MARKETING PLAN



buddylingo by duolingo

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Executive Summary

Buddylingo - Overview

Buddylingo is an innovative feature within the Duolingo app designed to enhance real-time language learning by connecting users directly with native speakers via chat and video calls. This feature addresses a gap in the current Duolingo offerings by enabling users to improve language accuracy and practical communication skills, tailored especially for travelers and professionals navigating new linguistic landscapes.

- **Main Goals**
  - **Enhance Real-Time Interaction**
    - Establish Duolingo as the premier platform for live language learning interactions, providing personalized communication solutions that cater specifically to user needs in real-world contexts.
  - **Market Penetration**
    - Achieve a dominant position in the global language interaction market by leveraging the app's existing user base and integrating innovative features that enhance the learning experience.
- **Current Market Situation - Language-Learning**
  - **Market Size –** valued at over $10 billion
  - **Target Audience**
    - Young learners, travelers needing quick language assistance, and professionals improving communication skills.
  - **Competition**
    - Direct Competitors: Language-Learning Apps
    - Indirect Competitors: Free Translation Services
  - **Duolingo Position**
    - Dominant player with over 500 million registered users and 40 million active monthly users. Duolingo maintains a strong brand reputation with high app store ratings and positive reviews.
- **Threats**
  - **User Engagement and Retention**
    - Sustaining consumer interest requires consistently engaging features.
  - **Price Judgment**
    - Misalignment with consumer preferences could hinder adoption rates.
  - **Product Comparison**
    - Users might prefer competitors if they offer better pricing or additional features.
  - **Privacy Concerns**
    - Users might have reservations about sharing personal information or engaging with strangers through video calls.
- **Opportunities**
  - **Unique Value Proposition**
    - Facilitating direct communication with native speakers.
  - **Community Building**
    - Develop a strong user community and form strategic partnerships with travel agencies and educational institutions.
  - **Future Product Expansion**
    - Explore additional features such as business language sessions, regional dialects, and grammar-focused courses.
  - **Customer Loyalty**
    - Develop exclusive rewards, referral programs, and special offers to encourage long-term retention.
  - **Technology Integration**
    - Integrate Buddylingo with smart devices and other productivity apps for improved accessibility and quick language assistance.
- **Objectives**
  - **Launch Service**
    - Ensure a successful launch focusing on technical stability, seamless onboarding, and smooth feature integration.
  - **Employee Distribution**
    - Build a globally distributed team for Buddylingo operations.
  - **Market Domination**
    - Capture the largest market share in the language interaction segment across key regions through sustained marketing efforts, strategic partnerships, and continuous product refinement.

    - **Global Leadership**
        - Expand Buddylingo's market share globally to dominate the language interaction segment through continuous innovation, partnerships, and strong user engagement strategies.
- **Overall Issues**
    - **Coordination and Platform Stability**
        - Ensuring seamless integration and functionality within the existing Duolingo app, maintaining system stability, and managing user data securely.
    - **Global Challenges and Profitability**
        - Navigating diverse market dynamics, regulatory environments, and creating pricing strategies that maximize profitability across different regions.
    - **Competition and Quality Assurance**
        - Differentiating the service from competitors while maintaining high standards of quality and user satisfaction.
- **Marketing Strategy**
    - **Native Speaker Engagement**
        - Highlighting the ability to interact with native speakers enhances the learning experience by providing authentic language practice.
    - **Targeted Marketing Efforts**
        - Utilizing digital platforms, social media marketing, and collaborations with travel and educational influencers to reach potential users effectively.
    - **Community and Partnership Building**
        - Developing a strong user community and forming strategic partnerships with travel agencies and educational institutions to boost market presence.
- **Action Program**
    - **Recruitment of Native Speakers**
        - Leveraging social media and partnerships to build a robust network of native speakers who can provide real-time language assistance.
    - **Community Engagement**
        - Creating interactive forums and live events to foster a sense of community among users and encourage continuous learning and interaction.
    - **Promotional Initiatives**
        - Conducting a series of high-impact promotional campaigns,
    - **Subscription and Pricing Strategy**
        - Developing and refining various subscription models to meet the diverse needs of global users, ensuring affordability and accessibility while maximizing revenue.
- **Budget**
    - **Initial Investment**
        - High upfront costs in marketing, software development, and market research to establish Buddylingo as a competitive feature within the language-learning market.
        - Estimated Gross Profit – Year 0: -$3.5 million
    - **Revenue Projections**
        - Expectations to start generating profit by Year 1, with strategies aimed at both expanding the user base and enhancing user spend.
        - Estimated Gross Profit – Year 1: $55.9 million // Year 2: $216.5 million
- **Controls**
    - **Performance Metrics**
        - Regular assessment of user engagement metrics, sales data, and customer feedback to gauge success and adjust strategies as necessary.
    - **Quality Assurance Checks**
        - Ongoing evaluations of feature functionality, user interface, and overall service quality to ensure that Buddylingo meets the high standards expected by its users.
    - **Privacy and Conduct Control**
        - Ensuring secure and respectful interactions by protecting user data, enforcing a strict code of conduct, and providing clear reporting and moderation systems.

Current Market Situation

Market Overview — Language-Learning

- **Market Size**
  - The global language-learning market is valued at over $10 billion, with mobile apps representing a growing segment due to their accessibility, convenience, and affordability.
- **Growth Trends**
  - *Travel Recovery:* The gradual return of international travel post-COVID has renewed interest in practical language learning, particularly among travelers preparing for leisure or business trips.
  - *Remote Learning Adoption:* Digital platforms are increasingly favored over traditional classrooms due to their flexible learning schedules and interactive content.
  - *Globalization:* Growing cross-border business and social interactions have led to a surge in demand for languages like English, Spanish, Mandarin, and other widely spoken tongues.
- **Key Segments**
  - *Travelers:* International travelers seeking immediate, practical language support for their journeys.
  - *Professionals:* Corporate learners aiming to improve their communication skills for international networking and negotiations.
  - *Students and Educators:* Students and teachers who require language proficiency for academic or educational purposes.
- **Market Challenges**
  - *Pricing Sensitivity:* Users tend to be sensitive to pricing, comparing various apps and services before committing to a subscription.
  - *Competition:* The language-learning app market is competitive, with Babbel and HelloTalk offering different models of language instruction.
  - *Retention Rates:* Maintaining user engagement and reducing attrition are challenges due to varying learning preferences and limited time.

Duolingo Position

Duolingo is one of the leading global language-learning apps and has established itself as a dominant player with over 500 million registered users and over 40 million active monthly users.

- **Market Leadership:**
  - According to a 2022 report by Statista, Duolingo ranks as the most downloaded language-learning app globally, holding a market share of approximately 25%.

- **Revenue Growth and Diversification:**
  - Duolingo's 2023 financial reports showed an annual revenue growth of 47% compared to the previous year, driven largely by its paid subscription model, Duolingo Plus, which contributed to almost 80% of its revenue.
  - The company is actively diversifying its revenue streams by introducing new features like the Duolingo English Test and now Buddylingo. This diversification has helped Duolingo sustain its growth and increase user retention.
- **Brand Reputation and Trust:**
  - Positive reviews and consistent app store rankings reinforce Duolingo's strong brand reputation. The app maintains a rating of 4.7/5 stars on the Apple App Store and 4.6/5 stars on Google Play.
- **Global Reach and Accessibility:**
  - The app is available in over 190 countries and is localized for major languages, making it accessible to users globally. Duolingo's free tier ensures that it remains an inclusive platform, providing educational resources to underserved regions.
- **Community and Social Media Engagement:**
  - Duolingo boasts a strong online community with over 1.6 million followers on Instagram and 1 million followers on Facebook. This social media presence helps foster a sense of community among learners and encourages organic sharing.
  - Buddylingo will leverage this community engagement to create a space where users can share travel stories, connect with native speakers, and receive personalized language-learning support.

Target Demographics

- **Gen Z Travelers**
  - With the emergence of social media and traveling trends among young individuals, the need for linguistic knowledge and communication in various languages are needed. We can thus use the feature as a tool to enhance the traveling experience and connect with local cultures.
  - Based on analytical data, young people are already the main users of language learning apps, and tapping into how to travel especially is impacted by communication in other languages, further attracting and giving the younger audience the appeal they need. "Language learning apps are extremely popular among young people, specifically those ages 18-24, nearly half of whom have used them (48%)."

    - With short attention spans and difficulty to immerse themselves in comprehensive programs, Buddylingo is the perfect alternative to learning valuable information in a short period of time especially for those on the go and with busy work/school schedules.
    - Young people are also at a higher risk of being in unfortunate situations such as residing in riskier neighborhoods, participating in risky excursions, and are more likely to not think before they act. Thus, having a contact/helper at their fingertips is essential as they can connect with the buddy to learn how to communicate and work their way through the situation.
- **Corporate Learners**
    - As the corporate landscape continues to globalize and expand overseas, the need for basic language communication skills is increasing, especially for middle-aged Americans who can barely form a sentence or two in Spanish.
    - 53% of respondents in a survey conducted by Preply Business said external communication with customers is the main benefit, with 73% using a foreign language frequently in their daily work.
    - Many corporate organizations do not implement sufficient language learning programs for their subordinates to comfortably immerse themselves in, thus leaving a big gap for Buddylingo to fill.
    - They need an alternative that is flexible, convenient, and easy to navigate, as certain language learning features tend to include gamification and features that are more appealing to younger demographics and are distracting.
    - The older an individual is, the harder it is for them to absorb a new language and incorporate it into their lives. Thus, connecting a native live speaker to older corporate individuals alleviates any additional stress or disengagement they might encounter and gives them a personal cheerleader to motivate them to succeed.
    - This experience will enable corporate leaders to communicate with stakeholders and global partners on a much more personalized scale. The language gap will essentially become smaller over time, thus leading to word-of-mouth opportunities and expansion.
- **Tourists**
    - With the lift of travel restrictions, traveling around the world is becoming more and more prominent thus, tourists are increasingly in need of basic communication skills in a wide variety of languages.
    - In order for tourists to grasp the full experience of a new culture, they need to be able to immerse themselves in locals. Language barriers can largely negatively impact this as most South American and Asian nations do not have a comprehensive understanding of English.
    - Having proficiency in a secondary language can also enhance the tourist experience as it gives tourists more independence to navigate around unfamiliar areas as they are able to communicate with others easily without having to rely on and spend more money on guides.
    - Beyond linguistic benefits, tourists can benefit from the Buddylingo native speakers as the native speakers can generate recommendations for their trips, such as the best restaurants in the city, top excursions, and best area to shop in.

Competition

- **Direct Competitors**
    - **Babbel**
        - A German based language learning subscription-based software operating since 2008.
        - Self-paced program that has been acclaimed to be highly rigorous and challenging compared to other language learning platforms.
        - The base subscription charge per month is $14.94 on the web and $17.95 on the app. They additionally offer a group course called Babbel Live that is sold separately.
        - They do not give an option to pay per class, rather, you pay for a monthly fee of $99 for unlimited classes.
        - Beyond the group class, they do not offer any interactive individual courses with native speakers in live time. Their ultimate marketing strategy consists of online advertising, content marketing, influencer partnerships, and referral programs.
    - **HelloTalk**
        - It operates more as a social media platform rather than a language learning system.
        - Their focus is on connecting hosts (native speakers) that offer online video lessons, share language insights, and provide personal insights about their lifestyles to users who are seeking to learn new languages.
        - It is somewhat informal, as any person can decide to nominate themselves to become a “host.” Several users have complained that they have encountered rude individuals or have been straight-up harassed.
        - Their subscription fee is $6.99 a month and $45.99 annually. Their ultimate marketing strategy consists of social media marketing, influencer partnerships, and referral programs.
- **Indirect Competitors**
    - **Google Translate**

        - Free language translation service that provides instant translation across over 100 languages. It has grown to be one of the most widely used translation tools due to its integration into Google's ecosystem and its availability on mobile devices, desktops, and as a browser extension.
        - Allows users to translate typed text, speech, and images between different languages.
        - Google Translate is entirely free and provides all its features at no cost, relying on Google's ad-based revenue model. The service can be accessed via web browsers or as a standalone mobile app.
        - Lacks the accuracy and nuance of native-speaking translators. Its translations are often literal and may not capture cultural or linguistic subtleties, especially for complex phrases or idioms.
        - Its inability to provide live interaction or offer a structured learning experience makes it less suitable for language mastery compared to dedicated language-learning platforms.

Distribution Channels

- **App Integration:**
    - **Duolingo Platform:**
        - Buddylingo benefits from Duolingo's existing infrastructure and vast user base, which includes over 500 million registered users globally.
        - Integration within the app ensures immediate access to potential users without additional downloads or sign-ups, promoting a high conversion rate.
    - **Trends:**
        - As mobile app usage continues to surge, particularly in education technology, integrating Buddylingo into an already popular platform like Duolingo leverages this trend for better market penetration.
- **Online Stores:**
    - **Google Play and Apple App Store:**
        - Both platforms provide a gateway for millions of users to discover and access Buddylingo seamlessly, facilitated by Duolingo's high visibility and top rankings in the Education category.
    - **Trends:**
        - The increasing preference for mobile learning solutions and the convenience of app-based services are evident, with significant growth in app downloads and subscriptions observed post-COVID-19.
- **Social Media and Digital Marketing:**
    - **Platforms like Instagram, Facebook, and TikTok:**
        - Used to promote Buddylingo directly to users who are actively engaged in travel and education content.
    - **Trends:**
        - The increasing integration of e-commerce capabilities within social media platforms allows direct promotions and user acquisitions from these channels, tapping into a tech-savvy, younger demographic.

Threats and Opportunities Analysis

Threats:

- **User Engagement and Retention**
    - Sustaining consumer interest requires consistently engaging features and a compelling value proposition to maintain repeat usage. Without this, users might perceive Buddylingo as less useful over time or abandon the service for competitors.
- **Pricing Model**
    - Consumers may find Buddylingo's pricing structure too high or not aligned with their preferences. Certain demographics may prefer pay-per-use or subscription plans, and misalignment could hinder adoption rates.
- **Product Comparison**
    - Users often compare Buddylingo's features with similar platforms, potentially leading to unfavorable comparisons if competitors offer better pricing, additional features, or more engaging content.
- **Privacy Concerns**
    - Users might have reservations about sharing personal information or engaging with strangers through video calls. Buddylingo must communicate its privacy and moderation policies to build trust and address these worries.

Opportunities:

- **Product Comparison**
    - Buddylingo's live, real-time interaction model stands out compared to other platforms that lack personalized guidance from native speakers. Emphasizing this advantage over competitors can attract a significant user base.
- **Future Product Expansion**

    - Beyond chat and video calls, Buddylingo can diversify its offerings through specialized sessions like business language, regional dialects, and grammar-focused courses to cater to different needs.
- **Global Market Expansion**
    - Expanding into underserved regions with high demand for language learning allows Buddylingo to broaden its user base. Localization of content and pricing strategies will be essential in these markets.
- **Customer Loyalty**
    - Developing customer loyalty through exclusive rewards, referral programs, or special offers will encourage long-term retention and foster a supportive community.
- **Collaborations and Partnerships**
    - Partnering with travel agencies, hospitality brands, and influencers strengthens Buddylingo's brand reach and allows access to new customer segments.
- **Technology Integration**
    - Integrating Buddylingo with smart devices like wearables or other productivity apps could improve accessibility by providing live translation or quick language assistance.

Objectives and Issues

Year 0 Objectives:
- **Launch Service**
    - Ensure a successful launch of Buddylingo as a feature within the Duolingo app, focusing on technical stability, seamless onboarding, and smooth feature integration to provide a reliable user experience.
- **Employee Distribution**
    - Build a globally distributed team for Buddylingo operations, hiring and training native speakers and customer support staff across different time zones to provide 24/7 assistance.
- **Target Locations**
    - Identify priority markets with a high potential for adoption, such as travel hubs and regions with significant language-learning demand. Tailor platform features and marketing strategies to each market's specific needs.
- **Advertising**
    - Execute a global advertising campaign across social media, digital, and traditional channels to emphasize Buddylingo's support for real-time native speakers. Establish a strong brand presence and generate user interest through influencer partnerships and targeted messaging.
- **Market Research and Feedback**
    - Conduct initial market research and gather beta tester feedback to refine Buddylingo's features and marketing strategies. Understanding user behavior and expectations will guide adjustments before the full-scale launch.

Key Issues:
- Effective coordination between development, marketing, and regional teams ensures a smooth launch.
- Ensuring platform stability and user engagement will prevent early attrition and secure positive reviews.

Year 1 Objectives:
- **#1 Market Share - Language Interactions - America**
    - Capture the largest market share in the language interaction segment across the U.S. through sustained marketing efforts, strategic partnerships, and continuous product refinement.
- **Deeper Expansion in Europe and Asia**
    - Strengthen Buddylingo's presence in Europe and Asia by increasing partnerships, enhancing localization, and offering region-specific features.
- **Regional Office Expansion**
    - Establish regional offices in key markets to support localized marketing campaigns and better understand regional customer preferences. A localized presence will help refine Buddylingo's global strategy.
- **Customer Loyalty Programs**
    - Develop customer loyalty programs, such as referral incentives or tiered rewards, to encourage retention and advocacy. Foster a sense of community and belonging among regular users.

Key Issues:
- Overcoming cultural and regulatory challenges in new markets requires strategic partnerships and localization.
- Efficient spending and revenue management are crucial for profitability and growth.

Year 2 Objectives:
- **#1 Market Share - Language Interactions - Worldwide**
    - Expand Buddylingo's market share globally to dominate the language interaction segment. This requires continuous innovation, partnerships, and strong user engagement strategies.
- **Advanced Features Development**

    - Introduce advanced features like specialized classes, regional dialects, and structured programs to cater to a broader demographic and meet evolving user needs.
- **Data-Driven Insights**
    - Implement robust data analytics to monitor customer behavior, engagement, and preferences. These insights will guide product development, marketing strategies, and personalization efforts.

Key Issues:

- Competition from emerging and existing platforms may challenge Buddylingo's market dominance.
- Maintaining product quality, user experience, and customer support will be crucial as Buddylingo scales globally.

Marketing Strategy

Broad Marketing Logic:

- **Native Speaker Engagement**
    - Emphasizing the live chat and video call features, Buddylingo positions itself as the best solution for personalized, real-time interaction with native speakers. This differentiates the platform from competitors and adds value by offering cultural insights, pronunciation guidance, and immediate language assistance.
- **Traveler-Focused Positioning**
    - Buddylingo specifically targets travelers who require on-the-go language support to navigate new environments. By partnering with airlines and travel agencies, we can reach the target audience directly where their language needs are most urgent.
- **Community Building**
    - Foster a sense of belonging and advocacy among Buddylingo users through referral programs, customer loyalty rewards, and an active social media presence.

Marketing Mix Elements:

- **Product:**
    - *Core Features:* Highlight Buddylingo's live chat and video call capabilities, which enable travelers to interact with native speakers for tailored guidance and practical speaking tips.
    - *Advanced Features:* Expand offerings to include specialized classes and structured programs over time.
    - *Community Chat:* Create forums or groups where users can share experiences, tips, and recommendations, enriching their learning journey.
- **Price:**
    - *Subscription Tiers:* Develop a pricing model that caters to different user needs (e.g., daily, weekly, and monthly passes).
        - Day-to-day Subscriptions:
            - Live chat: $5/day
            - Videocall: $10/day
        - Vacation Packages:
            - 3-weeks: $70, includes unlimited live chat time + 10 video calls
            - 4-weeks: $100, includes unlimited live chat time + 20 video calls.
- **Promotion:**
    - *Launching Ad Campaign:* Leverage the Duolingo mascot's popularity to draw attention to Buddylingo's unique features, with social media promotion from influencers, etc.
    - *Pop-Up Marketing:* Airport kiosks and pop-up stands will provide immediate demos to travelers who need language help.
    - *#BecomeABuddy Campaign:* Encourage users to excel in their desired language learning by implementing a competition like program that includes incentives for reaching goals and eventually becoming proficient/advanced in the language they are learning. By completing a certain amount of hours with the native speaker that is helping them through their language learning journey, they will become eligible to take a placement test to test their accuracy and overall fluency in the language. If they reach a certain threshold, they are eligible to then flip the script and become a buddy themselves. A buddy is the native speaker status, essentially flipping the role and now the former app user is the teacher and can gain compensation for their knowledge. This will thus encourage users to want to establish goals and move up within their language learning levels. (This would also apply to current Duolingo users that have completed the advanced sessions in any language).
- **Place (Distribution):**
    - *App Integration:* Seamless integration with the Duolingo app will give Buddylingo immediate access to millions of potential users.
    - *Regional Offices:* Establish regional offices in key markets to refine localized marketing and distribution strategies.

Response to Threats and Opportunities:

- **Consumer Interest (Threat):**
  By delivering a unique, traveler-focused solution and collaborating with influential partners, Buddylingo aims to maintain strong consumer interest through compelling storytelling and innovative campaigns.
- **Product Comparison (Threat/Opportunity):**
  Buddylingo will emphasize the distinctive live chat and video call features to differentiate itself and establish a competitive edge.
- **Global Market Expansion (Opportunity):**
  Partnering with travel agencies and airlines will enhance Buddylingo's global reach.

Marketing Expenditure Levels:

- Allocate 50% of the marketing budget to digital advertising campaigns, influencer partnerships, and content creation for social media.
- Dedicate 20% to developing airport kiosks, pop-up stands, and related collateral.
- Reserve 30% for user incentives, referral programs, and community-building efforts.

Action Programs

- **Native Speaker Recruitment**
  - Description
    - Recruit native speakers throughout social media campaigns, and universities enticing them to want to participate to be a part of the language development movement and gain special compensation.
  - Timeline
    - Year 0 onwards
  - Responsible Team
    - Marketing Team, HR Team
  - Estimated Cost
    - Salary expense, Marketing research expense, roughly: $150,000
- **Community Building**
  - Description
    - Develop forums and chat room/group options in the app encourage users to share experience and motivate one another to keep learning.
  - Timeline
    - Set up in Year 0, ongoing management
  - Responsible Team
    - Community Managers and Customer Support
  - Estimated Cost
    - Software Expenses, $100,000
- **Subscription Pricing and Packages**
  - Description
    - Implement and adjust a range of subscription plans tailored to different user needs, including daily, weekly, monthly, and vacation packages.
  - Timeline
    - Roll out at launch, annual adjustments
  - Responsible Team
    - Product Management and Marketing
  - Estimated Cost
    - Software Expense $10,000
- **Monitoring and Adapting**
  - Description
    - Implement surveys and analytics tools to gather user feedback and satisfaction, adapting features and marketing strategies based on data.
  - Timeline
    - Immediate post-launch, ongoing
  - Responsible Team
    - Customer Support, Market research teams
  - Estimated Cost
    - Annual market research budget, $100,000
- **Promotional Campaigns**
  - **Launching Ad Campaign**
    - Description
      - High-impact ads across digital platforms to introduce Buddylingo. Utilize Google AdWords, Meta Ads, and native advertising on travel and education sites.

        - Target news outlets for print and digital exposure on magazines and other platforms.
        - Targeted email marketing to Duolingo's existing user base with special launch offers.
    - Timeline
        - Initial launch phase, year 0
        - First 3 months post-launch, year 1
    - Responsible Team
        - Digital Marketing, Public Relations Team
    - Estimated Cost
        - Included in Marketing expense, $1,000,000
- **#BecomeABuddy Campaign**
    - Description
        - Engage users with challenges and rewards for milestones. Promote via Instagram Reels, TikTok challenges, Twitter, and other social media platforms, featuring influences
    - Timeline
        - Ongoing, peak activities during holiday seasons
    - Responsible Team
        - Social Media and Influencers Relations
    - Estimated Cost
        - Included in Marketing expense, $500,000
- **Pop-Up Marketing**
    - Description
        - Set up interactive pop-up booths at major international airports and travel expos
        - Feature live demonstrations of Buddylingo's real-time communication capabilities
        - Distribute promotional materials and exclusive discount codes for sign-ups
    - Timeline
        - Scheduled around major travel and holiday periods, Year 1
    - Responsible Team
        - Event Marketing Team
    - Estimated Cost
        - Included in Marketing expense, $600,000

Budgets

duolingo			
Profit-and-Loss Statement			
Introduction of **buddylingo**			
	Year 0	**Year 1**	**Year 2**
Revenues			
Net Sales	-	$ 70,000,000	$ 240,000,000
Total Net Sales	-	**$ 70,000,000**	**$ 240,000,000**
Expenses			
Salary Expense	-	$10,000,000	$ 20,000,000
Software Expense	$ 500,000	$ 1,000,000	$ 1,500,000
Marketing Expense	$ 3,000,000	$ 3,000,000	$ 2,000,000
Market Research Expense	$ 100,000	$ 100,000	$ 200,000
Total Expenses	**$ 3,500,000**	**$ 14,100,000**	**$ 23,500,000**
Gross Profit	**($ 3,500,000)**	**$ 55,900,000**	**$ 216,500,000**

Year 0:

- *Net Sales (N/A):* Buddylingo's net sales in Year 0 are expected to be zero because the Company is in the pre-launch phase. This year will be dedicated to development, testing, and marketing preparations rather than immediate revenue generation.
- *Salary Expense (0):* The lack of salary expenses in Year 0 is due to reliance on existing Duolingo staff for Buddylingo's foundational work. The primary expenses will be absorbed into the company's general HR budget.
- *Software Expense ($500,000):* This figure includes development efforts, quality assurance, server setup, and security measures. The software infrastructure must be robust enough to accommodate Buddylingo's live chat and video call features, which are resource-intensive and require upfront costs.
- *Marketing Expense ($3 million):* A comprehensive marketing campaign is essential to quickly establishing Buddylingo as a global brand. The budget includes creative content development, international media buying, and partnerships with social media influencers to generate buzz and visibility pre-launch.
- *Market Research Expense ($100,000):* This figure reflects the cost of market research in Year 0, focusing on surveys, focus groups, and data analysis. Understanding the target demographic (travelers and language learners) will refine Buddylingo's product features and marketing strategies.
- *Gross Profit (-$3.5 million):* The negative gross profit results from significant initial marketing, software, and research investments before generating any revenue.

Year 1:

- *Net Sales ($70 million):* With Buddylingo's launch and global campaigns, projected net sales will come from converting the expected 1 million-strong user base into paying users. Each user is estimated to spend an average of $70 annually on chat ($5/day) or video call ($10/day) features and vacation packages ($70 -$100).
- *Salary Expense ($10 million):* As Buddylingo scales, additional staff will be needed for global customer support and live chat operations. The budget includes employee hiring, training, and wages.
- *Software Expense ($1 million):* Software expenses will cover further server scaling to manage growing user activity. Maintenance, debugging, and new feature integration are also included.
- *Marketing Expense ($3 million):* Marketing expenses remain high in Year 1 to support continued global campaigns and pop-up marketing. This phase focuses on reinforcing brand adoption.
- *Market Research Expense ($100,000):* Market research expenses continue at $100,000 to gather feedback on Buddylingo's performance and identify market needs.
- *Gross Profit ($55.9 million):* The gross profit reflects successful adoption and effective cost management.

Year 2:

- *Net Sales ($240 million):* Expanding Buddylingo's reach into Europe and Asia will increase the user base to approximately 3 million paying users with an average annual spend of $80.
- *Salary Expense ($20 million):* Hiring additional staff and establishing regional customer support offices will increase salary expenses. This includes wages, training, and talent acquisition.
- *Software Expense ($2 million):* The budget reflects the cost of scaling server capacity and optimizing the platform to handle growing global traffic.
- *Marketing Expense ($2 million):* As Buddylingo becomes established, marketing expenses will be reduced to $2 million. The focus will be on localized campaigns and influencer partnerships to reinforce user loyalty.
- *Market Research Expense ($100,000):* The market research budget remains $100,000 to gather user feedback and improve feature development.
- *Gross Profit ($216.5 million):* The significant increase in profit reflects sustained growth in Buddylingo's user base, improved engagement, and a mature market position that drives efficient cost management.

Controls

The controls outlined will ensure Buddylingo's progress is closely monitored, allowing management to assess performance, implement improvements, and identify areas needing adjustment.

- **Internal Controls:**
  - **Surveys:** Conduct regular internal surveys among Buddylingo staff to assess challenges, successes, and potential opportunities for process improvements. Employees directly engaged in customer support or product development can provide crucial insights influencing decision-making.
  - **Focus Groups:** Organize internal focus groups across departments to facilitate cross-functional discussions and brainstorming sessions. These sessions will help identify potential issues before launch and refine internal strategies for smoother execution.

- **Customer-Based Controls:**

- **Surveys:** Post-interaction surveys will collect feedback from Buddylingo users to evaluate their experience with the platform's chat and video call features. These surveys will provide insights into user satisfaction, usability, and areas for enhancements.

- **Privacy Control**
  - **User Data Protection**: All user data will be encrypted and stored securely. Personal information will not be shared with third parties without explicit consent from the user. Regular audits and security checks will be conducted to ensure data protection measures are up to date.
  - **User Anonymity**: Users will have the option to remain anonymous during interactions if they prefer. Sensitive information such as addresses, phone numbers, and financial details will be strictly prohibited from being shared during conversations.
  - **Consent and Permissions:** Explicit consent will be obtained from users before recording or storing any conversations. Users will be informed about the purposes of data collection and usage.

- **Conduct Control**
  - **Code of Conduct**: Both users and employees must adhere to a code of conduct that promotes respect, kindness, and professionalism. Harassment, discrimination, and inappropriate behavior will not be tolerated and will result in immediate action, including potential bans or termination of employment.
  - **Reporting and Resolution:** A clear reporting system will be in place for users to report any misconduct or privacy violations. Reports will be investigated promptly and thoroughly, with appropriate actions taken to resolve issues.
  - **Training and Awareness:** Employees will undergo regular training on privacy policies, data protection laws, and respectful communication practices. Users will be provided with guidelines on how to interact safely and respectfully within the platform.
  - **Moderation and Monitoring**: Real-time interactions will be monitored by automated systems and human moderators to ensure compliance with privacy and conduct guidelines. Any violations detected will be addressed immediately to maintain a safe and secure environment.

- **Partnerships and Collaborations Controls:**
  - **Engagement and Impressions Guidelines:** Follow engagement and impression guidelines to monitor partnerships with travel agencies, airlines, and social media influencers. Measure impressions, click-through rates, and conversions directly linked to these partnerships to track collaboration effectiveness.

- **Market Analysis:**
  - Conduct regular market analysis to understand industry trends and compare Buddylingo's performance against competitors. This will involve examining pricing structures, feature differentiation, and market share to ensure Buddylingo remains competitive.

- **Return on Marketing Investment:**
  - Measure the return on marketing investment (ROMI) quarterly. Track the direct impact of each campaign on new user acquisition, conversion rates, and retention. Analyze which channels and strategies deliver the highest returns, then refine marketing efforts based on this data.