Advixta
Business Guidance for Partners

Purpose:

This document aims to guide you how to build business in your area. Document is released on 14.01.2020, updates will follow.

We will study the whole process in 5 steps as follows:

1. **BUSINESS MODEL**
2. **SALES**
3. **OPERATIONS**
4. **SOFTWARE & HARDWARE**
5. **SETUP**

Definitions

PARTNER: The owner of the business and the party who signs contract with Advixta to user the system.

CAMPAIGN: A form of advertising strategy with collection of media creatives and parameters of broadcasting such as date, location, target etc.

CREATIVES: Media materials in form of video, image and text which is a part of the campaign.

CPM: Cost per mille or cost per thousand – price per thousand views of campaign by target audience.

CONTENT: Collection of videos, images, story texts etc., made available for audience for purpose of entertaining

SOFTWARE: Set of executable codes forming application in certain operating systems.

HARDWARE: Electronic devices capable of running software and operating systems.

INVENTORY: Available time slots for advertising, ie advertising space.

PROGRAMMATIC ADS: Digital advertising programmed with specific set of instructions to be used for displaying target audience.

OVERHEAD COST: The cost which is stable regardless of number of screens

VARIABLE COST: The cost which is increasing incrementally with the number of screens.

IO: Insertion Order, is the sheet with instruction, conditions and other details of the advertising campaign which is sold and ready to be broadcasted.

CMS: Content management system, is the online portal where you can login and manage content, advertising, devices, parameters, settings and any other attributes of the system.

Business Model

Digital advertising is possible only by participation of different parties. It is vital to understand the roles of those parties and build proper model to signify the commercial interaction between them.

A. Parties Involved

Digital advertising is possible only with these three parties: Place, Channel Operator and Media Seller.

1. **Place**

   Advertising screens needs to be placed where the audience is. For example: In order to install digital signage (advertising screens) in shopping malls you need to make an agreement with shopping mall. You need the audience and audience come to that place thanks to the shopping mall. Similarly, Advixta also needs to be installed to a place where the audience, in our case, a passenger is. Therefore, our place is a car's backseat and we need to have agreement with car's owner or operator.
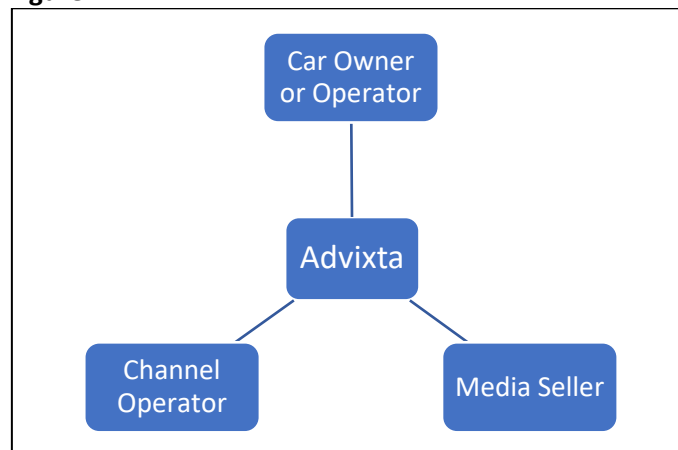
2. **Channel Operator**

   Channel is the combination of technology, hardware and software which enables the media to be displayed in selected places. The analogy would be TV station or broadcasting company. The channel technology is provided by supplier "Advixta" and should be installed in places to reach the audience. Operator is ether the authorized dealer or franchisee of supplier in the region or directly Advixta headquarters.

3. **Media Seller**

   This party is the one who sells the media and/or advertising to brands and companies. They are the one who has contract with advertisers, supply media materials (video, images or text) to channel operator and collect payments for advertising.

Figure 1:

In practice, the partner can be either…

- Car owner or operator: a taxi company, a limousine company, a group of drivers, car operator company.
- Channel Operator: Any interested party can become a franchisee in their region of activity.
- Media Seller: Advertising or media company or agency company.

B. Economics

It is crucial to understand that all revenue streams come from advertising sales thus risk and responsibilities between these parties must be shared properly. If you are not media seller, that means your revenue depends on sale performance of the media seller. To overcome this risk there must be clear agreement between you and media seller that they either take responsibility of minimum sales volume or they purchase percentage of inventory in advance.

To ensure smooth operation, it is essential to build rigid business model with clear economics. As any other business, this one also needs initial investment and has overhead and variable costs. You must thoroughly understand the cost and revenue model in order to avoid excessive risks and set goals.

1. **Initial Investment**
   You might need to invest capital in hardware or other assets to start the business such as furniture, computers etc. Be aware that Advixta screens can also be leased, so we recommend checking leasing option before investing in purchase.

2. **Revenue**
   Make a proper market research about advertising sales. Prices change from region to region. Do not take reference of one region and implement before making proper market research.

3. **Costs**
   Once you have completed market research and you have revenue forecast in your hand, make sure that break-even calculation is done correctly. Do not miss any of below listed cost factors.

   a. **Overhead:** Such costs would be office, salaries and administration cost. On small number of screens can have big impact on economy of business but becomes insignificant when the number of screens increases.

   b. **Variable:** Every additional screen will add cost for

      i. **Software Licence:** Advixta charges fixed amount for software license per month per screen.

      ii. **Leasing Payments:** If you decided to lease screens consider monthly leasing payment and residual value of the screens at the end of lease period.

      iii. **Hardware Insurance and maintenance:** To keep hardware in good working condition it is highly recommended to insure them and set a maintenance budget for repairs outside warranty coverage.

      iv. **Data Plan:** Of course, you need internet connection. Negotiate with your local mobile operator to get bets price for bulk deal. In general, they can make around 80% or more discount for numbers more than 300 lines.

      v. **Driver Benefits:** if you are not car owners or operator, you may have to pay some benefits to car owner or operator to keep them happy.

For better picture check Figure 2. The same table is available for you for longer period.

Figure 2.

Available Inventory	Per Unit			
Number of Screens		100	500	1,000
Ads Sales				
Video Ad Sales	$ 150.00	15,000	75,000	150,000
Banner Ad Sales	$ 50.00	5,000	25,000	50,000
Total		20,000	100,000	200,000
Overhead Costs				
Office		1,000	1,000	1,000
Salary		5,000	5,000	5,000
Vaiable Expenses				
Software license	$ 10.00	1,000	5,000	10,000
Hardwre leasing	$ 10.00	1,000	5,000	10,000
Hardwre maintenance	$ 2.00	200	1,000	2,000
Data SIM	$ 10.00	1,000	5,000	10,000
Driver Benefits	$ 25.00	2,500	12,500	25,000
Total		11,700	28,500	57,000
Net Revenue	Total	8,300	71,500	143,000
Net Revenue	Per Screen	83.00	143.00	143.00

Sales

SALES will probably need 90% of your focus and attention. The reason is that, the potential inventory available is huge and the more you sell the better it is obviously.

Inventory

1. **Number of Screens:** It is very important to reach as many unique viewers (passengers) as possible which is imperative for proper ads sales. As an example, we recommend starting with 500 screens and gradually increase to 1000 in 12 months. Of course, starting with 1,000 and increasing to 3,000 is better.

2. **Video and Banner Inventory:** More screens create more inventory (ad slots available). It is very important to have good sales team to be able to sell at least 30% of the available inventory, where 50% can be counted as successful.

3. **Inventory calculation:** For example, each car performs 15 trips per day and each trip in average takes 20 minutes. This creates around 300 minutes of dwell time per days or 9,000 minutes per month. If each video is 20 seconds, it is possible to show 3 videos per minute and that creates 27,000 impression, in other words inventory available for sale.

Pricing

1. **Advertising prices:** You are going to compete with other media channels such as online advertising by Google, Facebook, Instagram etc. Prices depend on many factors from season to location. Currently the advertising online for video is ranging from $15 up to $75 per CPM (cost per mille/thousand). That means $0,015 to $0.075 per view of ad by a passenger. As an

analogy to online websites, the websites such as Financial Times would be on the expensive side while less visited site of an unknown blogger would be on lower side. The price is built completely by marketing. When calculating economy take price a bit over the lowest level to be on the safe side. Same goes with banners.

2. **Advertising sales:** Sales depends on the strategy of the advertiser. Small budgets can purchase ads based on limited view whereas large budgets can focus on unlimited monthly payments. For example, with 500 screens,
    a. If the company has only $5,000 per month budget, then you can sell 200,000 views guaranteed (5,000 / 0.025). When the system completes 200,000 views it will stop advertising.
    b. You can alternatively sell unlimited views for $10,000 per month which will guarantee at least 2 views per passenger. That would be around 450,000 views (500 cars x 30 days x 15 trips x 2 views), 12% discounted price.
    c. You can also sell $2,500 per month for specific geolocation with certain radius.
    d. Or make long terms contract for 12 months with $1,000 for min 40-50 thousand views and geolocation
    There are endless permutations of strategies that you can apply to sell ads. The target is to sell as many as possible.

3. **Cost/Revenue rate:** As you can see with effective sales (50% of the inventory is sold) cost of whole business can be as less as 10% of the total revenue. At this point, the operations cost is stable, but revenue is increasing, Therefore the most attention shall be put on sales operations than on hardware or software costs.

Programmatic advertising:

Some companies may prefer delivering their ads through programmatic ads services. This unfortunately consume a lot of data. If you have opportunity to get unlimited data from data provider, then definitely would be plus! Unlike our system programmatic ads deliver advertising material (video or image files) through streaming which downloads each time when playing. Currently security and technology does not let our system download and cache the files.

Operations

For perfect preparations before launch, second most important part of the business after Sale of Advertising is **OPERATIONS.** Operations can be divided into 3 subdivisions: Advertising, Content and Device Management

1. **ADVERTISING MANAGEMENT**

    a. **Sale:** Once the sale is closed, person responsible for sale shall prepare IO (Insertion Order) with terms of the sale and details of publishing (date, place, limitations etc.). Proper documentation is very important for internal follow up and to make sure that the broadcast is done in accordance with sale conditions.

    b. **Upload:** Creatives (video, image, text files for ads) must be received in advance to make sure that all files are acceptable and compatible for the system. Generally, advertisers are sending files last minute when not asked in advance and in case of non-compliance publishing can be delayed. Once all files are received and confirmed according to required specifications, operations will login Advixta CMS, create

campaign and upload the files. When campaign is successfully created, system will automatically synchronize all screens with new campaign.

2. **CONTENT MANAGEMENT**

    a. **General:** A lot of content comes with Advixta as standard such as music, videos, weather etc (please check availability in your region). These contents can be limited to available languages. If you need specific language, then those contents must be either translated or changed by similar.

    b. **Regional:** You can also add additional regional content such as news, magazines, city guide etc. which is peculiar to the region where the screen is deployed. This must be followed by operations department to make sure that the information is up to date and make necessary updates when available. It is also possible to integrate specific API to make updates automatically.

    c. **Sellable slots:** There are sections such as shopping, offers, deals etc. among the content which can be sold. The processes are similar to advertising operations. Once the sale is closed, operations can upload necessary information directly to dedicated place in the content.

3. **DEVICE MANAGEMENT:**

    a. **Setup:** As soon as hardware and data sims are ready, proper planning for setup must be done in order to schedule cars for installation. It is necessary to assign at least one person which will be trained how to install the monitors in the cars. In general installation takes 5 to 10 minutes provided sim card is inserted and software is already installed. One person can easily install 10 – 15 cars per day depending if the cars arrive on scheduled time.

    b. **Daily operations:** Devices must be followed daily to make sure that they are connected to internet and are online. From time to time, they may be disconnected due to power off manually be driver, power cord is pulled off, car can be in garage for repairs or problems with data provider. In this case dedicated person responsible for follow up must contact the driver and check the status.

    c. **Change and repair:** Like any hardware, problems may arise due to malfunction, bad usage or damage. In this case, change of screen must be arranged by the responsible person, who will call the car to come to office or send the new screen by post to be changed by the driver. Once the old screen is received, he also must arrange sending it to repair.

Software & Hardware

With regards to **HARDWARE** requirements and **SOFTWARE** features, please note that software is designed to be flexible for running in large variety of hardware. For the best performance we recommend following hardware specs:

1. CPU: 8 or 10 core, min 1.5GHz
2. Screen: 10 inch, 1920x1200 resolution.

3. Memory: 3GB RAM, min 32GB Internal Memory
4. Connectivity: 4G/LTE, WiFi, Bluetooth.
5. Camera: min 2 MP front camera
6. OS: Android 7 or above
7. Battery: 5000 mAh

We strongly recommend obtaining a sample tablet from the vendor with whom you are planning to work with, and install Advixta software for testing.

Technical training on how to install, manage and troubleshoot in case of a problem will be performed separately.

Setup

Once business model is clear and all calculation are done, it is time to sign the contract and start preparations for setting up the business. Before starting installation of screens, many preparations need to be done.

1. **Order Hardware:** Manufacturing and delivery of hardware takes from 4 to 8 weeks depending on holiday seasons and other factory closure dates. In order to avoid delays, please make your plans properly and place the hardware order in time.

2. **Presale Ads:** Ad sales takes time and are done in advance. It is, in fact, possible to pitch to advertisers with sample screens and make presale agreements with payment after broadcasting their ads. It is recommended to start marketing your advertising inventory at least 60 days before launching date.

3. **Arrange Content:** A screen without a content would not be attractive for the passengers. Proper entertaining content is essential to increase user interaction with the screen. That is eventually very important for sale of advertising. Therefore start planning and collecting or integrating content one month in advance.

4. **Installation:** Weather going to cars or calling them to a designated place to install screens needs proper planning. Although installation takes 10 minutes, delayed cars and unexpected circumstances will take one person 8 hours working day to install 15-16 screens. Therefore, please consider installation delays and try to arrange more than one person for installation. Typically, 2 people will be able to install 500 screens per month without any difficulty.

Summary

To summarize, if you manage below four keys to success, your business will go as you wish:

1. **Planning:** Proper planning will save time and money. Plan setup, content and sales.
2. **Execution:** Even the best plan means nothing without execution. Take action as planned and follow the experience from other partners in Advixta network.
3. **Team:** You need a proper team to execute plans. Make sure that you have experienced sales and responsible operation team.

4. **Sales:** Will need almost 90% of your energy, time and attention. Do everything to increase sales. Because inventory is huge, potential income is there but without closing sales, you will struggle paying the costs.

Of course, you will have questions, we are always here to help. For more information and specific situations, please do not hesitate to contact us.

Advixta Team.