

Hayek Global College - Management and its best practices

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TITLE: IdeaSwitch

Part 1. The Problem-Solution-Customer

1.1. Problem

Liberal and libertarian people all around the world are gathering to turn good ideas into reality, either those being products or services. These people not only share their interests, but their political beliefs. In this sense, people who vote or fight for a particular cause may struggle to find others with similar beliefs; in other words, at the same time that there are people in need of help with their projects and others willing to provide their energy, they rarely get together. Some of the reasons include the lack of awareness that there are projects/people nearby in their community or the lack of a platform to enable them to get together online.

1.2. Solution

Considering the problem described above, the solution is the offering of a platform that enables people to know which projects are happening and which kind of help is needed, mostly related to crowdfunding and monthly subscriptions. Main services: **(i)** an open web page to publish a project and gather funds to finance it (limited time); **(ii)** an open web page to publish a project and gather monthly fundings and find partners (unlimited time).

1.3. Customer

The customers are liberal and libertarian Brazilian people engaged in developing projects from all ages and regions of the country. These people might be both those who are undergoing a current project that needs help or financing and those who are willing to be engaged in a project they believe in. Objectively: general members of the Brazilian liberal and libertarian public.

Moonshot: We want to become the leading libertarian ideas propagation platform in the world. To create a wide, cheap and efficient method for people to meet others who believe in their projects and would like to team up to make it real. In a sentence, we wish to help people to share their dreams. Ludwig von Mises once said "Ideas, and only ideas, can light the darkness"; if your dreams are the light, we want to be the switch.

Part 2. Strategy and Competition, according to Michael E. Porter's five forces

2.1. Force 1 – Competition in the industry

Number	Competitor	Base	Description	Auditing	Observations
1	Kickante	Brazil	Flexible + All or Nothing Crowdfunding	Yes	Lowest market rate (and offers free advisory support): tax of 6%, whether the crowdfunding is Flexible or All or Nothing.
2	Bicharia	Brazil	All or Nothing Crowdfunding	No	All-or-nothing crowdfunding platform specifically designed for animal rights causes and projects. Tax rate between 14 to 17%, being 10% of tax and 4 to 7% of the payment system.
3	Kickstarter	USA	All or Nothing Crowdfunding	No	Does not accept campaigns from creators who reside in Brazil. Only creators from USA, England, Canada, New Zealand, Netherlands, Ireland, Denmark, Sweden and Norway. Tax rate of 11% (besides other taxes): between 8 and 10% of administrative tax; plus 3% for campaigns outside the USA.

4	Idea.Me	Brazil	Flexible + All or Nothing Crowdfunding	No	Analyzes projects within 7 days after registration and it may be accepted (and scheduled for launching) or rejected by the platform. Tax rate is one of the highest in the market: more than 14.5% in most cases, being 10% in all types of campaigns plus 4.5% of tax for the payment system.
5	Catarse	Brazil	Flexible + All or Nothing Crowdfunding	No	Covers a great variety of projects. Tax rate of 13% for all the projects.
6	LinkedIn	USA	Social Media	Yes	Does not provide for crowdfunding, but provides for advertisement in three different types of costs: cost-per-click (\$5.26/click), cost-per-impression (\$6.59 per 1000 impressions) or cost-per-send (\$0.80/send).

2.2. Force 2 – Potential of new entrants into the industry

Although the crowdfunding platforms in Brazil are multiplying and may offer similar tools for financing and propagation of projects, IdeaSwitch - like Bicharia - aims to focus on a growing market *niche* in a way of attracting and concentrating these projects in its domain. In this sense, the entry of new competitors may not greatly affect the value created by the platform, which enables the union of liberal and libertarian projects.

2.3. Force 3 – Power of suppliers

The crowdfunding business deals *a priori* with only one supplier, which might be the host of the domain or of the platform - either one or the other - in which the crowdfunding business is to offer the service of funding captation. The power of switching suppliers, in this business, is perhaps one of the most risky, as it might induce the same costs of initial investments - such as website design and development of plug-ins and other resources that integrate the system with other platforms and media.

2.4. Force 4 – Power of customers

The great majority of our clients will be liberal and libertarian enthusiasts, so we have an expectation of a growing customer base with spreading and adherence to the political beliefs, which are directly impacted precisely by the success of projects. More awareness brings together more interest and, therefore, more projects.

Currently, in Brazil, most people that look for crowdfunding platforms are concentrated in the Southeast region, followed by the South and Northeast regions. Regarding gender, most crowdfunding contributors are male, representing almost 60% of the public. They are also in the 25 to 30 year-old portion of the population and people with more education are the most engaged.

2.5. Force 5 – Threat of substitute products

Virtually any other crowdfunding platform might work as a substitute, but the threat of substitution for these crowdfunding projects is substantially low in the sense that IdeaSwitch may also work as a job-seeking platform for people who are politically and morally aligned.

Part 3. Opportunity cost

The opportunity cost

Part 4. Branding

The branding of IdeaSwitch can have a powerful relationship with the moonshot, taking the famous sentence by one of the most prominent figures of the Austrian School of Economics, Ludwig von Mises, and using it as a starting point: “if your dreams are the light, we want to be the switch.” In other words, if the ideas can light the darkness, then IdeaSwitch wants to provide the means for such light to be turned on.

Joseph T. Salerno writes, in his article *The Rebirth of Austrian Economics -- In Light of Austrian Economics*, that the Austrian School of Economics went through a rebirth period divided into three phases:

- **Phase 1 (1962-1976)** concerns a timeline of the Austrian tradition that explains its resurgence with Murray N. Rothbard;

- **Phase 2 (1977-1986)** deals with the gradual strategic erasure of the figure of Mises from libertarian think-tanks, due to his radical intransigence, to promote the figure of Hayek, in disputes that led Rothbard to advocate a return to Mises;

- **Phase 3 (1987-present)** deals with the institutional and academic endeavor of Rockwell Jr. and Rothbard to recover the praxiology from what had been produced with Lachmann and Shackle.

The Brazilian liberal and libertarian movement, nowadays, is precisely experiencing **Phase 3**. And that is not simply because Salerno established such a timeline, but

because the name - and even the face - of Ludwig von Mises is currently driving the liberal and libertarian movement forward, including the academic environment.

In this sense, the idea for the branding is not merely to transform the platform into a Mises-admiring-media, but the most broad environment for liberal and libertarian sharing of projects. By only relating to **ideas**, as a value, IdeaSwitch can appeal to liberal and libertarian public, which is driven by the conviction that freedom is always related to fresh ideas and innovation.

So, liberal and libertarians are united not by the figure of Mises, even though he is widely known, but by the belief that good, fresh ideas can change the world.

Part 5. Pricing

As in all cases of crowdfunding platforms, IdeaSwitch does not have a specific price for its products. The platform can only charge over what people actually contribute or want to finance - in other words, it charges for commission; it is calculated as a percentage over the value acquired.

The two main services of the platform, as mentioned above are: **(i)** an open web page to publish a project and gather funds to finance it (limited time); **(ii)** an open web page to publish a project and gather monthly fundings and find partners (unlimited time). And according to the table provided in 2.1 of this Business Plan, there is a wide variation of commission charged by the various platforms: ranging from 6% up to 17% from each project financed.

As in IdeaSwitch there are costs related to services provided, we can charge the commission considering:

1. the security system needed to operate in more than one language (Portuguese and English) and to fund projects outside Brazil;
2. the plug-ins to make the platform not even user-friendly, but provide space for sharing of ideas, abilities and work as a job-seeking environment;
3. the possibility of providing for auditing of funds collected and easily return of money in the face of failed projects;
4. the insurance for eventual breaches of security or even problems with the delivery of funds;
5. the user-friendly payment system, which may take credit cards, PIX transferences, slips and others.

In this sense, and having in mind the pricing of competition, IdeaSwitch may charge an amount of **12%** for project financed - either All Or Nothing or Flexible.

Part 6. Cost structure

Type of expense	Description	Measurement unit	Quantity	Estimated cost (USD)	Total	Observations
Initial investment expense	constitution as legal entity	piece	1	20000,00	20000,00	Requirement of Administrative Rule nº 588 (Instrução

						Normativa CVM nº 588/2017, art. 13, § 1º, inciso I)
Initial investment expense	website domain registration	piece	1	10,00	10,00	
Initial investment expense	website design	piece	1	500,00	500,00	regular market price
Initial investment expense	crowdfunding software development	piece	1	6000,00	6000,00	
Initial investment expense	plug-ins/resources	piece	3	1000,00	3000,00	estimated cost for development of each
Services	maintenance	monthly	1	300,00	300,00	
Services	hosting	monthly	1	40,00	40,00	
Services	auditing	monthly	1	200,00	200,00	
Services	accounting	monthly	1	100,00	100,00	
Services	security	monthly	1	250,00	250,00	
Services	payment system	monthly	1	20,00	20,00	
Services	insurance	monthly	1	100,00	100,00	
Services	database and servers	monthly	1	300,00	300,00	use for storage and viability of projects
Services	marketing	monthly	1	200,00	200,00	
Human resources	representative	person	1	500,00	500,00	
Human resources	IT	person	1	600,00	600,00	
-	-	-	-	-	-	31820,00

Expense	USD
Expenses for the first year	31820,00
Average expenses for the following years	4710,00

Also, the projection for payroll in the first year:

PAYROLL 2020				
Function	Hours worked	Salary/year	Fiscal	
			Taxes	Value
Representative	1,920.00	6000	7.50%	450
IT	1,920.00	7200	15.00%	1080
Total	3.84	13200		1530

According to Brazilian Tax Law, Income Tax aliquot is charged by:

WAGES	
Monthly	Taxes
0 to 362	0.00%
363 to 538	7,5%
539 to 714	15.00%
715 to 888	22.50%
889 and on	27.50%

Therefore, considering an increase of 20% for the first after the establishment of the platform, we shall have for years 2021 and 2022:

PAYROLL 2021				
Function	Hours worked	Salary/year	Fiscal	
			Taxes	Value
Representative	1,920.00	7200	15.00%	1080
IT	1,920.00	8400	15.00%	1260
Total	3.84	15600		2340

PAYROLL 2022				
Function	Hours worked	Salary/year	Fiscal	
			Taxes	Value
Representative	1,920.00	7200	15.00%	1080
IT	1,920.00	8400	15.00%	1260
Total	3.84	15600		2340

Also, considering the increases of services which the platform will incur to provide its services, we shall have:

OVERHEAD					
	2020		2021		2022
Maintenance	300	0,4	420	0,4	588
Hosting	40	0	40	0	40
Auditing	200	0,1	220	0,1	242
Accounting	100	0	100	0	100
Security	250	0,4	350	0,4	490
Payment system	20	0	20	0	20
Insurance	100	0	100	0	100
Database and servers	300	0	300	0	300
Marketing	200	0,1	220	0,1	242

Part 7. Goals established by Objectives and Key Results (OKRs)

Objective 1: Successfully financing at least two interstate projects across Brazil in the first year.

KR1 – Settle partnership of lower tax for first project with liberal and libertarian students' movements.

KR2 – Settle advertising partnerships with at least five of the main liberal and libertarian podcasts of the country.

KR3 – Record at least two campaign videos in major cities of the Southeast region of Brazil (Rio de Janeiro and São Paulo) and one in Brasília, where we can find the majority of crowdfunding contributors and liberal and libertarian enthusiasts.

Objective 2: Successfully financing at least one 300.000,00 (BRL) project in the first three years.

KR1 – Offering financing partnerships with editors and publishing houses of liberal and libertarian contents, such as the complete works of a famous libertarian intellectual (just like Friedrich August von Hayek).

KR2 – Having at least three notable libertarian personalities as spreaders and “faces” to the platform.

KR3 – Hosting/sponsoring an international libertarian students’ event.

Part 8. Conclusion

This is a modest, but possible *niche* of the market in Brazil nowadays, which is witnessing the growth of the liberal and libertarian movement. With these indications, an entrepreneur may find a possible and viable business environment to explore liberal and libertarian ideas as means to provide services.