score of the pension systems in the 25 countries in the index is 60.56, and the score of the pension system in China is 49.0. The pension system in China is categorized as grade D, a category with “a (pension) system that has some desirable features, but also has major weakness and/or omissions that need to be addressed. Without these improvements, its efficacy and sustainability are in doubt”. China has great room to improve on the aspects of adequacy, sustainability and integrity in the pension system. The *Melbourne Mercer Global Pension Index* is “published by the Australian Centre for Financial Studies (ACFS) in conjunction with Mercer and is funded by the Victorian State Government.”⁹ The index is credible, as it

⁷ *Pension at a Glance 2013*, OECD

⁸ *2014 Melbourne Mercer Global Pension Index Launched*, Mercer, 13 October 2014, <http://www.mercer.com.au/content/mercer/asia-pacific/au/en/newsroom/2014-melbourne-mercer-global-index-launched.html>

⁹ *Super Reforms Improve Australia's Performance in Global Pension Index*, Mercer, 7 October 2013, <http://www.globalpensionindex.com/news/>

“looks objectively at both the publicly funded and private components of a system as well as personal assets and savings outside the pension system.” The index covers about 60% of the world’s population. The research identifies possible areas of reform for each country that would provide more adequate retirement benefits, increased sustainability, and greater trust in the pension system.

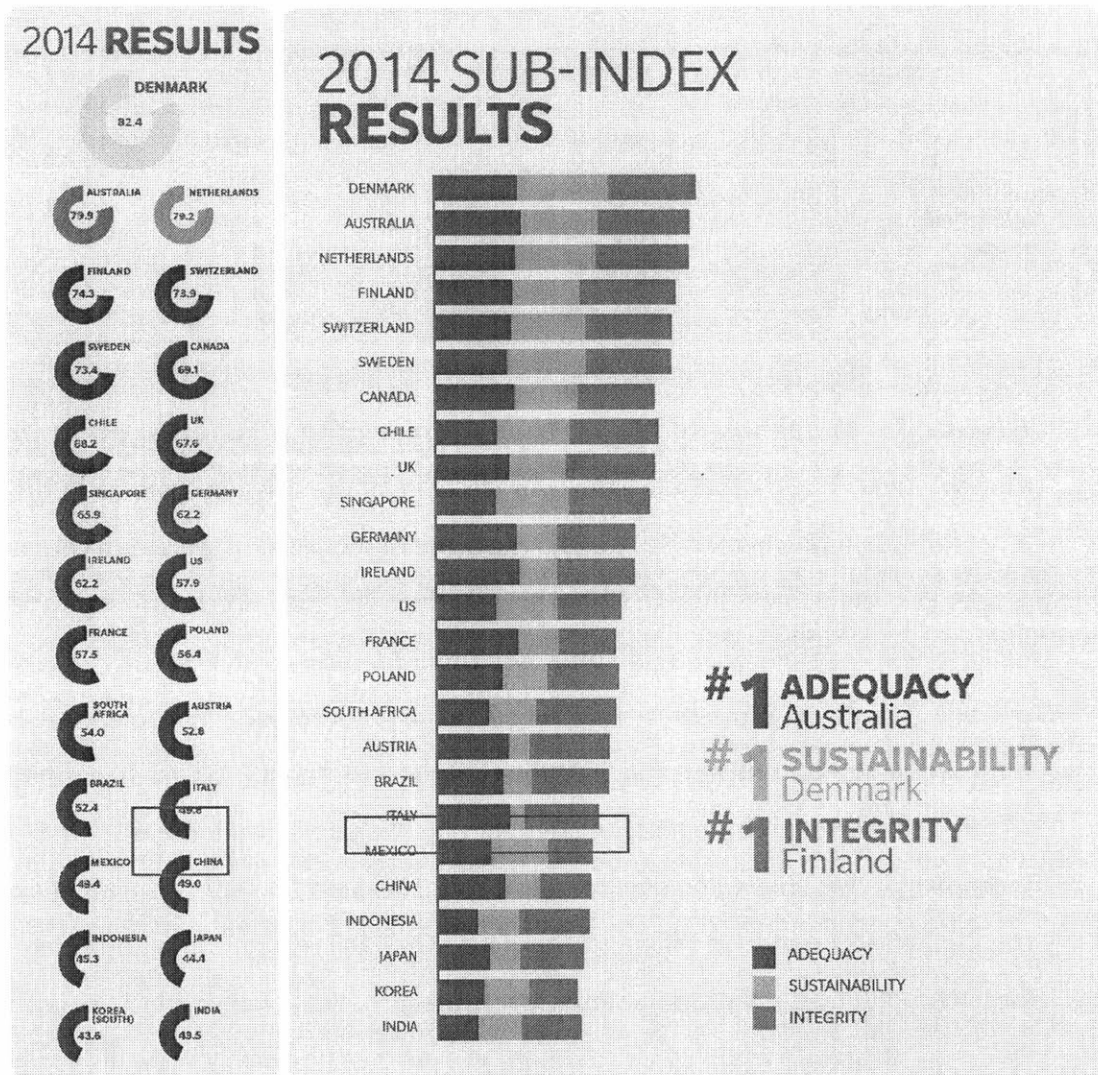


Figure 2: 2014 Melbourne Mercer Global Pension Index, Source: Mercer

Social Factors

To understand the social contexts, the dynamics of the population structure, the characteristics of the aging society in China and the factors that drove the dynamics and characteristics are examined. Overall, there is a huge and increasing aging population, and smaller and smaller labor force in China. As a result, the age dependence ratio, old (The World Bank defines the age dependency ratio, old, as “the ratio of older dependents--people older than 64--to the working-age population--those ages 15-64”¹⁰ in the *World Development Indicators*.) is growing fast. The change of population structure and the characteristics of the aging society are strongly correlated with the some political, social, cultural and economic factors, such as the one-child policy, high cost to live in tier-one cities, two-generation conflict, and marriage with similar background. All these social factors will be looked at in detail in the following part of social factors section.

There is a huge and increasing aging population in China. Generally, the society is called an aging society, if the ratio of the people above 60 to the whole population is above 10% or if the ratio of the people above 65 to the whole population is above 7% in the country. China has the world’s largest elderly population.¹¹ According to the 6th national census in November 2010, the total population in China is 1.37 billion, among which, 177.648 million are above 60 years old, accounting for 13.26% of the total population, with an increase of 2.93% compared with the percentage of people above 60 in 2000, while 118.831 million people are above 65 years old, accounting for 8.87% of the total population, with an increase of 1.91% compared with the percentage of people

¹⁰ *Age Dependency Ratio, Old*, World Bank,
<http://data.worldbank.org/indicator/SP.POP.DPND.OL/countries/1W-CN?display=graph>

¹¹ Translated by the author and adapted from *2010 Population Census of People’s Republic of China* (《中国 2010 年人口普查资料》), State Council Population Census Office and National Statistics Bureau Population and Employment Statistics Department (国务院人口普查办公室和国家统计局人口和就业统计司), <http://www.stats.gov.cn/tjsj/pcsj/rkpc/6rp/indexch.htm>

above 65 in 2000.¹² According to the forecast by China National Committee on Aging (CNCA), by 2020, there will be 248 million aging people, accounting for 17% of the total population in China.¹³ The figure will reach 300 million by 2025, the Ministry of Civil Affairs said.¹⁴

There is a gradual decrease of labor force in China. The number of laborers in China decreased in the most recent three consecutive years.¹⁵ According to the statistics published by China National Statistics Bureau in January 2015, the number of laborers above 16 years old and below 60 was 915.83 million in 2014, 3.71 million less than in 2013. The number of laborers accounts for 67% of the total population in China. Furthermore, Ma Jiantang, Head of China National Statistics Bureau forecasted, in the coming few years, at least before 2030, the number of laborers will further decrease gradually.¹⁶

The age dependency ratio, old grows. Figure 3 shows the proportion of dependents per 100 working-age population in China and in the world. The trajectory of the age dependency ratio, old in China shows that the ratio is growing faster than the world average and in 2013, it exceeded the world average.

¹² Translated by the author and adapted from *Key Statistics Announcement of 2010 Population Census of People's Republic of China (No. 1)* (《2010年第六次全国人口普查主要数据公报(第1号)》), China National Statistics Bureau (中华人民共和国国家统计局), www.gov.cn, 24 April 2011, http://www.gov.cn/test/2012-04/20/content_2118413.htm

¹³ Translated by the author and adapted from *Demographic Economy of China and the Accelerating Speed of Aging Society* (《中国经济的人口图谱 社会人口老龄化加速》), CNCA (全国老龄工作委员会办公室), <http://www.cncaprc.gov.cn/contents/37/69715.html>

¹⁴ Translated by the author and adapted from, *How to Cope with an Aging Society*, Zhao Yanrong, 9 September 2013, <http://english.cntv.cn/20130909/101984.shtml>

¹⁵ Translated by the author and adapted from *Demographic Economy of China and the Accelerating Speed of Aging Society* (《中国经济的人口图谱 社会人口老龄化加速》), CNCA (全国老龄工作委员会办公室), <http://www.cncaprc.gov.cn/contents/37/69715.html>

¹⁶ Translated by the author and adapted from *Demographic Economy of China and the Accelerating Speed of Aging Society* (《中国经济的人口图谱 社会人口老龄化加速》), CNCA (全国老龄工作委员会办公室), <http://www.cncaprc.gov.cn/contents/37/69715.html>

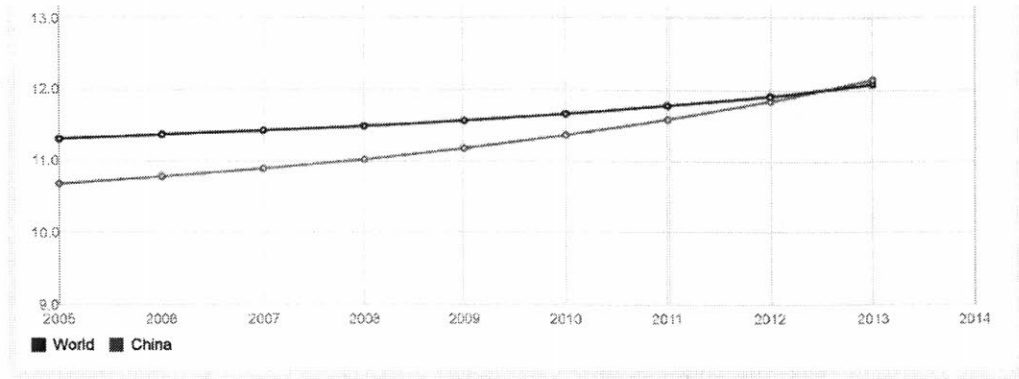


Figure 3: Age Dependence Ratio, Old, Source: World Bank¹⁷

A large percentage of the elderly people in China live independently. If a family consists only of an aging couple or an elder adult, the family is called empty nest family and the elder adults are called “empty nesters”. “Empty nesters” is a term, “which became popular in the USA in the early 1970s¹⁸”¹⁹ and has “been introduced to China by academics at some point in the 1980s or early 1990s.”²⁰

In the past few years in China, the number of the empty nesters are on the rise and the ratio of the empty-nesters to the whole elderly population is increasing as well. In 2012, CNCA issued *2011 China Aging Development Statistics Bulletin*. The Statistics Bulletin shows that by the end of 2011, the number of empty nesters in rural and urban areas was 49.3% of the total number of elder adults above 60 years old, 8% higher than that ratio in 2006²¹. According to Zhu Yong, Deputy Director, CNCA, by 2050, the ratio of empty nesters will be

¹⁷ *Age Dependency Ratio, Old*, World Bank,

<http://data.worldbank.org/indicator/SP.POP.DPND.OL/countries/1W-CN?display=graph>

¹⁸ *Among the New Words*, Russell, I. W & Porter, M. G., 1971, *American Speech*, 46, pp. 291 – 298.

¹⁹ “No Wasting” and “Empty Nesters”: “Old Age” in Beijing, Boermel, A., 2006, *Oxford Development Studies*, 34(4), 401-418. doi:10.1080/13600810601045643

²⁰ “No Wasting” and “Empty Nesters”: “Old Age” in Beijing, Boermel, A., 2006, *Oxford Development Studies*, 34(4), 401-418. doi:10.1080/13600810601045643

²¹ Translated by the author and adapted from *Senior Affairs Statistics Bulletin and a Survey among Senior People Published: Nearly 50% of the Seniors in the Urban and Rural Areas are Empty Nesters* (《老龄事业统计公报及老人调查报告公布 城乡空巢老人近五成》), Ye Zi, people.com, 11 July 2012, <http://society.people.com.cn/GB/n/2012/0711/c1008-18489035.html>

reaching 54%.²² Concerning the empty nesters by family, according to Zhang Yi, Deputy Director of Social Studies Institute, Chinese Academy of Social Science, “if you take the number of families with at least one elder adult over 65 years old as the base, the ratio of the empty nest family number to the base number was 22.84% in 2000, while it increased to 31.77% in 2011.”²³

“As the country with the most senior population, China is turning older before getting wealthier,” Wang Pei'an, Vice Minister of the National Health and Family Planning Commission, said. “There are many disabled elderly and empty nesters, and a high proportion of the poor are elderly people.”²⁴

It is interesting to understand why the number of empty nesters increases at such a speed. Zhang Yi commented that “empty nesters have been increasing faster in rural areas than in urban ones.”²⁵, and said, “Rural people have migrated en masse to cities to work since 2000 and the birth rate has decreased during the same period of time. This has caused the number of empty nesters in rural areas to grow faster than urban areas.”²⁶ According to Xiao Hanshi, researcher from Population Research Office, Hunan Education Institute, there are two major reasons for the younger generations to leave the older generations. One reason is that the younger generation seek job opportunities in places outside their hometowns, the other reason is that the younger generation marry in places outside their hometowns.²⁷ With the high mobility

²² Translated by the author and adapted from *Live-alone Seniors and Empty Nesters Account for 54% of the Senior, Intelligent Senior Care Industry Will be Launched in China* (《独居和空巢老人将占到54% 我国将推智能化养老服务》), Li Ye, 31 October 2012, <http://society.people.com.cn/n/2012/1031/c1008-19446445.html>

²³ Translated by the author and adapted from *The 6th National Census: 31.77% Families are Empty Nester Families, 9% Increase in 10 Years* (《第六次人口普查: 我国空巢家庭 31.77% 十年增 9%》), Yu Huapeng, 20 December 2012, <http://www.eeo.com.cn/2012/1220/237692.shtml>

²⁴ Translated by the author and adapted from, *How to Cope with an Aging Society*, Zhao Yanrong, 9 September 2013, <http://english.cntv.cn/20130909/101984.shtml>

²⁵ *Empty Nesters Increase Fast in China*, BJT, 29 December 2012, <http://english.cntv.cn/program/china24/20121229/116655.shtml>

²⁶ *Empty Nesters Increase Fast in China*, BJT, 29 December 2012, <http://english.cntv.cn/program/china24/20121229/116655.shtml>

²⁷ Translated by the author and adapted from *The Reasons and Trend of Empty Nester Family Phenomenon in China* (《我国家庭空巢现象的成因及发展趋势》), Xiao Hanshi, *Population Study* (《人口研究》), September 1995, 19, issue 5, P13-16

of younger people and the more and better job opportunities in certain areas, such as tier one cities – Shanghai, Beijing, Guangzhou and Shenzhen, Zhujiang Delta region and Changjiang Delta region, lots of younger people move to these areas. The younger generation are reluctant to go back to their hometown due to different reasons. At the same time, some senior people prefer living alone to joining the younger generation. There are social and economic reasons of their decision to leave alone. For example, some senior people enjoy living independently, as they are economically independent, their health are in good condition and they have their own social community in the place that they live for a long time. Some senior people would love to join the younger generation, but they are afraid that they will be a burden to the younger generation physically and financially, or they can hardly adjust to the new environment. Some senior worry about the potential conflicts with the younger generation, so they decide not live by themselves.²⁸ In the past ten years, there were lots of single-child couples (both wife and husband are the only child of their respective family), so even if the young couple would like to live with the older generation, generally, they would live with one person's parents, making the parents of the other person live alone. All these political, economic and social reasons together have made the number of empty nesters grow fast.

Early retirement leads to a larger retired population than that of the elder adults above 60 years old. Based on the current retirement policy, the retirement age for males is 60 years old, for female managers is 55 years old, and for female workers is 50 years old.²⁹ According to the *China Labor Force Dynamics Research* published by Social Science Research Center, Zhongshan University, the actual retirement age in China was around 53 from

²⁸ Translated by the author and adapted from *The Reasons and Trend of Empty Nester Family Phenomenon in China* (《我国家庭空巢现象的成因及发展趋势》), Xiao Hanshi, *Population Study* (《人口研究》), September 1995, 19, issue 5, P13-16

²⁹ Translated by the author and adapted from *Minister of Human Resources and Social Security: the Deferred Retirement Plan Will be Launched before 2020* (《人社部部长：延迟退休方案2020年前肯定出台》), Li Pan, 3 October 201, *New Beijing Times* (新京报), <http://www.cncaprc.gov.cn/contents/5/4220.html>

2012 to 2014,³⁰ making the population of retirees larger than that of elder adults above 60 years old. The retirees under 60 years old have some common characteristics with elder adults at or above 60, for example, they both have lots of leisure time, and loneliness could be a potential issue for them. Though the government is planning to announce the policy to defer retirement, the policy is only expected to be in effect by 2020.³¹

The distribution of the elder adults are regionally imbalanced and gender imbalanced. The elder adults are not evenly distributed across the country. Among all the provinces, central-direct-controlled municipals, and self-governed regions, Chongqing (17.42%), Sichuan (16.3%), Jiangsu (15.99%), Liaoning (15.43%), Shanghai (15.07), Anhui (15.01%), Shandong (14.75%), Hunan(14.54%), Hubei (13.93%), Zhejiang (13.89%) have higher than the national average percentage of the elderly above 60 years old. Chongqing has the highest percentage, with 17.42% of the population above 60 years old.³² In addition to geographical imbalance, there is gender imbalance among the elder adults, with more female aging people than male ones in China.

Technological Factors

Concerning Second Life, the relevant technological factors include senior internet user base, the development of the internet economy and its infrastructure, and the technological barriers to the middle-aged and the elderly. These aspects are looked at in detail as followed in this section.

³⁰ Translated by the author and adapted from *The Average Age to Retire is 53 in China* (《中国人平均53岁就退休》), Information Times (信息时报), 10 September 2014, http://informationtimes.dayoo.com/html/2014-09/10/content_2745323.htm

³¹ Translated by the author and adapted from *The Average Age to Retire is 53 in China* (《中国人平均53岁就退休》), Information Times (信息时报), 10 September 2014, http://informationtimes.dayoo.com/html/2014-09/10/content_2745323.htm

³² Translated by the author and adapted from *2010 China National Census Information* (《中国2010年人口普查资料》), China National Statistics Bureau (国家统计局), <http://www.stats.gov.cn/tjsj/pcsj/rkpc/6rp/indexch.htm>

Netizens base is huge and the portion of the elder netizens is on the rise. The 34th China Internet Development Report from China National Network Data Center (CNNIC)³³ shows that by middle of 2014, there were more than 630 million people in China using internet, among them, over 527 million people using mobile phones to access internet. There were 46 million internet users above 50 years old, accounting for 7.3% of the total netizens, 0.3% increased from 2013. Figure 4 shows that there were 122 million internet users above 40 years old, accounting for 19.3% of the total netizens.

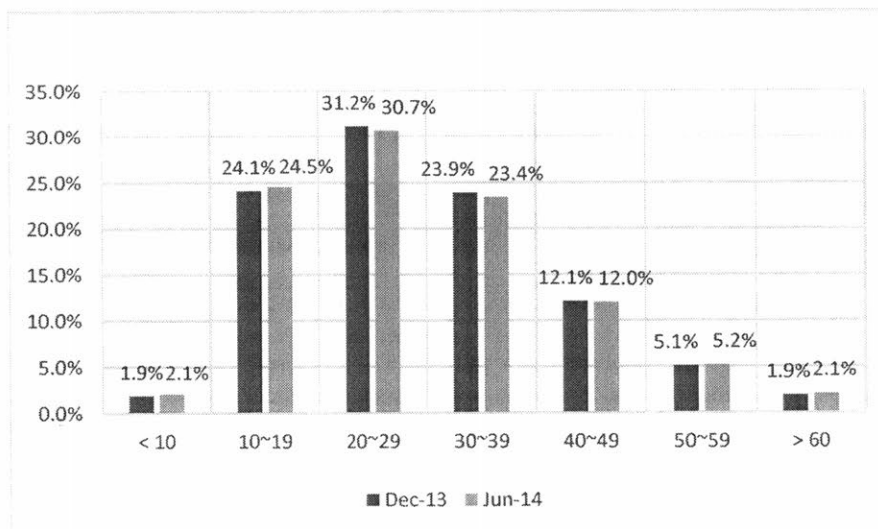


Figure 4: The Age Structure of Netizens in China, Source: CNNIC³⁴

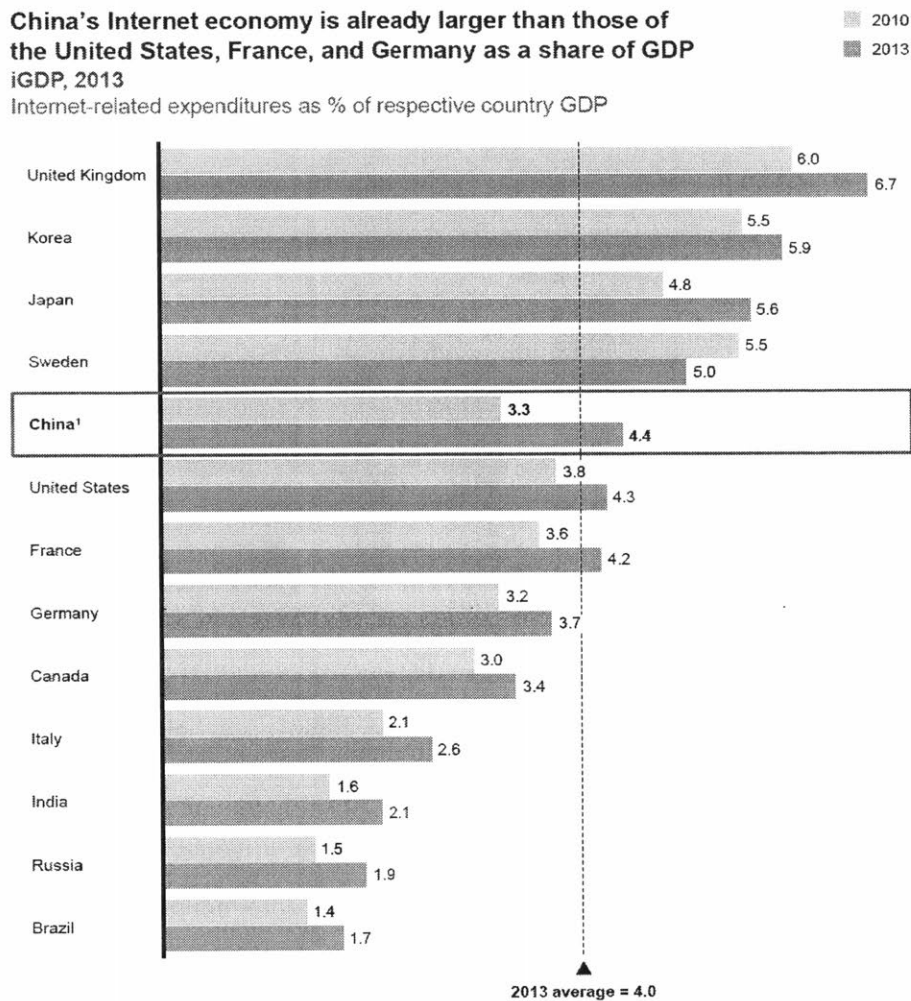
Internet economy is playing a more and more important role in China. In *China's digital transformation: The Internet's impact on productivity and growth*³⁵ report, McKinsey Global Institute points out, in 2010, the internet economy was 3.3% of GDP in China (i.e. China's iGDP is 3.3%), which was behind most developed countries. But in 2014, the iGDP in

³³ Translated by the author and adapted from, *The 34th China Internet Development Report* (《第 34 次中国互联网络发展状况统计报告》), China National Network Data Center (CNNIC) (中国互联网络信息中心), July 2014

³⁴ Translated by the author and adapted from, *The 34th China Internet Development Report* (《第 34 次中国互联网络发展状况统计报告》), China National Network Data Center (CNNIC) (中国互联网络信息中心), July 2014

³⁵ *China's Digital Transformation: The Internet's Impact on Productivity and Growth*, McKinsey Global Institute, 2014

China was increased to 4.4%, ahead of the US, France and Germany. It is expected that “the internet’s contribution to the total GDP increase ... through 2025” is 7-22% and “the internet’s contribution to China’s productivity growth by 2025” is up to 22%. Figure 5 shows the iGDP of 13 countries.



¹ The C2C (consumer-to-consumer) e-tailing category in most countries primarily consists of secondary-market transactions by individuals and is negligible. But in China, it encompasses sales by small enterprises and microbusinesses without company registration. If C2C is included, China's iGDP would be 7 percent, higher than that of any G7 country.

Figure 5: Internet-related Expenditure as % of Respective Country GDP (iGDP), Source:

McKinsey Global Institute³⁶

³⁶ *China's Digital Transformation: The Internet's Impact on Productivity and Growth*, McKinsey Global Institute, 2014

Better internet infrastructure is expected. The China State Council issued *Some Opinions on Promoting Information Consumption to Expand Domestic Demand*.³⁷ In this document, it set the 2015 goal to enable the internet connection to 95% of the administrative counties. In the cities, the speed of broadband to home is at 20Mbps per second. In some cities, the speed could reach 100Mbps per second. The information consumption infrastructure will be well equipped with more connection, higher speed and easier access to internet. In addition to the guidelines to build up and improve the internet connection, there are guidelines to support other information consumption related infrastructure, such as supply chain, finance and payment systems, to enable internet economy.

There are technical barriers for a large number of elder adults to use internet. Despite that there were 46 million internet users above 50 years old in China by middle of 2014, there are some technical barriers for a large number of elder adults to use internet. The exact barriers will be discussed in section II: Product Design in this business plan. This is a threat to the development of an online social commerce platform to serve the middle-aged and the elderly.

Summary of PEST Analysis

To summarize, with the analysis of the political, economic, social and technological factors, it is clear to see that there is a unique business context for an online social commerce platform to serve the middle-aged and the elderly in China. Table 2 shows particular factors that will bring opportunities and those that will pose threats to Second Life. For example, government's support, increased mobility of people, large internet user base, increased elder internet

³⁷ Translated by the author and adapted from *Some Opinions on Promoting Information Consumption to Expand Domestic Demand* (《关于促进信息消费扩大内需的若干意见》), State Council (国务院), 14 August 2013

users, growth of iGDP and expected better information consumption related infrastructure will all bring opportunities to an online social and commerce platform for seniors. However, over-competition brought by the positive government policies, low pension of retirees, underdeveloped pension system in China, the population dynamics with huge and growing aging population, but smaller and smaller labor force, the increased population of empty nesters across the country and the technological barrier preventing senior from using internet posed threats to the initiative to set up an online platform to serve and engage seniors.

Table 2: Summary of PEST Analysis

Factors	Opportunities	Neutral	Threats
Political Factors	<ul style="list-style-type: none"> ✓ Government's support with subsidies, real estate and positive policies ✓ Increased mobility of people 		<ul style="list-style-type: none"> ✓ Over-competition
Economic Factors			<ul style="list-style-type: none"> ✓ Low pension ✓ Underdeveloped pension system
Social Factors	<ul style="list-style-type: none"> ✓ Huge and increasing aging population ✓ Early retirement ✓ Large and growing number of empty nesters 	<ul style="list-style-type: none"> ✓ Imbalanced distribution of elder adults across the country ✓ Imbalanced gender distribution 	<ul style="list-style-type: none"> ✓ Smaller and smaller labor force ✓ Increasing and high dependency ratio, old
Technological Factors	<ul style="list-style-type: none"> ✓ Internet economy plays an important role ✓ Better internet infrastructure is expected ✓ Large internet user base and more and more senior users 		<ul style="list-style-type: none"> ✓ Technical barriers for a large number of the senior people to use internet

III: Product Design

In this section, the product definition is briefly described and the tailor-made product design guidelines are discussed, such as the uniqueness of the target audience and the solutions to be included in the product design guidelines.

Product Definition

The end product will be a website and APPs to enable senior people to show and monetize their life-long accumulated knowledge, skills or any other resources, and to form communities based on similar or complementary knowledge, skills and location.

Both the website and APPs for mobile device's use will be named as "Second Life". Second Life means that senior people can let go of who they were and what they had in the past and turn to a new page of their lives and get the chance to live again.

A minimum viable product is a website with the following basic key functions:

- ✓ **Easy registration and sign-in:** Sign-in with other social platform accounts is allowed.
- ✓ **Emergency alarm:** An emergency alarm is linked to the police, ambulance, community care centres and relatives, in case of any emergent situation, which the senior users, especially for the empty nesters, are involved in.
- ✓ **Show function:** Users can show their skills, knowledge, hobbies, locations and their recent activities.

- ✓ **Sell function:** It also serves as a marketplace for users to have their skills or knowledge for sale.
- ✓ **Form community function:** Users can form communities based on criteria, such as skills, knowledge, hobbies or location. Second Life will also recommend community groups to users based on their registered information, if they agree.

Product Design Guidelines

As a general guideline, Second Life website and APPs will embrace the assistive technology to tailor its service to elderly people. According to David L. Jaffe, a lecturer at Stanford University, “Technology that benefits people with disabilities or older adults is called assistive technology,” he said, “There are many commercially available assistive technology products that have the potential to help people get through their day, provide greater independence, and a better quality of life.”³⁸

A case study in Taiwan

According to a study in Taiwan³⁹, when the elderly try to use Facebook, the issues that they face and the factors that influence their behaviors of using Facebook are in three different aspects, namely “physiology”, “cognition” and “psychology”. Table 3 adapted from this study shows that these factors affect the elder users’ Facebook usage at different stages: sign-up, first-time use, and ongoing engagement. For example, when senior users sign up on Facebook, the complication of text input and their anxiety of technology will hold them back. When they use Facebook for the first-time, the typical senior eyesight issue or

³⁸ *Stanford Course Explores Technologies for Older Adults, People with Disabilities*, Chris Wilson, 16 September 2014, <https://www.finneganmedicalsupply.com/blog/page/stanford-course-explores-technologies-for-people-with-disabilities>

³⁹ *User Requirements of Social Media for the Elderly: a Case Study in Taiwan*, Chou, W. c., Lai, Y., & Liu, K., 2013, *Behaviour & Information Technology*, 32(9), 920-937.

their habits to read hard-copy materials or long articles may bring difficulties to them. If they would like to engage more, their ability to access different functions and right amount of information that they would like to get will influence their on-going engagement behavior.

Table 3: Relationship between Different Factors and Elderly Social Web Usage Stage⁴⁰

	Sign-up	First-time use	On-going engagement
Physiology	Text input complications Visual obstacle	Text input complications Visual obstacle	Text input complications Visual obstacle
Cognition	Technology anxiety Sense of security	Function accessibility Technology anxiety	Function accessibility
Psychology		Reading habits Sufficient interaction	Time concerning Reading habits Right interaction Richness of context

It is recognized that the study is only about the Facebook usage, and that the audience is only elderly people in Taiwan. As a result, not all the points in the study could be generalized to describe the current or potential elderly internet users, especially the online social commerce users in mainland China. However, there are a few points in this study that provide good references to direct the design guidelines of the website and APPs of Second Life.

Firstly, we will consider all the three aspects: physiology, cognition and psychology, to design Second Life products and services.

Secondly, we will simplify each of the usage stage. Figure 6 shows that we define the users' experience as a five-stage cycle: sign-up, first-time use, ongoing engagement, feedback and referral. Feedback and referral are the stages in addition to the first three ones mentioned in the Taiwan market study. Feedback is that Second Life will invite and encourage users to provide feedback

⁴⁰ Adapted from *User Requirements of Social Media for the Elderly: a Case Study in Taiwan*, Chou, W. c., Lai, Y., & Liu, K., 2013, *Behaviour & Information Technology*, 32(9), 920-937.

to the product design of Second Life. At the same time, feedback can shape the development of the platform to best meet users' needs. It is important to realize that to enable feedback channel shows respect for users. It is a way to increase users' sense of engagement and fulfillment. Referral is that Second Life will inspire and incentivize users to refer our products and services to other senior people. Referral is an efficient way to grow the user base through network effect.

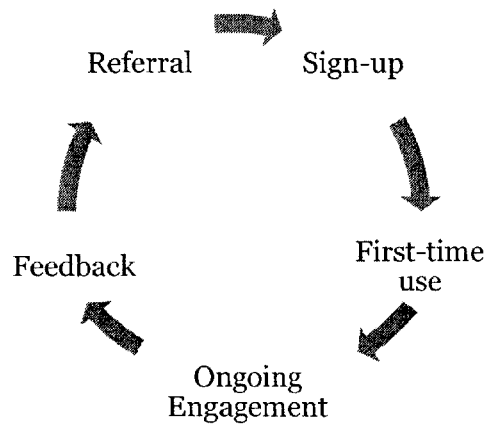


Figure 6: Second Life User Experience Cycle

Thirdly, some of the key findings in this study in Taiwan are relevant to the users of Second Life in mainland China. Some issues that the elderly are facing and some characteristics of senior people in Taiwan are similar to those in mainland China, such as the decreasing eye function, unfamiliarity to the technology jargons or online emerging languages. Table 4⁴¹ and Table 5⁴² show the specific points that online platforms for the senior should pay attention to in the product design. Some essential points should be embedded in the product design guidelines of Second Life. For example, to provide fewer choices to enable the users to identify the usage, to allow users to

⁴¹ *User Requirements of Social Media for the Elderly: a Case Study in Taiwan*, Chou, W. c., Lai, Y., & Liu, K., 2013, Behaviour & Information Technology, 32(9), 920-937.

⁴² *User Requirements of Social Media for the Elderly: a Case Study in Taiwan*, Chou, W. c., Lai, Y., & Liu, K., 2013, Behaviour & Information Technology, 32(9), 920-937.

find functional buttons immediately and to provide convenient usage of keyboard and mouse.

Table 4: Priorities of User Requirements, Source: User requirements of social media for the elderly: a case study in Taiwan⁴³

Most important	Moderately important	Minor important
<ul style="list-style-type: none"> Extremely protect personal privacy Able to immediately find functional buttons Able to make operations of travelling to and fro the web page simple More conveniently use the keyboard and the mouse Provide clear layout Provide online help which can help use the website 	<ul style="list-style-type: none"> Immediately search for the needed information Relaxedly register on the website Provide comprehensible image and text information 	<ul style="list-style-type: none"> Provide amiable Internet environment Stay connected with families and friends Select suitable large font Clearly know the way to classify the menu Clearly know operational steps Provide simple operational steps Read the whole content of online data

Table 5: Priorities of Technical Requirements, Source: User requirements of social media for the elderly: a case study in Taiwan⁴⁴

Most important	Moderately important	Minor important
<ul style="list-style-type: none"> Additional and more eye-catching navigation bar should be provided The layout and the items on the navigation bar and professional terms should be simple, clear and consistent Hyperlink should be placed among bullets instead of being placed densely and linearly arranged Fewer choices are offered to enable users to identify the usage instead of recalling it Provide an online guidance which can help him or her 	<ul style="list-style-type: none"> Provide larger targets In the contents of the text, there should be clear headlines Provide website maps The location of navigation should be kept on the web page Avoid using the drop-down menu Avoid deep menu, and convert the message into meaningful classifications The diction should be simple and clear Important messages should be highlighted Use the colour cautiously 	<ul style="list-style-type: none"> Avoid double click There should be alternative words for images The images should be simple, meaningful and easy to be connected with Avoid displaying irrelevant messages in the contents The messages should mainly be gathered up in the center of the location Clicked hyperlinks and unclicked hyperlinks should be separated Distinctively distinguish whether the text is hyperlinked or not Avoid using scroll bars Provide one open window only, and avoid pop-out windows Provide sufficient time to read messages Avoid using the colour tones like blue and green The contrast between background colours and foreground colours should be high Avoid dynamic text It's better to align the text to the left, and the length of the sentence should be short Suitable space of the text Use large font and avoid weird font Entry errors can be tolerated in the search engine Error messages should be able to be easily read

⁴³ Adapted from *User Requirements of Social Media for the Elderly: a Case Study in Taiwan*, Chou, W. c., Lai, Y., & Liu, K., 2013, *Behaviour & Information Technology*, 32(9), 920-937.

⁴⁴ Adapted from *User Requirements of Social Media for the Elderly: a Case Study in Taiwan*, Chou, W. c., Lai, Y., & Liu, K., 2013, *Behaviour & Information Technology*, 32(9), 920-937.

Tips by National Institute on Aging and National Library of Medicine

In addition to the learnings from the study in Taiwan, the tips offered by National Institute on Aging and National Library of Medicine in *Making Your Website Senior Friendly* can be a good reference. The key tips⁴⁵ are below.

- ✓ Break information into short sections.
- ✓ Give instructions clearly and number each step.
- ✓ Minimize the use of jargon and technical terms.
- ✓ Use single mouse clicks.
- ✓ Allow additional space around clickable targets.
- ✓ Use 12- or 14-point type size, and make it easy for users to enlarge text.
- ✓ Use high-contrast color combinations, such as black type against a white background.
- ✓ Provide a speech function to hear text read aloud.
- ✓ Provide text-only versions of multimedia content.
- ✓ Minimize scrolling.
- ✓ Choose a search engine that uses keywords and doesn't require special characters or knowledge of Boolean terms.

⁴⁵ *Making Your Website Senior Friendly*, National Institute on Aging and National Library of Medicine, March 2009, <http://www.nia.nih.gov/health/publication/making-your-website-senior-friendly>

Second Life's product design guidelines

Based on the existing research and observation of existing platforms for the elderly (such as nihseniorhealth.gov, www.growingbolder.com, www.aarp.org, www.retirewow.com, [seniors.lovetoknow.com/Main Page](http://seniors.lovetoknow.com/Main_Page), www.evergreenclub.com, seniordatingpersonals.net, www.over50datingsites.org...). We confirm the key product design guidelines for Second Life as below:

- ✓ Easy to use;
- ✓ Clear to see;
- ✓ Interesting to explore and engage with;
- ✓ Encouraging for repetition;
- ✓ Attractive for users to bring more people

Product design is an iterative process, to follow the product design guidelines, we will launch beta version for test first, then to adjust the design of products and services constantly to better meet the needs of users and to ensure friendly and engaging users' experience.

IV: Business Model

Second Life has two revenue streams. One revenue stream is service charge fee for each transaction, and the other is advertisement fees.

Transaction Service Fee

As an online social platform, Second Life connects the middle-aged and elderly people with their peers and with potential buyers of their products or services. Second Life has both the social platform function and marketplace function. Users can use the social platform function free of charge, while sellers who use the marketplace function will be charged a certain percentage of the total transaction amount as the service fee.

Advertisement Fees

The advertisement fees will not be a major revenue stream for Second Life in its early stage. However, when more and more senior people become the users of Second Life, we can monetize the database that we collect to provide targeted advertisement services to advertisers. The privacy of users is our priority, so we will get users' prior agreement, before we use any users' information data. In addition, Second Life will screen advertisers and provide guidelines for any advertisement to ensure advertisement is an integral part of the overall great customer experience, and not disturbance to users.

V: Market and Competition

In this section, the industry landscape, beachhead market, market size and competition are covered. The industry landscape is analyzed with Michael Porter's Five Forces model. The beachhead market is Shanghai. For the competition, there is no direct competitor for Second Life out there in the market for now.

Five Forces

According to Michael Porter, "Industry structure drives competition and profitability"⁴⁶. To understand the competition and profitability of Second Life, the model of Five Forces is used to analyze the industry structure. Figure 7 shows five forces - threat of new entrants, bargaining powers of buyers, bargaining power of suppliers, threat of substitute products or services and rivalry among existing competitors. The dynamics of these five forces can shape the structure of an industry.

Second Life is in the online social and commerce industry. There is a large number of players in this industry, but Second Life chooses to focus on a niche and vertical sector in this industry. Unlike most other online social and commerce platforms, Second Life aims to serve the middle-aged and elderly people, instead of the young generation. For Second Life, the five forces in the industry are as below.

⁴⁶ *The Five Competitive Forces That Shape Strategy*, Michael E. Porter, Harvard Business Review, January 2008 Issue, <https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy/ar/1>

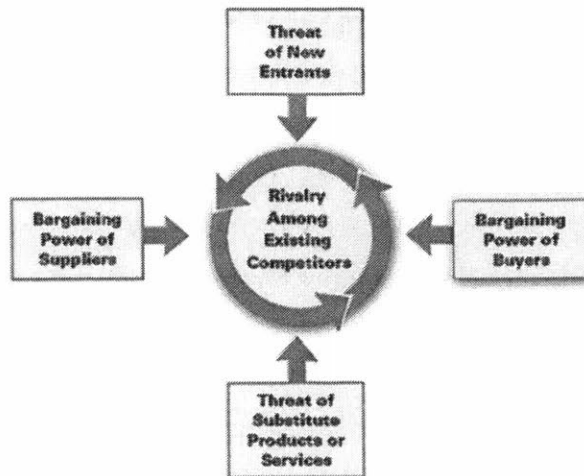


Figure 7: Model of Michael Porter's Five Forces, Source: Harvard Business Review⁴⁷

- ✓ ***Threat of new entrants:*** There is a threat of new entrants, but as a social commerce platform in a niche market, normally the first mover can enjoy some advantages and once it achieves network effect, it is hard for any new entrant to catch up with it. However, the first mover also has some disadvantages, if new entrants enter this niche market, before Second Life has a dominant position in the market. In short, the threat of new entrants is medium.

- ✓ ***Bargaining power of suppliers and bargaining power of buyers:*** Due to the unique feature of Second Life, the senior users could be both the suppliers and the buyers. Their bargaining power as sellers is low, as Second Life can open up a huge market for their offerings. Their bargaining power as buyers is low too, as Second Life can reduce their search cost with targeted referral enabled by advanced machine learning algorithms. In addition to senior users, For Second Life, the advertisers are buyers. When Second Life has the most comprehensive database of senior people in China, the bargaining power of advertisers will be low, but in Second Life's early

⁴⁷ *The Five Competitive Forces That Shape Strategy*, Michael E. Porter, Harvard Business Review, January 2008 Issue, <https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy/ar/1>

stage, the bargaining power of advertisers is high.

- ✓ ***Threat of substitute products or services:*** Some existing popular social or commerce platforms have the potential to extend their business to serve senior people, such as WeChat, QQ and Taobao.com. As we are ahead of them out in the market, we will quickly reach senior people to achieve network effect. By then, incentives for the above mentioned players to provide substitute products or services will not be very high. So the threat of substitute products or services is low.

- ✓ ***Rivalry among existing competitors:*** As the online social commerce platform for seniors, Second Life has no direct competitor in the market for now. There are some platforms claiming to target senior people, but their product design has limited their development. Because of their lack of much interest to senior people, we do not count them as competitors at all.

Beachhead Market

Second Life will be launched in Shanghai first, then rolled out to other tier-one cities and cities with relatively high density of senior people.

Portrait of a typical Second Life user: They are above 60 years old, living in Shanghai, and using internet. They are retired, currently not taking care of kids under 3, sometimes bored with daily routine, willing to try new things, willing to show or monetize their skills or knowledge, healthy, with some social life, but within small community.

The size of the senior population in Shanghai⁴⁸: By the end of 2013, 3.87 million registered Shanghai residents were above 60 years old, accounting

⁴⁸ Translated by author and adapted from *Statistics Information of 2013 Shanghai Senior Population and Senior Affairs* (《2013年上海市老年人口和老龄事业监测统计信息》), Shanghai Institute of Gerontology (上海市老年学学会), 19 July 2014, http://www.shanghaiigss.org.cn/news_view.asp?newsid=9614

for over 27% of the total registered Shanghai residents. According to the forecast by Shanghai Senior Research Center, by 2018, the registered Shanghai residents above 60 years old will be over 5 million.⁴⁹

Competition

There are some websites or BBS (online discussion forum in China) positioned to serve senior people. These online platforms are not designed to be senior friendly, so the user base of the existing platforms is limited and users of these platforms are not actively engaged. WeChat groups, QQ and small-scaled independent platforms provided by senior care providers could be potential competitors to Second Life, but Second Life has the chance to be the first and only online social commerce platform dedicated to serving the senior people in China and to outperform other players in this niche market.

⁴⁹ Translated by author and adapted from *28.8% of the Registered Residents in Shanghai are above 60 Years Old* (《上海 60 岁以上户籍老人占比 28.8%》), ifeng.com, 1 April 2015, http://finance.ifeng.com/a/20150401/13599078_0.shtml

VI: Sales and Marketing

The sales and marketing strategy for Second Life is 1) leveraging existing resources; 2) focusing on customer experience; 3) empowering the users. We will adopt B2B2C and B2C sales and marketing approaches, and will carry out a three-step marketing and sales plan to acquire 100,000 users in the first year.

Sales and Marketing Strategy

Leverage existing resources: Second Life is a new platform. We will leverage the existing channels and media (For example, QQ, WeChat, Weibo) as much as possible to quickly and efficiently reach senior people.

Focus on customer experience: Customer experience is the top priority of Second Life, and it is the top priority of our sales and marketing efforts as well. We will design our sales and marketing for better customer experience throughout the customer experience cycle.

Empower the users: Sales force and marketing efforts is a two-way channel for Second Life. We bring Second Life to users. At the same time, sales and marketing will empower users to lead the future development of our products and services.

Sales and Marketing Approaches

B2B2C: The first B stands for Second Life, the second B stands for the business partners that Second Life could work with, and C stands for senior people. In this approach, Second Life will work with business partners to get senior people on board. The potential business partners that we can work with include government bodies, NGOs and the corporations, such as CNCA, Shanghai Senior Association, Shanghai Senior Fund, local community management committee and convenience store chains. There are two key criteria for

choosing a business partner. The first criterion is that it should share the same vision with Second Life, i.e. to enrich the life of senior people. The second one is that it has existing wide channels to directly reach senior people. Through the partnership, Second Life can leverage the channels of each business partner to reach senior people widely and quickly. As a return, Second Life could help government bodies or NGOs to achieve their mission to support senior people more adequately and help corporations to add more value to their senior customers.

B2C: B in this approach stands for Second Life, and C stands for senior people. We will reach out to senior people directly to build trust, to reduce their anxiety about technology, to support them with sign-up and first-time use, and to collect feedback on products and services of Second Life.

Three-Step Sales and Marketing Plan for Year 1

Step one is to recruit business partners and educate potential users before the launch. The product will be launched in six months. Before the product launch, Second Life will begin to recruit business partners through one-to-one communications. The approach should be top-down. We will initiate talks with decision-makers at headquarters of potential business partners to either succeed quickly with big impact or to fail quickly without waste of efforts. At the same time, the education of potential users will be carried out in a systematic way, through customer survey, interviews with senior people, public relations and digital marketing. We will identify the communications patterns of senior people, interact with them to show that we understand the issues in their lives and that Second Life is passionate about and committed to enriching their lives. In addition, Second Life will recruit lots of volunteers, including senior volunteers, who are willing to support the seniors for a better life and train them to communicate with senior people and to use Second Life.

Step two is to support the users to sign up on Second Life right after the launch. After the website and APPs on different platforms are launched, Second Life will invite the pre-trained volunteers to go to senior community to help them sign up as users of Second Life and use the website for the first time. The volunteers can share users' feedback on a daily basis for product adjustment. This step will last three months.

Step three is to engage users through multiple customer relations management tools and functions, and recruit new users through referrals. Firstly, we will support senior people to form their online communities and to recommend personalized relevant information to increase users' stickiness to the platform. Next, we will send out recommendations to connect sellers and buyers on this platform. Then we will launch a model user competition program to identify active members on Second Life and to profile them in media to attract more senior people to sign up. Lastly, we will incentivize peer referrals with a customer relationship management scheme. This step will last three months.

VII: Management Team

There are three members in the management team to oversee company strategy and operation, sales and marketing, and product design respectively. These team members have complementary expertise and backgrounds, with an average working experience of over 10 years. There is a great synergy in the team, as they have known one another for a long time and they worked on different projects successfully before. In addition, a CTO is expected to be hired in three months.

CEO (Chief Executive Officer) & CFO (Chief Finance Officer): Ashley *(to protect the privacy of the executive, a pseudonym name is used here)*

In Second Life, Ashley will be the CEO & CFO overseeing the business strategy, business development, operation, sales, marketing and finance. She is a series entrepreneur and co-founded three start-ups - a technology service company, a marketing and communications consulting company and a finance service company. She has over ten years of experience and expertise in business strategy and leadership. Ashley has a Master degree in International Economy.

CMO (Chief Marketing Officer) & COO (Chief Operation Officer): Betty *(to protect the privacy of the executive, pseudonym name is used here)*

In Second Life, Betty will be CMO & COO responsible for the business development, marketing, sales and operation. Betty is a MIT Sloan graduate student with three years of business strategy and over ten years of marketing experience in various industries. Betty has a strong passion for the senior-related industry in China. She is an MBA candidate as well.

CDO (Chief Design Officer): Charles *(to protect the privacy of the executive, pseudonym name is used here)*

In Second Life, Charles will be CDO in charge of the design of Second Life website and APPs for different mobile operation systems. Charles has a Master degree in Landscape Architecture. He was a co-founder of a landscape architecture consulting firm.

CTO (Chief Technology Officer): to be hired

VIII: Financial Projection

For a startup in its very early stage, it is difficult and uncertain to make the financial projection. In this section, firstly, major assumptions are stated. Then based on these assumptions, profit and loss, revenue and cash flow over the next four years are estimated.

Key Assumptions

- ✓ Second Life could raise two rounds of funding, firstly, US\$ 2 million in the first year, then US\$ 20 million in the second year
- ✓ In four years, the number of internet users at or above 50 years old would increase 20% to 55 million. Second Life could attract 20% of them, 11 million middle-aged or senior users to use our platform.
- ✓ Human resources cost stays the same level over four years, despite the inflation factor.
- ✓ Government bodies would be willing to partner with Second Life free of charge or with minimum charge to cover the cost to reach senior people through their channels.

Financial Projection

Based on the assumptions stated above, our estimation is that Second Life can break even in year 3 to year 4, and in year 4, and the operating profit will be 35%. After year 4, the profitability will further increase. Below are the snapshots of some projections. The details of the financial projection are not fully shown in this business plan due to confidentiality. Table 6, Figure 8 and Figure 9 are good signs that Second Life can be financially healthy.

Projected Profit and Loss

Table 6: Projected Profit and Lost

	Year 1		Year 2		Year 3		Year 4	
Revenue								
Model 1	\$ -	0%	\$ 36,000	6%	\$ 315,000	10%	\$ 1,645,313	26%
Model 2	\$ 20,000	100%	\$ 520,000	94%	\$ 2,900,000	90%	\$ 4,800,000	74%
Total Revenue	\$ 20,000	100%	\$ 556,000	100%	\$ 3,215,000	100%	\$ 6,445,313	100%
COGS								
	\$ 800	4%	\$ 26,800	5%	\$ 168,500	5%	\$ 466,219	7%
Gross Margin	\$ 19,200	96%	\$ 529,200	95%	\$ 3,046,500	95%	\$ 5,979,094	93%
Expenses								
Engineering	\$ 424,500	2123%	\$ 574,450	103%	\$ 918,150	29%	\$ 1,082,800	17%
Marketing	\$ 241,250	1206%	\$ 374,000	67%	\$ 593,500	18%	\$ 876,000	14%
Sales	\$ 192,900	965%	\$ 417,120	75%	\$ 651,800	20%	\$ 936,906	15%
G&A	\$ 375,225	1876%	\$ 532,750	96%	\$ 712,000	22%	\$ 842,800	13%
Operating Exp.	\$ 1,233,875	6169%	\$ 1,898,320	341%	\$ 2,875,450	89%	\$ 3,738,506	58%
Operating Profit	\$ (1,214,675)	-6073%	\$ (1,369,120)	-246%	\$ 171,050	5%	\$ 2,240,588	35%

Projected Revenue

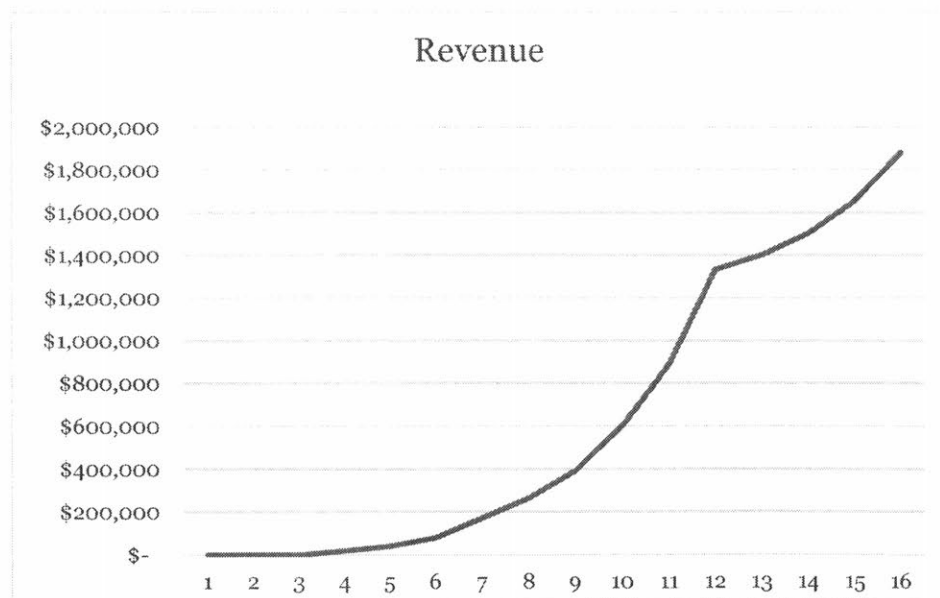


Figure 8: Projected Revenue

Projected Cash Flow

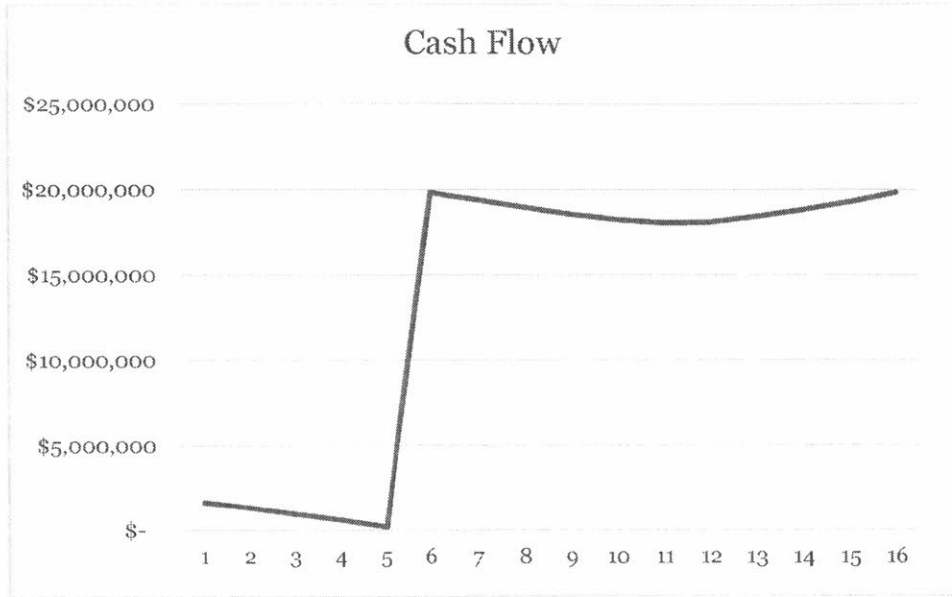


Figure 9: Projected Cash Flow

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