

**SERPLEXUS:
ALTERNATIVE VALUE OF THE VENTURE CONCEPT**

By

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Abstract

This paper delves into the alternative value created by the Serplexus venture, a business concept developed by students in the McGuire Center for Entrepreneurship. It analyzes the resulting societal benefits from the implementation of a marketing tool aimed at connect service providers to consumers within a reasonable geographic area. The paper projects the environmental implications that widespread adoption of Serplexus would have, along with the social implications associated with encouraging individuals to become self-employed. The ancillary benefits provided by Serplexus are compared based on technological and industrial benchmarks, and the placement of the service industry to which Serplexus belongs within the product diffusion curve is analyzed.

Identification of Alternative Value of Serplexus

In cities nationwide, 766,542 service providers in home repair, maintenance, and remodeling sit passively and wait for prospective customers to call them (U.S. Census Bureau, 2008). Serplexus is a Website that will allow service providers to actively pursue customers by searching through job listings posted by customers in the area and submitting bids. Serplexus will attract consumers by providing consumers with a convenient way to hire a reputable service provider at a competitive price. While the founders of Serplexus developed the Website primarily to generate profit, there are identifiable alternative values that stem from the operation of Serplexus. Serplexus will have a positive ecological impact: by limiting the need for sections within the phonebooks' yellow pages, Serplexus will reduce the amount of paper waste that is generated. There is also an experimental benefit to Serplexus: the Website will provide those individuals that have unemployed or "underemployed" to gain employment and enhance their sense of self-worth. The value proposition of Serplexus is centered on the Website's ability to allow service seekers to actively pursue qualified leads. Serplexus will provide an experimental benefit to consumers as it streamlines the process of searching for service providers which will enhance user quality of life as the user would be able to dedicate more time to more enjoyable activities.

Primary Benefits

The primary benefit of Serplexus is the potential reduction in the size of the yellow pages. To fuel annual phonebook production of approximately 540 million directories, 19 million trees must be cut down (FAQ, 2008). Advertisements placed in the yellow pages by service providers that will be targeted initially by Serplexus comprise approximately one twelfth of the

phonebook. If Serplexus is able to effectively replace the phonebook in targeted industries, and service providers using Serplexus no longer purchase advertisements in the yellow pages, nearly 1.58 million trees would not be used for the manufacture of phonebooks. Serplexus could eventually expand the number of industries targeted on the Website which could reduce to a further reduction in sections of the yellow pages, assuming that Serplexus gains widespread adoption. Within the process of refining the pulp used in paper, a considerable amount of energy must be expended. During the production process, water must be heated to 190 degrees Fahrenheit; total production of phonebooks requires 3.2 billion kilowatt hours of electricity (Dizon, 1999). Water is expended in the growth of trees, as well as during the process of producing the paper. Pollutants are released during the growth and processing of the raw materials into paper. Fertilizers, pesticides, insecticides and numerous chemicals are used to produce paper. Paper mill waste can also cause reproduction impairment of zooplankton, invertebrates, and shellfish (Why does pulp pollution matter?, 2006). In the state of California alone, 87,000 tons of phonebooks are produced and distributed on annual basis (Graciano, 2010). The distribution of phonebooks continues to increase as competing companies within the industry attempt to gain more revenue by increasing delivery to households nationwide. The paper quality of phonebooks is so low that it is difficult to recycle unused phonebooks. Many of the phonebooks end up in landfills: it is estimated that phonebooks that are thrown away on a national basis account for 268,000 cubic yards of landfills (Yellow Pages Go Green, 2008). The detrimental impact that widespread phonebook distribution has on the environment is undeniable.

Serplexus will serve as an alternative to printing advertisements in the yellow pages. As adoption of Serplexus becomes more widespread, it will have the ability, along with other search mediums such as Google, to virtually eliminate the need for sections of the Yellow Pages.

Ancillary Benefits

While alternative value is primarily derived from Serplexus's ability to cut down on paper production, there are multiple ancillary benefits that can be readily identified. Serplexus's primary target market is owners of small, established businesses. The majority of the Website's revenue will come from the small business owners. Serplexus has opted to extend access of the Website to freelance workers. Serplexus will serve as a medium that will allow those individuals that are underemployed or unemployed to build clientele in a cost effective manner. Many of the traditional forms of advertising, such as advertisements in phonebooks, newspapers, as well as commercials have relatively high fixed costs. The prices charged prohibit small scale businesses or sole proprietors from gaining widespread name recognition within their respective fields. The average price of a double quarter column non-color advertisement is \$1,777 (Busse & Rysman, 2004). In the small space provided, it is difficult for service providers to convey to potential customers the extent of services offered while simultaneously presenting the qualifications of the service provider. To acquire superior exposure, a service provider would have to pay approximately \$4,688 for a full page non-color advertisement. By allowing salaried employees who seek additional discretionary income by performing side jobs in their trained area of expertise during weekends, Serplexus could aid those that are underemployed. Primary research has indicated that many of these individuals rely on referrals, and such word of mouth advertising does not provide a steady stream of income. The average amount earned on a monthly basis for side jobs often did not exceed the cost of a double quarter column non-color

advertisement. Many service providers that were interviewed indicated that they would use a Website that allowed them to actively seek clientele for a nominal fee of \$30 per month. Those that have a specific skill set, and have been laid off could similarly use the Website to generate income. As a result of using Serplexus, many freelance and underemployed individuals will gain a sense of job security: the psychological and physical benefit of being employed will serve as an ancillary benefit of Serplexus. A British study found that blue collar workers, the primary users of Serplexus, experienced higher job insecurity than white collar workers (Gallie, Mars, & Vogler, 2002). This is particularly detrimental to the overall psychological wellbeing of blue collar workers as they tend to place a greater level of importance on job security “as it was a value associated with the lower end of Maslow’s hierarchy” than white collar workers do (Gallie, Mars, & Vogler, 2002). While white collar workers tend to be consumed with the prospect of advancement within a company, blue collar workers tend to be concerned with merely maintaining stable employment. Anxiety stemming from job insecurity in blue collar levels was found, in one study, to cause mild depression: it was characteristic of a worker with a high levels of job insecurity to display a “loss of confidence and inability to enjoy oneself,” (Gallie, Mars, & Vogler, 2002). One Swedish study found that “a casual link between job insecurity and stress-related morbidity” exists, indicating that job insecurity not only adversely impacts the psychological wellbeing of individuals, but can also negatively affect physical health(Gallie, Mars, & Vogler, 2002).

The primary benefit offered by Serplexus is the ability granted to service seekers to increase their customer base by actively seeking customers. An ancillary benefit that results is that in an attempt to enhance small business’ customer base, the service seeking process is streamlined. In order to acquire a service, there is sacrifice that must be made on the part of

consumers. There is a monetary aspect that can be easily quantified, as the consumer must pay for the services rendered. Nonmonetary sacrifices of time and effort must be expended when obtaining a service. Using a Likert scale to assess customers' nonmonetary sacrifice, one study found that 69 percent of respondents found the nonmonetary sacrifices that must be made to acquire a service to be high or very high (Cronin, Brady, & Hult, 2000). Serplexus reduces the nonmonetary sacrifice that must be made on the part of consumers. Consumers no longer have to call numerous service providers, set up appointments then meet with service providers to get a quote. The bidding process on Serplexus will allow consumers to post pictures and a description of the job that is to be performed, and local service providers will then submit quotes. The consumer will significantly decrease the nonmonetary sacrifice of time and effort, as he or she will only expend time posting a description of the job, and reviewing bids. While the primary purpose of Serplexus is to increase the clientele of businesses, as a result of the Website, consumers are benefitting by reducing the time and effort spent to acquire a service.

Trade-offs

Serplexus serves as a strong marketing tool for individuals with a limited budget. If salaried employees who initially use Serplexus as an additional source of income experience relative success at obtaining clientele, some may opt to quit their current job, and to become entirely self employed. Data indicates that less than half of new establishments remain in operation after five years (U.S. Small Business Administration, 2008). The turnover rate for individuals with no previous experience starting a business is higher (U.S. Small Business Administration, 2008). Small operations which do not employ additional individuals have turnover rates that are three times higher than multi-employee firms (U.S. Small Business Administration, 2008). Failed entrepreneurial ventures often experience grief "analogous to that experienced when a loved one dies" (Singh, Comer, & Pavlovich, 2007). Failure can have a severe psychological impact of

former owners: owners may experience reduced “subjective well-being” and may become severely depressed or suicidal (Singh, Comer, & Pavlovich, 2007). Some documented physiological occurrences linked to business failure include “anxiety and hypertension in the form of high blood pressure” (Singh, Comer, & Pavlovich, 2007). In addition to resulting in emotional distress and adverse physiological effects, business failure can also leave the entrepreneur deeply indebted.

Benchmark Comparison

In order to effectively assess the ancillary benefits and resulting costs of the implementation of Serplexus must be compared to those of competitors. For comparison, a traditional benchmark, the yellow pages of the phonebook is used, and as a technology benchmark, a competitor with a similar business model, Red Beacon is used.

Industrial Benchmark

The primary industrial benchmark of Serplexus is the yellow pages. Serplexus was developed as an effective marketing tool for small businesses. As a result of the Website, consumers are granted access to detailed profiles of service providers in the area. The comprehensive profiles include detailed descriptions of the business and its’ specializations, along with objective feedback ratings submitted by independent individuals that have hired the business or contractor. Once providers have completed multiple jobs using Serplexus and have obtained ratings from various consumers, users of Serplexus will have unbiased feedback which they may use as the basis for their hiring decision. Yellow page placement is dependant on the businesses’ willingness and ability to spend on the advertising medium. The yellow pages provide no rating system to distinguish superior service providers from the others within the area. The yellow pages offer users with incomplete information which prevents the consumer from making the optimal service provider selection. Service providers subscribing to Serplexus will be rated on a

variety of criteria, including level of professionalism, skill or ability level, and price competitiveness. Consumers will also be provided with the average amount that has been paid for comparable jobs within their respective geographic area. With more perfect information, the consumer will be able to select the service provider that is best suited to complete the particular job. Serplexus ultimately acts to limit one area of market failure within the service sector, imperfect information.

Technology Benchmark

Service Magic, a competitor that strives to generate clientele for businesses by performing a certification of businesses presents consumers and businesses with imperfect information.

Serplexus generates revenue by charging service providers a monthly fee of \$30. Service Magic charges service providers based on the number of leads provided to businesses. As a result, to

maximize revenue, Service Magic charges service providers for invalid leads. The Better

Business Bureau has received a considerable number of complaints from both service providers and consumers that have used the Website. Businesses expend time calling individuals that have

either already hired a service provider, or individuals that simply never respond. Consumers

complain that they receive unsolicited calls long after using the Website. Service Magic therefore provides businesses with imperfect information by representing profitless leads as quality leads.

Consumers complained that service providers carrying the “Service Magic Seal of Approval” provided inferior services. Service providers obtain the “Seal of Approval” and high ratings

relative to competitors by paying higher fees. Similar to the yellow pages, consumers using

Service Magic are left with imperfect information: ratings can be purchased, and such blatantly biased information contributes to an area of market failure.

Product Diffusion Curve

Placement within the product diffusion curve varies based on the geographic region that is considered. Markets such as San Jose and New York City have consumers and businesses which have adopted online matchmaking services between businesses and consumers within a reasonable geographic region. Within these markets, the industry of Websites linking service providers with consumers is within the growth phase. Penetration by competitors has not been substantial, and an industry leader has not yet emerged. In other metropolitan areas such as Phoenix, the service offered on Serplexus is within the early adoption phase. Overall, the industry has not yet reached market saturation.

Summary Statement

The Serplexus venture is a business concept developed by students in the McGuire Center for Entrepreneurship centered on providing small an affordable marketing tool which will connect service providers to consumers within a reasonable geographic area. The widespread adoption of Serplexus could potentially have a positive environmental impact. Beyond the environmental implications of Serplexus, the Website could serve as a catalyst that would ultimately encourage the formation of small businesses or sole proprietorships. The resulting psychological impact on emerging entrepreneurs varies widely based on the level of profitability experienced. As a result of the Website, consumers will receive more perfect information on the quality level of service providers than what is currently offered by traditional and technological benchmarks of Serplexus. The market under which Serplexus falls is in either the early adaption or growth phases of the product diffusion curve, indicating that the ancillary benefits offered by Serplexus could eventually affect a greater proportion of the population.

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