

# Gala

## *Experiences for Auction*



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## **Executive Summary**

The goal of Gala is to create a peer-to-peer experience auction marketplace where users are able to post, market, auction, and purchase high-quality experiences from one another. Presently, no single solution exists that enables users to safely purchase high quality experiences in a user-friendly website. Through our implementation of a marketplace targeting college students and recent graduates, we expect to see 500,000 monthly experience auctions in our initial target market segment. With a transaction fee-based model, we expect that we will generate revenues of \$5 per experience listed.

## **Value Proposition**

The two major competitors in the experience marketplace industry, Omaze and Craigslist, allow users to gamble on and purchase experiences, respectively. However, no single solution exists to allow users to auction off experiences safely in a modern tech stack. Gala's value proposition consists of filling this gap in demand for auctioned experiences for this particular customer segment. Gala intends to develop a sophisticated app with a modernized tech stack focused on user experience and safety. We will deliver a reliable and user-friendly app that features smooth feed scrolling, secure escrow and transaction service, and safe execution of face-to-face client interactions.

## **Stakeholders**

Gala is designed to keep the satisfaction of the stakeholders at top of mind. To provide consistent and abundant ROI to shareholders, we will focus on sustained profit through fast-paced product development and a lean marketplace-business model. Equally as important are Gala's customers, whom we will service through a customer-centric approach to product- and business-level decisions, including product features to guarantee customer payment and safety, non-predatory pricing, and investment in customer service resources. Furthermore, we will keep employees satisfied by maintaining a fun, creative, and collaborative workplace culture emphasizing fast-paced development, while providing adequate human resources to maintain a safe work environment. Finally, we will work with the necessary government entities and comply with local and federal laws to ensure user safety.

## **Market research and customer segmentation**

In a research study conducted by Eventbrite, 78% of Millennials would choose to spend money on a desirable experience or event over purchasing physical items<sup>1</sup>. This suggests that the

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<sup>1</sup> [https://eventbrite-s3.s3.amazonaws.com/marketing/Millennials\\_Research/Gen\\_PR\\_Final.pdf](https://eventbrite-s3.s3.amazonaws.com/marketing/Millennials_Research/Gen_PR_Final.pdf)

market we are targeting is the experience-focused Millennial and Generation Z populations, which comprise 42% of the US population. The current companies that target this segment are Eventbrite, StubHub (and other ticket resale websites), Omaze, and Craigslist. Eventbrite and StubHub are focused on ticket sales while Omaze and Craigslist cover experiences. A deeper dive into these competitors can be found in the Competition section below.

Following this broader market research, we ran a survey among students to determine their experiences with Omaze and Craigslist as well as what they would prioritize in a platform like ours. We found that 90% of students surveyed were interested in using a platform that enables peer-to-peer experience sales. Additionally, features they wanted to prioritize were a system to ensure that the experience is delivered as well as ensure that the experiences are high quality. Our target market disliked the lack of transparency in current services as well as the lack of diversity in the experiences that are offered. Experiences today are generally cookie-cutter and designed for mass consumption rather than individual enjoyment. For our initial market penetration, we plan to target students and recent graduates first as they are the most likely to participate in an experience marketplace for these boutique experiences, as we found in our survey.

## **Competition**

There are four competitors that we identified: Eventbrite, StubHub (and other ticket resale sites), Omaze, and Craigslist. Our main competitors for high quality experiences and P2P experiences were Omaze and Craigslist. Our summary of each competitor is below:

- Eventbrite: An event management and ticketing website. This website allows customers to search for and purchase tickets from event organizers. However, these experiences are commoditized and lose their uniqueness aspect once they are available en-masse to consumers.
- StubHub (and other ticket resale sites): These sites allow users to resell and scalp tickets for in-demand concerts and performances. Broadly speaking, this site has the benefits of being peer-to-peer but lacks ticket price transparency.
- Omaze: A for-profit fundraising company which partners with charities in fundraising events. These fundraisers are structured as raffles where users purchase tickets to a unique experience or material good. At the conclusion of a fundraiser, one user is provided the grand prize. However, there is no transparency in the site and it is reported that less than 4% of proceeds make it to the end recipients of the stated charities.
- Craigslist: A text-based advertising and classified website that allows users to offer peer to peer experiences and item listings. Sections are devoted to jobs, housing, for sale, services, and experiences. From our analysis of the website, the quality of Craigslist listings has deteriorated in recent years as user-friendly and reputable websites have been created to match the services provided by Craigslist such as AirBnB, Indeed, etc.

## **Revenue Model**

We provide users the ability to list and generate revenues from the experiences they are able to provide to end-consumers. These experiences can vary from high quality skydiving lessons to instrument or sports coaching. During this process, we facilitate payments between buyers and sellers. As we are handling the payments, we will generate commissions for each booking transaction we facilitate through our online platform. This commission will range from 8-15%, depending on the end-price of the experience. As the price of experiences varies due to the auction nature of the platform, the fee will be collected once bidding has completed and an auction winner is selected. Additionally, users will be able to promote their experiences so that they appear at the top of the explore page for an additional fee based on the final sale price of their experience.

We chose this business model as it is the standard business model used by our competitors. Additionally, marketplaces can be scaled faster than subscription models as we have lower customer acquisition costs and can generate revenue as soon as transactions are completed.

With an estimated 500,000 experiences in our first target segment at an average of \$50 per transaction, we will process \$25mm through our platform monthly. This will generate us an estimated \$2.5mm in monthly revenue through transaction commissions and promotion fees, or \$30mm annually. This number can scale quickly once we broaden our target audience to other generations of consumers.

## **Costs**

The primary costs we foresee are cloud costs related to database storage, web hosting, and payment processing, in addition to human capital costs related to software engineering and end-user safety monitoring. Variable costs per post are minimal as AWS scaling costs are minimal.

The cloud costs are centered around the core functionality of the platform. To host user profiles, proof-of-experiences, and other non-text data, we are using AWS's Elastic Block Store. Deployment and hosting on AWS would incur an additional \$50,000 annual cost. Additionally, APIs such as SendBird and MapBox that are used for experience facilitation scale costs with usage. With the estimated 500,000 experiences being auctioned on a monthly basis once we reach scale, we estimate \$110,000 in monthly cloud costs.

The next major cost would be payment processing which represents 35% of revenues (3.5% of total transaction) which is incurred due to the Paypal API processing costs. As of now, other than switching to a less-expensive API, we don't foresee a way around this cost.

In terms of annual human capital costs, at scale, we would need engineers, safety managers, and HR representatives. However, these costs will only scale as we scale the platform, and we will only scale as long as it remains profitable.

Thus overall, with \$30mm in estimated annual revenues and the costs listed above, we would expect to generate annual operating returns of around \$18mm after our first product launch targeting college students and recent graduates.

### **Intellectual Property**

The idea behind a platform is not necessarily protectable as the concept of marketplace platforms has been around for decades. The intellectual property for Gala lies in the distributed Peer-to-Peer nature of the listing and auction service, something no other competitor currently achieves. This would be defended with patents for the concept and copyright for the code base.

### **Engineering Status**

The Gala team has completed the engineering proof of concept and finished integration of all frontend pages and backend endpoints. For a complete overview of the engineering status, please see the attached poster.