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THE YES: Reimagining the Future of E-Commerce with Artificial Intelligence (AI)

"It's the holy grail of online retail: suggesting the exact item someone wants to buy before they even know it. Many start-ups have tried and largely fallen short."

— A *Business of Fashion* journalist¹

Co-founder and CEO Julie Bornstein (HBS '97) rolled up the sleeves of her KULE sweater, her most recent purchase from THE YES, a multi-brand shopping app she had launched with her co-founder and chief technology officer, Amit Aggarwal, in May of 2020. THE YES offered a new type of buying experience for women's fashion, driven by a sophisticated algorithm that used data science and machine learning to create and deliver a personalized store for every shopper, based on her style preferences, size, and budget. When a woman downloaded THE YES app, she embarked upon an interactive shopping journey that leveraged a fun, easy, gamified user experience (UX), to collect a stream of data from her that could be used to dynamically curate an ever-changing product assortment personalized just for her. Pundits dubbed it algorithmic retail and intelligent e-commerce, but to Bornstein, it was the realization of her longtime dream to reimagine and enliven online shopping.

It had been a whirlwind four months since the app's launch. Now that they were engaging with real users, they had data from their initial customers to decipher so that they could assess and optimize product-market fit. Before investing significant levels of paid media to acquire customers, Bornstein was searching for proof that the UX and personalization algorithm were working sufficiently well enough to deliver on the customer value proposition. Aggarwal was advocating for paid media investment sooner to bring more users in so the algorithm could learn and improve its performance.

The company's investors were eager to see the team's plans for expanding the user experience and further monetizing the platform. Several ideas were on the table, including the development of social shopping features to make the shopping experience more viral, the design of an influencer program to bring fashion influencer voices onto the platform, and the construction of a customer loyalty program. As Bornstein and Aggarwal debated how to allocate their resources, they realized that there were a lot of good ideas, but that they could not do it all. The 2020 COVID-19 pandemic had already delayed their launch by two months, so they were eager to get moving.

Senior Lecturer Jill Avery, Professor Ayelet Israeli, and Emma von Maur (MBA HBS 2020) prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. Emma von Maur is a former employee of THE YES. Certain details have been disguised. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Company History

In the fall of 2017, Bornstein, chief operating officer of Stitch Fix, an online personal styling service, found herself at a crossroads. With Stitch Fix's IPO prep in the rearview mirror, she questioned what she wanted to do next. She had spent decades driving digital transformation at various retail organizations. She had launched department store Nordstrom's original e-commerce site and then served as chief marketing officer and chief digital officer at Sephora, a beauty retailer known for best-in-class e-commerce. The way she saw it, she had two career options now: revolutionize another incumbent retailer as CEO or strike out on her own.

Now felt like the right time to take the helm, as her deep understanding of online shopping had revealed significant shortcomings. Few e-tailers had ventured to change the aging e-commerce technology infrastructure that had been developed two decades earlier, which had been designed to transfer printed merchandise catalogs onto the web. Most fashion websites today offered basic categorization of items by category (e.g., jackets, dresses, pants), and allowed visitors to filter, sort, and search for items. For years, visitors had seen largely static landing pages and standardized search results. As technologies advanced, some retailers began to vary their landing pages based on the geography of the user, the browser and operating system being used, and clickstream analysis from shoppers' previous visits. However, the degree of personalization based on expressed or implied preferences was still severely limited. In this aging infrastructure, the onus was on the user to scroll through page after page of items in an "endless aisle" to find what she was looking for. Bornstein noted, "For a lot of people, buying fashion online is a truly overwhelming shopping experience and we have the low conversion rates to prove it. It's amazing how much data e-commerce companies are gathering on users and how little they are using it."

Amazon best illustrated the issues about which Bornstein was so frustrated. By 2020, Amazon had become the largest apparel seller in the U.S., with over \$30 billion in sales, and was poised to grow even larger.² The e-commerce giant sought to do to fashion what it had previously done to all other industries: commoditize it. One of its key strengths, offering the broadest assortment that captured the long tail of consumer preferences, yielded a dizzying array of products, of varying quality and prices, without any meaningful curation, making shopping for clothing on Amazon "a nightmare" according to Bornstein. She recapped a recent Amazon shopping trip:

I was looking for a white bathing suit. I kid you not, there were four pages of the same three items that kept resurfacing. It was unbearable... They were all \$14.99. I'm a high-end shopper who is willing to spend more and Amazon should have known that based on my past purchases. But because Amazon earns so much revenue from its 'promoted products,' you can't trust the search results anymore: it makes you wonder 'Why am I seeing this? Who's paying for what?' It's like Amazon has become the opposite of what we need, unless you know exactly what you want. Sure. If you know exactly what you want and they happen to carry it, it's amazing...but Amazon is not the answer for fashion.

Bornstein felt confident she could meaningfully improve the user experience by offering tailored recommendations out of the largest fashion catalog much in the same way Spotify customized music playlists from their catalog. An idea began to take shape: a multi-brand personalized online store built around each user, harnessing AI at its core and offering something far superior to what fashion consumers had experienced to date. A critical first step in the realization of this idea was finding a technical co-founder. Bornstein met Aggarwal while he was an entrepreneur-in-residence at Bain Capital Ventures and he proved to be the perfect fit, with extensive knowledge of e-commerce acquired over a 20-year career working on search, personalization, and retail technologies (see **Exhibit 1** for team

bios). Bornstein's pitch resonated with Aggarwal, who imagined a holistic platform, "One that rethought the business model, the technology stack, and the bringing together of cutting-edge AI with new innovative UX in a seamless experience."³ The duo spent the next four months getting to know each other and validating their idea. Recalled Aggarwal,

Each of us came at it from different angles. But we came to the same conclusion which is even though people have talked about personalization and leveraging data and machine learning for shopping experiences, the fact of the matter is that things are not that much different today than they were 20 years back. The building blocks of e-commerce haven't changed. When we go to our favorite website, that experience is not adjusting to our preferences or the feedback that we're giving to that system. In today's world, you should have your own store. There's no reason why you and I have to have the same store in the digital world; technology makes it easy and inexpensive for us to build a million different stores for a million different customers.

The opportunity appeared to be enormous. Fashion was a large market with an increasing share of wallet moving online. Some of this growth was currently stunted by low conversion and high return rates due to the challenges associated with shopping for clothing online. No one retailer dominated in either the physical or digital spaces; rather, retailers competed with one another by offering bigger discounts, more unique product assortments, or additional points of distribution that allowed consumers to shop across an omnichannel system that included both physical stores and e-commerce.

THE YES's business model proved attractive to venture capital firms, including Forerunner Ventures. Managing partner, Kirsten Green, explained, "Massive market share is up for grabs in retail as transactions shift online, legacy competitors bow, and brands look for Amazon alternatives—particularly in the \$300 billion U.S. apparel and accessories market, in which THE YES offers an unmatched, more personalized discovery experience."⁴ Noted *Tech Crunch*, "AI and machine learning already dominate in many verticals, but e-commerce is still open for a player to have meaningful impact."⁵ In 2018, THE YES raised \$30 million in two rounds from Forerunner Ventures, New Enterprise Associates, True Ventures, and Bain Capital Ventures. Aggarwal explained that this level of funding was necessary to build a completely new technology stack, "Given the complexity of this operation, in the next two years, we'll have to build multiple technology companies within THE YES."

Recent Trends in the Apparel and Accessories Industry

The U.S. apparel and accessories industry was worth over \$300 billion in 2018 with market share steadily shifting from offline to online, which currently accounted for 22% of sales.⁶ Given low customer loyalty to both brands and retailers, and fragmented customer acquisition efforts, Bornstein believed there was room for THE YES to stake a competitive claim. In the current marketplace (see **Exhibit 2**), consumers were confronted with an uncomfortable tradeoff between accessing a broad selection and the ease of finding the right item, and no one seemed to be doing anything about it.

Department stores, historically known for their unique curation of goods and excellent service, had dominated the retail landscape for decades but were declining precipitously in recent years. More fashion brands had opened their own points of distribution both offline and online, which allowed for greater control over branding, merchandising, and promotional activity. Suddenly, a consumer had many more shopping options: she could find a new Cynthia Rowley dress at a department store, at the brand's flagship store, on the brand's website, and on ten other multi-brand e-commerce websites. As a result, consumers no longer thought of department stores as the only source for fashionable items.

The shift to e-commerce posed unique challenges for department stores and brands. Weighed down by legacy systems and processes, department stores struggled with digital transformation. Aware of how difficult it would be to set up their own seamless digital experiences, some fashion brands contemplated selling their items on Amazon. However, many, particularly the high end brands, were concerned that this move will erode their carefully crafted brand image. Brands had trust issues and concerns over disintermediation, due to Amazon's many copy-cat private label brands that it developed after study of a brand's sales patterns and customer data, and the platform's unwillingness to shut down rampant counterfeiting. In an effort to fight back against e-commerce retailers like Amazon, some fashion brands and department stores prioritized price promotions over merchandising and service excellence, which further harmed their margins and customer value propositions.

The fall of department stores and the rise of e-commerce led to new phenomena in online fashion (see **Exhibit 3**): a new breed of multi-branded e-tailers were launched; digitally-native fashion brands emerged; luxury brands, initially hesitant to adopt online channels due to their desire to maintain selective distribution, started their own upscale websites; social platforms, such as Instagram, YouTube, and TikTok allowed brands and influencers to open social-commerce stores. Online competition was heating up.

The Use of AI Applications in Fashion Retailing

Several startups believed helping consumers navigate the endless amount of choice was critical to success in the apparel and accessories market. An industry insider explained, "Psychology teaches us that faced with the overwhelming number of options, we often choose to do nothing. It's better for retailers to categorize their offerings to help consumers structure their options—and that's where curatorial platforms come in."⁷ Katrina Lake, founder of Stitch Fix, described its value proposition as "we save our clients time by doing the shopping for them," illustrating the importance and value of merchandise curation based on individual preferences.⁸

The development and spread of AI was poised to radically change e-tailers' ability to personalize shopping, and funding for AI companies working in retail tech accelerated significantly in 2019 as more investors were excited by the potential.⁹ Combined with the vast number of data points that firms could now easily collect from their website visitors, AI-fueled algorithms were ready to allow retailers to build better predictive models that could improve their back-end operations, as well as the front-end shopping experience of their customers.

Two AI technologies, *computer vision* and *natural language processing (NLP)*, had recently developed that could significantly improve customers' shopping experiences. "The former helps to index [i.e., tag] products in a website's virtual catalog using visual cues, while the latter aggregates and learns from words that shoppers use when describing products they are looking for. Both rely on algorithms powered by machine learning, a subset of [AI]," explained an industry consultant.¹⁰ Both technologies organically generated taxonomies by studying pictorial and language patterns across products. These tools were used to improve search results and recommendation and personalization systems (see **Exhibit 4**). Some e-tailers had been using *collaborative filtering* to generate product recommendations, which generated item recommendations based on an analysis of what similar customers liked. Others were using computer vision to allow customers to upload images of clothes to enable search for similar or matching designs. The fashion industry had also been an early adopter of conversational assistants (i.e., chatbots) to facilitate a customer's journey and replicate personalized sales assistance, rather than forcing customers to use the sometimes unwieldy search bar to find their desired items.¹¹

Several fashion retailers had begun to offer tailored recommendations using unique taxonomies and recommendation algorithms. For example, "Farfetch's product catalogue has more than 3,400

brands, and its customer base is global, meaning an intelligent taxonomy is important for creating ‘credibility at scale,’ claimed executive Natalie Varma. She continued, “In fashion, there are so many ways of describing the same thing, which is quite nuanced and is quite internal to the industry, but can be a problem for our customers.”¹² This imprecision of language made shopping more difficult; as an example, what designer Rick Owens calls a “duvet coat” might be called a “down jacket” at Balenciaga and a “puffer coat” at Prada. The development of taxonomies and the tagging of the thousands of items that populated an e-tailer’s assortment had historically been an arduous and costly process that usually involved human and machine intervention and which needed to be redone and updated each season. For example, garments that arrived at Farfetch were described, photographed, and editorialized manually and then the product’s taxonomy was automatically enriched using a fashion knowledge graph created by Farfetch data scientists working alongside its fashion experts. It stored thousands of descriptive fashion terms that had relationships associated with them, which helped in the product recommendation process.¹³

While fashion recommendation engines had become more common, the ability of AI to predict new fashion trends was often questioned. Said an industry insider, “Many have claimed to hit personalization right, but it’s hard to do...the real question for personalization is, will this drive better conversion and sales? Furthermore, fashion is fickle; ... [with] personalized recommendations based on my preferences, I’m more likely to dress like it’s the 1990s than like it’s the 2020s and that’s not a good thing.”¹⁴ Some of the difficulty stemmed from the nature of the fashion industry, where what is “in fashion” is constantly changing, driven by customer tastes, market dynamics, and tastemakers. To address this, some brands focused instead on detecting existing trends and creating new products in real time based on those trends, hoping to capitalize on them before they fell out of fashion. For example, Stitch Fix aggregated all of its customers’ preference data gleaned from their previous purchases and their answers to quizzes to learn which fashion elements were currently popular and then used that insight to design its own private label fashion products within months.¹⁵

THE YES’s Algorithm-Driven UX

THE YES wanted to harness the new possibilities offered by advances in AI to challenge and revolutionize online shopping. Their intention was to learn each customer’s own preferences and to use that data to create an individualized shopping feed for each customer that presented only items that she would likely find most attractive. This allowed for curated discovery of products from different brands without scrolling through irrelevant products and/or brands or relying upon knowing enough about what one wanted that one could easily search for it using the search bar.

To learn each user’s unique preferences and taste, THE YES employed a process that included an onboarding quiz to capture general preferences and sizing. This created an initial personalized feed for each customer with a never-ending stream of products that resembled what one would see in a dating app. As a customer scrolled through her personalized feed, she could click “YES” or “NO” to indicate items she liked or disliked, feeding the algorithm with new preference data every time she browsed, which was used to continuously update the feed to improve its predictive ability. Items that were YES-ed were placed onto the users’ YES Lists for future consideration. Users also periodically received optional questions and ‘pop quizzes’ as they shopped that were used to refine their intentions and better understand their preferences. This activity allowed THE YES to capture users’ preference for size, fit, pricing, and brands in a fun, interactive way and to use that data to feed each user’s personalized ML model. **Exhibit 5** illustrates the data collection process, and **Exhibit 6** provides screenshots from the onboarding process. Bornstein noted, “Each feed is tailored to each user and updates daily and suggests relevant brands, categories, trends, and friends. As the user says ‘yes’ and

'no' to items, the data model for each user adapts and learns more about what they like." The personalization extended also to search functionality, during which an intelligent algorithm used NLP to figure out, based on what she typed into the search bar, what a user was looking for, but also offered individualized search results based on knowledge of their preferences and thus sorted appropriately. Explained Bornstein, "Our goal is not to show you exactly what you told us you like. It's to show you all the things that we think you might like related to it and help you explore, too."

Bornstein and Aggarwal decided to initially develop a mobile application (app) for launch rather than a website, noting that 50% of 2019 e-commerce fashion purchases were done via mobile, and that this percentage had been growing steadily. Designing for an app allowed them to build a cleaner UX and to target experienced mobile app customers who were already used to scrolling and swiping to indicate interest or approval on other apps.

Exhibit 7 summarizes THE YES's offering for which the company had three patents pending for pieces of the underlying proprietary technology. Aggarwal explained, "Building this next generation experience is not an incremental change; it requires a completely different approach. We have built fundamentally new technology in four areas:"

1. Brand integrations: Building a store for every user requires enough inventory to satisfy a diverse set of tastes. This is only possible if we can partner and integrate with brands in a seamless way, one in which there is very little effort on either side. We have built deep technology that can integrate wide and diverse sets of data sources automatically leveraging ML to build a seamless shopping experience for the consumer.
2. Adaptive, user-centric e-commerce platform: Building a user-centric, adaptive e-commerce experience requires a fundamental change in the underlying platform. The platform needs to be AI-enabled, able to read user signals in real-time, support not just text but other types of content such as images, and support the scale of producing millions of stores, one for each customer, instead of just one store for all.
3. Fashion algorithm: We have been hard at work building the best fashion personalization algorithm. This involved fashion experts building the most extensive taxonomy from scratch and then scaling it out through machine learning. Each product in our catalog is now automatically assigned more than 500 attributes and a signature that encodes its style (see **Exhibit 8** for an example). Finally, this deep knowledge of products is matched with a small number of high-quality data points from the user to build a ML model for customizing every user's own store. Unlike traditional personalization that relies solely on aggregated user behavior signals, we use an extensive understanding of style, size, brand, and price to provide the best experience to users (**Exhibit 9** illustrates the deep learning model for each user).
4. Algorithm meets UX: We believe one of the key differentiators of our product is how the algorithm interacts with the UX to build a seamless experience. Just like our platform, our UX is built to provide a dynamic experience to the user and one where we are constantly learning. One of the criticisms of personalization has been that it doesn't allow for discovery. We believe our approach, where we can show new ideas to users and get quick, high-quality feedback from them is a great way to balance personalization and discovery.

THE YES founders took a holistic approach to their customers' shopping journeys. Explained Aggarwal: "In order to change the customer experience, you can't just focus on the algorithms, the AI or the ML, you have to think holistically about the user experience and how you bring that technology to the user in a meaningful way and also get their feedback. Customer experience is an end-to-end

journey so you can't just focus on one part and make an impact." Their aspiration was to change the way consumers shop online and to encourage them to change their behavior. For example, instead of needing to search multiple websites for the lowest price, THE YES assured its customers that they would always find the lowest price available on the web, by having the app dynamically track and respond to price changes in real time. THE YES also encouraged consumers to forgo using the sorting and filtering options they used on other e-tailers' websites. Explained Lisa Green, senior vice president of brand partnerships: "The idea is not to sort from high to low price, but to be able to find exactly what you're looking for because it's closest to your style preferences. We know that a shopper often defaults to these functions because there's no other way to narrow down what they're seeing. On THE YES, they won't need to rely on those because the results are already sorted by what they are most likely to buy right on top."¹⁶ Finally, THE YES offered excellent customer service using a high quality, highly empowered team. THE YES relied heavily on human expertise to improve their algorithms. Aggarwal said, "Domain knowledge is super important for building a really personalized experience. Building a great personalized experience across all domains, from fashion to furniture to commodities is not the right approach. You need to start with a specific vertical and focus on it." Added Bornstein, "Google, Pinterest, and Facebook – they're all trying to do variations on this, but they're tackling all categories at once. If you don't take into account all of the specifics around what actually matters in fashion then it becomes irrelevant and you lost the trust."¹⁷ She elaborated:

[U]nless you understand every dimension about an item and how the consumer thinks about shopping in a certain kind of category, and you understand enough about the consumer within this category, it's very hard to make good recommendations...to do that, you need humans... Data is only good as the inputs that it gets... if you talk to someone from Pandora... the way that they built their original algorithms is they had musicians listening and identifying all of the elements of music, so that they could then actually build on top of it and understand the relationship between all the elements of music. We did the same thing for fashion. So any given item may have five hundred attributes, and the attributes could range from the length of the sleeve, the color, the construction, the price, the brand, the fit. All of those things are really important to understand as it relates to an item as well as the occasion it could be worn for. Is it dressy? Is it casual? Is it good for spring? Is it good for nighttime?... all of those things matter when you want to build both a search engine and a recommendation engine that are really smart. And so we had a team of human fashion taxonomists building the input, and we continue to add to it, as we're getting into new seasons and as there are new trends; it never ends in fashion...our fashion director works with a small team to identify all of the trends that are happening...We can surface the right trends for you, and then the algorithm [is] recommending the items within the trend that are most likely to be relevant to you.¹⁸

Attracting Brand Partners

Bornstein's concept hinged on attracting the best and broadest assortment from a variety of brands to compete with the largest fashion retailers both offline and online. To do so, the new platform would need to be as much of a revolutionary solution for brands as it was for shoppers. Most fashion brands used a wholesale model where they sold their products to retailers, who then sold them to consumers. The biggest complaint from brands was a shortage of good wholesale partners in the apparel industry after years of decline in fashion brands' traditional retail partners, department stores.

Taylor Tomasi Hill, a trendsetter in the fashion world, understood these problems all too well. She joined THE YES as creative and fashion director in 2018 after serving as creative director at Moda

Operandi, an online luxury fashion retailer. To Tomasi Hill, the fashion cycle had stopped making sense as pressure was put on brands to produce multiple collections each year to help retailers gain market share by continuously refreshing assortments. The result was high levels of excess inventory, extensive and deep price promotional activity to draw down that inventory, and frequent returns to the brands of any unsold inventory remaining at the end of a season. Inspired by what she saw in THE YES, Tomasi Hill opened up her 400-brand Rolodex and reached out to potential brand partners, claiming "I realized how well Julie understood the pain points of brands. And she was so passionate about giving power back to the brands, really partnering with them and creating something that isn't pay-to-play." She was excited about introducing new customers to different brands: "The way the algorithm works, there's a sense of discovery.... It's not just a platform to show you the exact things you have in your closet; it's actually a place to discover new fashion."¹⁹

Her colleague Lisa Green came on board shortly after. With over a decade of experience at Google, where she led ad sales to fashion and luxury brands, Green had seen that it was often not economically viable for a single brand to scale alone via a direct-to-consumer (DTC) e-commerce model, given the prohibitively high costs of acquiring customers through paid search and social media advertising, and the high costs of fulfilling orders and serving fashion customers. As the team went out to pitch brand partners, Green and Tomasi Hill emphasized the ways in which THE YES improved upon the department store model of the past. THE YES would function as a customer acquisition partner; however, instead of selling the same brands to every customer who entered the app, the platform's algorithm would zero in on merchandising brands to their most relevant users. "This would result in higher conversion rates and incremental sales for the brand at a flat commission rate of 25% of the retail price- likely below current customer acquisition costs," Green would claim.

Some DTC brands worried that partnering with THE YES meant giving up a direct line to the consumer. Assured Bornstein, "We're not an intermediary. We're not trying to interfere with the brand's relationship with a consumer...we want to share the love with the brands." THE YES team took several steps to quell the fear of disintermediation. For example, within the app, they built unique brand pages with direct links to the brand's Instagram page and an opt-in to be added to the brand's email list. Green emphasized that THE YES would serve as "a connector between brands and consumers...a way to bring the two closer together."²⁰ Noted Bornstein, "Ultimately THE YES wants to help brands find new customers, even if it means that some shoppers leave our app to shop directly from a brand's website. I believe that those customers will eventually come back to THE YES, because it offers more variety than a single brand can offer and an interactive, exciting, personalized shopping experience."

Brands were also concerned about their image and wanted to ensure that their brand was presented by a high-quality retailer within an assortment of brands that shared their status. They worried about possible brand adjacencies that could negatively impact their brand, (i.e., a high-end designer dress merchandised next to a less expensive fast-fashion blouse). As such, brands were careful about the retailers with which they would partner. Bornstein jumped in to explain that THE YES platform mimicked how a woman actually dressed, which often included the combination of high and low brands, such as wearing a Prada skirt with a Zara t-shirt. But *Fast Company* pointed out a potential problem, "This approach carries some risk as well, particularly to high-end designers. Some customers might see two products that are very similar and choose to buy the cheaper option. And others might be put off seeing a high-end designer next to a mass-market brand."²¹ Bornstein was convinced, however, that with a store built around each customer, the traditional "adjacencies" of brands were no longer relevant. To confirm her belief, the team worked to enlist luxury brands first.

Further, THE YES promised that it would preserve a brand's unique point of view by exclusively using brand-generated creative and messaging to merchandise a brand's products, unlike other e-tailers, who re-photographed every item on a white background to standardize the look and rewrote item descriptions to present a unified presentation across brands to shoppers. Explained Tomasi Hill, "One of the things that brands loved about the concept was that we're not diluting their point of view. We're not reshooting anything. They have a vision and often that vision doesn't get translated because every single retailer has reshot the look or individual pieces."²² As a result, THE YES's app had a lively merchandise presentation, where items were presented in a photographic collage more reminiscent of social media apps than e-commerce fashion sites (see **Exhibit 10**).

THE YES also offered seamless integration with no development work required on the brand's end, which made it virtually costless for brands to join the platform. Brand partners provided their entire catalog. THE YES's algorithms would then analyze and extract the data to automatically generate each item's taxonomy. THE YES did not charge brands to list their catalog on the app, as some other marketplaces did. Instead, brands were charged 25% of the retail price commission only upon a completed transaction between a consumer and THE YES. When consumers initiated a purchase, the purchase would be completed seamlessly on THE YES app, while in the background, the order was sent to the brand which then delivered the item directly to the consumer, utilizing a drop ship model. Explained Bornstein: "We intentionally built THE YES to solve for some of the fixed costs that challenge the traditional e-commerce model, from photography to inventory. All products are shipped directly from the brands, which saves the step of shipping to another warehouse and repackaging. We built THE YES to scale fast with unit economics that work for long-term growth."

Finally, the team pointed to the customer and sales data that THE YES would make available to brands via its brand dashboard, which provided actionable insights on each brand's performance versus its competitors. Brands selling through wholesale models typically received little data from their retailer partners, who treated customer relationships as their own valuable assets and did not share customer-level data or access with their brand partners.

From Beta to Launch

Prior to its launch, THE YES seeded its algorithms with the purchasing journeys of 500 beta users, including many in-house employees who shopped on the app for months. The learning from those customer experiences help inform the development of the brand and the customer value proposition. Bornstein imagined her target customer as a woman who wants to shop, not one who wants her shopping done for her. She was someone who loved the experience of shopping but had been previously unable to access that joy while shopping online, and who wanted to make her own choices to discover and blend brands both high and low, emerging and classic. She explained, "Our goal is for [our customers] to feel understood. It's really all about you understand me, you get me, you give me suggestions, you introduce me to new things, you understand my go-tos."²³ She continued, "Online shopping is full of No's. We are THE YES. Hyper personal, smart, fun, addictive, and fresh." THE YES promised its customers next-generation online shopping that was easier, smarter, and helped them look great. To deliver on that promise, the company offered customers the broadest selection while emphasizing data-driven personalization and the right fit matched to each customer's preferences, best price guarantee, quick and easy checkout, and fast and free shipping.

THE YES launched in May 2020 to great fanfare (see **Exhibit 11** for representative press coverage). The company received more than 70 press features and over a half of a million earned media impressions, with 62,000 Instagram followers within the first few months. At launch, 145 brands had signed on, representing a mix of iconic fashion houses, up-and-coming designers, premium denim

labels, and contemporary and affordable brands (see **Exhibit 12**). THE YES offered a broad selection of brands and price levels from Balenciaga to Everlane.

Forbes asserted that THE YES was “poised to dramatically change how consumers shop,”²⁴ while *Refinery29* told its readers “We’re betting big that you’ll be saying yes to a new way of shopping in no time.”²⁵ However, *Fast Company* warned, “THE YES is a fresh approach to shopping, but it does have an uphill battle ahead trying to change consumer behavior. The company will need to convince consumers to download yet another app on their already overcrowded phones. And THE YES does not have control over the quality of the merchandise or the shipping logistics, but customers are likely to hold it responsible for any mishaps that happen if their product shows up damaged or late.”²⁶

Customer Research

In July 2020, THE YES conducted market research studies with early users. Bornstein was surprised to see who was shopping, claiming, “While our target audience was originally women aged 25-50, the reality is that our customers range in age from 16 to 75. We cater to women who want to shop as efficiently as possible but also to those who enjoy browsing through options and discovering new brands.” Age and shopping behaviors were not the only segmentation variables that characterized customers’ wide differences. THE YES also found that its early customers were shopping in varying need states: some were looking for inspiration and new ideas, some were searching for great values, while others already knew what they wanted and were using targeted search to find it, a customer journey the team labeled a “surgical strike”. Customers were motivated to try THE YES because they loved fashion, had a willingness to try new things, were intrigued by the personalization, and were exhausted by the current fashion e-commerce experience. Further customer segmentation analysis identified two customer personas:

- The “Fashionista” (roughly 20% of users) likes having brands that no one else has, knows exactly what she wants, and believes department stores are hum-drum. Her key purchase considerations are freshness, interactive experience, and no redundancy. Her maximum budget = \$250-500 for a top, \$500+ for a dress. Fashionistas did not see shopping as a social experience, as they had confidence in their own ability to choose well. Fashionistas were heavy users of the search bar, reflecting their tendency to already know what they want to buy before visiting and to shop via surgical strikes. Fashionistas were impressed with THE YES’s brand assortment, search capabilities and the app’s ability to return the exact items they were looking for.
- The “Fashion Follower” thinks of shopping as a social experience, shops a lot of fast fashion but is trying to get away from that as her tastes mature. She looks to department stores for the breadth of offerings they carry. Her key considerations are price, what fashion authorities think, ease of discovery, and product and brand mix. Her maximum budget = \$75-\$150 for top; \$150-250 for a dress. Fashion followers often looked to their friends for affirmation of their fashion choices. Fashion followers used THE YES for inspiration and recommendations, using the search bar less frequently. They believed that the app should do the work of shopping for them.

THE YES’s core promise appeared to be resonating. One user said: “This is life changing. This is the only way to shop.” Another claimed: “The less time I waste flipping through styles I would never wear, the better. The technology seems amazing.” A third added: “Loving the app and having fun swiping away on all this product.” Two recent adopters were impressed by the recommendations. The first said: “I have been super impressed by the selection presented to me. I’m a very picky shopper and it’s been spot on!” and the second exclaimed: “I just downloaded the app and took the quiz and one of the first items is something I literally just bought. How cool!” Other users were delighted by features such

as the interactive pop quizzes, which they found to provide a sense of accomplishment as they were completed. The “Widen Your Circle” feature, which offered looks from new brands that the customer hadn’t YES-ed, was popular, as it allowed them to discover new brands, as was the “Having a Moment” feature, which exposed users to new trends and kept them up-to-date on happenings in fashion.

As Bornstein and Aggarwal perused the results, they knew they faced a customer selection decision. As they further invested in product improvements and in customer acquisition, they would need to decide which customer, the fashionista or the fashion follower, would be a better target. Trying to satisfy both types of customers might prove to be tricky – and expensive due to the differences between the segments that required different investments and product focus and development. Keeping customers on THE YES over time would be their key to success. Bornstein knew that THE YES needed to win on personalization, search, inspiration, price, selection, convenience, and customer service.

Performance Marketing Tests

THE YES was experimental in its early forays into paid marketing. Sean O’Brien, head of performance marketing, described the challenges of marketing in early days following a launch:

In the long term, the goals are always going to be getting the LTV-to-CAC^a ratios right. But in the short term, it is a mix of a variety of key performance indicators (KPIs), such as weekly retention, CAC, engagement metrics. I think it doesn’t matter how much funding you have, how strong your team is, how experienced the founders are, when you launch a new product to the world, you still have to establish a product-market fit. You are still learning when you get the product in the hands of the customers. So we can try to start figuring out which are the right media channels, what kind of campaign tactics work, etc. But fundamentally, especially with AI-based new products, the product itself is still learning and evolving as well, so we are still learning too. The big thing we have to nail down better is finding the right users. If we feed the app the wrong users, you can’t blame the app on their performance. We need to be much more intelligent about finding better users, but for that we need more data and volume.

The August 2020 KPIs were encouraging. THE YES app was downloaded by 30,000 users, 75% of whom completed the onboarding quiz, and 85% of whom clicked “yes” and “no” on items, totaling over 2.5 million preference actions. A third of users had active YES lists with over 100 items. 10% of users had put items in their checkout cart, while conversion rates from activity to transactions were 4%. Average order value (AOV) was \$225, average unit retail (AUR) was \$118, and units per transaction (UPT) were 1.8. The top customers spent over \$1,000 per visit. While teens and college-aged women were spending time on the app, sales were primarily being driven by women in their mid-30s to 40s. When asked how the COVID-19 pandemic and its stay-at-home orders might be suppressing purchasing as many consumers faced economic uncertainty, Bornstein replied, “It’s a good time for people to play, even if they’re not ready to buy.” She continued, “With so much physical retail closed right now, the time for consumers to experiment with new platforms is actually pretty good. And we feel that providing a glimmer of hope and a vision for the future of retail is something that makes a lot of sense right now.”²⁷ However, she noted:

Trust will be the hardest [behavior to shift]. Our goal for THE YES is to become the ‘go-to’ destination for all of your fashion needs, which requires people to trust that we

^a LTV-to-CAC is the ratio between a customer’s lifetime value (LTV) that they provide to the firm over their lifetime as a customer and the cost the firm has to expend to acquire that customer (CAC).

have the best selection, the best prices, and the best service. Trust takes time to build, but given our deep dedication to our customers and brands, I'm certain we can earn it.²⁸

Early customers purchased items for a total of \$250,000 in sales from over 113 brands. Top selling brands were Prada, Zara, Rosie Assoulin, Everlane, Madewell, and Frame. Repeat purchase rates were roughly 40%, and about 50% of app installers returned to the app to 'yes' and 'no' even if they didn't complete transactions. A sub-segment of "super users" emerged, those who logged in frequently, were more likely to add items to their YES lists and to their carts, used the search bar more often, and were more likely to purchase than average users.

The performance marketing team tracked cost-per-install (CPI) as well as cost-per-acquired customer (CAC) for completed transactions. While CPI was \$5.50, the blended CAC^b was \$100. O'Brien tracked KPIs weekly. **Exhibit 13** reports customer acquisition by channel for a sample week. The team also believed in experimentation and tested different messaging, creative, and offers. **Exhibit 14** reports metrics for cohorts of users acquired using different marketing campaigns. O'Brien reflected on the results: "Facebook is good at optimizing whatever you ask them to optimize. Conversion on Facebook means installs, but we probably want to think about how to optimize engagement or cart conversions instead. The trick is that the Facebook algorithm relies on volume to work and there are not enough purchases yet to drive it successfully."

Investing for the Future

Given his analysis of the early results, O'Brien was eager to begin investing significantly more in paid media to drive user growth. Bornstein and Aggarwal were of different minds on this. Aggarwal believed that investing in paid media earlier would help the company acquire more users sooner, and that these early users and their shopping behavior would feed the algorithm and help it learn, which would improve the app and experience for other users over time. But, noted Bornstein,

I'm a perfectionist [when it comes to user experience], so I would have spent another year tinkering before we launched. As the founder, I have a clear vision of how this needs to work and when it's good enough. We did launch before I thought our algorithm was perfect. And that's dangerous. If you download an app and the experience isn't good, you're very unlikely to come back. Part of the reason we wanted to launch so much was that we're so hungry for customer feedback. And we see ourselves at the beginning of something that we are going to evolve quite dramatically. What we know is that whatever the experience is today will look very different in the future. Part of the way we'll do that is by having great ideas for customers. But the other part of the way we'll do it is by really making sure we're understanding what works and what doesn't for customers.²⁹

She worried that if the app's UX and algorithm's predictive ability were not good enough, then THE YES risked disappointing early adopters and jeopardizing future growth if paid media brought users in too quickly. She also worried about backlash on social media from dissatisfied customers or negative press that might result if the algorithm could not sufficiently predict users' fashion preferences with enough specificity. Bornstein explained her position:

^b Blended CAC is a metric that captures the total acquisition cost a company expends through marketing and selling activities over a period, divided by the number of customers acquired through those activities. It allocates the total number of customers acquired across paid media, earned media, and owned media expenses, and thus includes the costs of other marketing and selling activities such as public relations, organic growth, and content marketing.

The core question for me is how much do we stay focused on getting our engagement metrics right and focusing on improving the product and making sure it's at its full potential before we start investing heavily in marketing dollars to buy users. Right now we earmarked a small budget to test and learn about customer acquisition, paid advertising, and messaging, and to figure out our CAC and metrics before we think about raising our next round of funding and putting our foot on the gas in terms of marketing dollars. We also want to figure out how to drive more organic growth that drives user engagement and also potentially lowers CAC. We want to be efficient and cost effective. We also have unique media channel choices to make because we decided to start with an app rather than a website, so Google for instance is less effective now than it will be at driving traffic to our future website.

Aggarwal was less concerned, "I think that early adopters expect products to have issues at first. What gets them back is not that you have the perfect product, but the fact that you're really improving it. Part of the definition of product-market fit is that even with the imperfect product you're solving a problem that makes users want to come back." Early customer research showed that 50% of users "liked/loved" the clothing the algorithm chose for them, 30% rated their personalized suggestions "so/so," and 20% were dissatisfied, rating them "not so good/bad". On average, users rated the level of personalization a 4 (out of 5) and expected it to improve the more they shopped on the app. Fashion followers noted that even the items they were NO-ing felt close to their preferences and appreciated that the app was moving them out of their comfort zones. Over time, their average personalization ratings improved from 4 to 4.3. Fashionistas, however, were less certain the personalization was improving. They reported that the app didn't always get them, sometimes showed them things they would never wear, and were frustrated when items they had NO-ed showed up in their feeds.

Said Bornstein, "We have a mile long product roadmap. We will continue building the most effective and fun way to shop. We are insanely focused on user experience, and on how to build the most excellent experience to shop that is not frustrating, but rather effective and fun and efficient and fresh. We know how to improve our personalization and it's a matter of time to get there." Should the company wait until it had further optimized its product before it began to aggressively acquire customers? Or was the time right to pour on the paid media resources? The team believed that an investment of \$5 million in engineering resources could improve the predictive power of the algorithm by 30%, which Bornstein believed could increase satisfaction with the app, which would lead to a 40% increase in the sales conversion rate and reduce the churn rate of a customer by 30%. On the other hand, a \$5 investment in paid media would help fill the top of the funnel by bringing in more customers. Which was a better investment at this point in the company's trajectory? Mused Bornstein,

The position we're in at this moment is a little bit of a ticking time bomb in a few ways. First, we're relying on our brands to stay with us and we're currently not driving a lot of volume yet. Second, we have limited cash and so we obviously need to be able to prove good enough metrics to raise another round at a good valuation and prove that we're going to be able to profitably scale, so we need to have enough proof points for that.

As she considered the firm's limited financial and human resources (currently at 34 full time employees), Bornstein had to decide how to best invest for the future. Should she invest in further optimizing the algorithm? Or was it time to ramp up paid media? Should she unleash the engineering team to begin developing a web-based e-commerce site, since it seemed like the only way to leverage Google? As she debated how to invest, she was also considering several monetization opportunities, which could provide incremental revenue streams to the company, and which included the following:

- Pay-to-play via advertising and trade promotion support: To date, THE YES had not accepted nor required any promotional monies from its brand partners, something unique in the world of offline and online retailing, where retail partners traditionally promised brand partners advertising space (via weekly circulars or catalogs in the offline world or via display or search ads in the online world) or preferred shelf space/special displays or preferred search results based on trade promotion dollars they offered to the retailer. These benefits had a proven return-on-investment for brands, who often spent up to 50% of their marketing budgets paying retailers to help them better promote their products to consumers. THE YES could expect to earn a significant amount of revenue by charging brand partners trade promotion allowances.
- Pay-to-play via loyalty program support: Bornstein had seen the value of a pay-to-play loyalty program at Sephora, where brand partners were encouraged to provide free samples to Sephora, which were then doled out to consumers as value-added extras to their orders when they became members of the retailer's popular loyalty program. THE YES could ask brand partners to help fund the benefits of a customer loyalty program, which would increase customer retention and provide brands with another way of reaching THE YES's customers.
- Fashion Influencer program: Many e-commerce platforms and brands offered fashion influencers a 25% sales commission for driving customers to their sites. THE YES could partner with leading fashion influencers to help them better initiate and complete a customer's purchase journey. Influencers could promote products and brands on social media sites, and then provide a link to THE YES, where their followers could view the item (and the influencer's YES List) and purchase it. Or, THE YES could use its algorithm to curate a unique white label store for each influencer, who could then share access to it with followers. THE YES could also partner with celebrities and professional stylists via affiliate marketing programs.
- Peer-to-Peer Marketing: THE YES could invest in peer-to-peer marketing programs, such as a customer referral program. O'Brien had run an experiment in which some users were encouraged to refer their friends to the app, while others were offered a \$25 credit on the app for themselves and a \$25 credit for their friend in return for a referral. **Exhibit 15** reports the different conditions and the initial results of this test. THE YES could also build social shopping functionality into its UX to allow users to share their YES lists, to view the YES lists of others, and to create personalized YES lists for significant others, such as their daughters, mothers, or friends. THE YES could also enlist its customers to provide brand photography, product descriptions, or tagging to enrich its content and help its algorithm learn.
- White label technology solutions: THE YES's proprietary technology that powered both its UX and its personalization algorithm would be very valuable to any online retailer. THE YES could offer a white label tech solution to fashion brands to power their own DTC websites. Most fashion brands' websites and mobile apps were years behind the capabilities of THE YES and most did not have the resources nor the skills to be able to develop comparable technology. As Bornstein noted, "They're in the business of designing fashion and not of building technology."
- Lead generation for brands: Bornstein also considered whether THE YES could leverage their data to identify lapsed brand buyers and/or prospective brand buyers to whom fashion brands could market directly. THE YES could then sell these qualified leads to their brand partners.

As Bornstein and Aggarwal planned for the future, Bornstein reminded the team, "THE YES is creating the future of retail. With our technology and domain expertise, we are empowering consumers to have the best fashion shopping experience they could have ever imagined." Bornstein noticed that an alert from THE YES popped up on her phone, informing her that a sundress she had been eyeing in anticipation of her upcoming trip to Hawaii had just gone on sale. With one click, it was purchased.

Exhibit 1 THE YES Management Team

Julie Bornstein, CEO and Co-Founder: Prior to founding THE YES, Julie had a long career leading some of the most successful e-commerce businesses within retail — first at Nordstrom, where she led the early success of Nordstrom.com; next at Urban Outfitters, where she led the development of the largest e-commerce channel among specialty retail; and then at Sephora, where she led the company to become a gold standard of multi-channel retail, innovating its online and mobile shopping experiences and launching its Beauty Insider loyalty program. Julie was an early Board Member at Stitch Fix, ultimately joining as COO to help scale to \$1 billion and prepare for an IPO. Julie is widely known in the retail and technology industries for her vision, passion and ability to execute. Julie received a BA and MBA from Harvard, and currently sits on the boards of Redfin and WW.

Amit Aggarwal, CTO and Co-Founder: Amit has two decades of experience at the intersection of AI and consumer retail. Before starting THE YES, he held technical leadership roles at a number of leading tech companies, including tenures at all three of the early search pioneers (Google, Bing, and Inktomi) as well as Groupon, before and immediately after its IPO. Amit was recruited to Bloomreach, a leader at the intersection of machine learning and enterprise software, where he spent four years as CTO and VP Engineering. Amit brings deep technical expertise, multiple patents and engineering leadership to THE YES. Amit received a BS at IIT-Delhi and MS at the University of Washington in computer science.

Lisa Green, Senior Vice President of Brand Partnerships: Lisa has spent her career at the intersection of fashion and technology, first at Google, then at Condé Nast and now bringing her expertise to the e-commerce space. Over the past ten years, Lisa has been at the forefront of bringing together fashion and technology, pioneering partnerships with major fashion brands, including Burberry, Ralph Lauren, CHANEL, and Gucci. Lisa oversaw the release of Google's fashion trend reporting and established YouTube as a destination for fashion content. Joining Google in 2005, Lisa held a variety of positions, always with a focus on global brand building. She was a founding member of Google's Agency Development Team, launched the Campaigns & Elections Team, and has been the recipient of numerous awards. She served as a judge for *W's Fashion Futures Awards* and the *Decoded Fashion Hackathon*. Lisa also sits on the board of the 5 Under 40 Foundation and serves as an advisor to EVRYTHING. Lisa received her B.A. from Middlebury College and resides in New York.

Taylor Tomasi Hill, Creative and Fashion Director: Prior to THE YES, Taylor spent her career working as a fashion editor at *W*, *Teen Vogue*, and *Marie Claire* magazines. After more than a decade of editorial work, Taylor joined then start-up Moda Operandi in 2011 as the Creative Director. While at Moda she signed the first 200 brands, as well as created and implemented the strategy of shifting the business to focus more on emerging designers. Taylor also oversaw the brand matrix and assortment for Moda's in-season boutique, which launched in 2012. In 2014 she launched @tthblooms, a floral design company focused on fashion and beauty events, with clients including Gucci, Tiffany, and Goop. In 2016, Taylor joined luxury retailer Forty Five Ten as Vice President, Creative and Fashion Director. Along with leading creative and overseeing the buying teams, Taylor broadened the store's audience when she created and launched FFT's sister retailer, TTH, focusing on a mix of luxury and emerging designers. Taylor is also accredited for discovering and casting Sara Grace Wallerstedt in her first fashion campaign. Taylor received a BID, Bachelor of Industrial Design, from Pratt Institute in Brooklyn, New York.

Source: Company documents.

Exhibit 2 The Competitive Landscape



Source: Company documents.

Exhibit 3a Recent Trends in the Apparel and Accessories Industry

Multi brand platforms:

A Goldman Sachs report explained, "There is evidence to suggest that multi-brand platforms can drive materially higher traffic compared to own [brand.com] websites. We think this reflects the depth of inventory, improved service (e.g., same-day delivery and ease of returns), and ease of search." These new e-tailers revolutionized the online shopping experience making it tenable for both luxury and accessible brands to participate. Two types of models developed:

- Traditional e-tailers who acted as wholesale partners to brands, purchasing merchandise from them and reselling it to end consumers. These included platforms such as Net-a-Porter, Matchesfashion.com, and Moda Operandi.
- E-concessions were online aggregators and marketplaces, who acted as front-end customer acquisition and customer service intermediaries between brands and their end consumers. E-concessions did not take inventory risk, but instead relied on brands to drop ship orders directly to consumers. One of the most successful marketplaces, Farfetch, had attracted 1.4 million active users by the end of 2018. However, for every Farfetch, there was a slew of marketplace startups that failed to achieve traction with consumers and/or brands. For example, Spring, launched in 2014 as a mobile-first platform connecting brands and shoppers, struggled to scale and was quietly sold at a fraction of its valuation in 2019.

Digitally native brands:

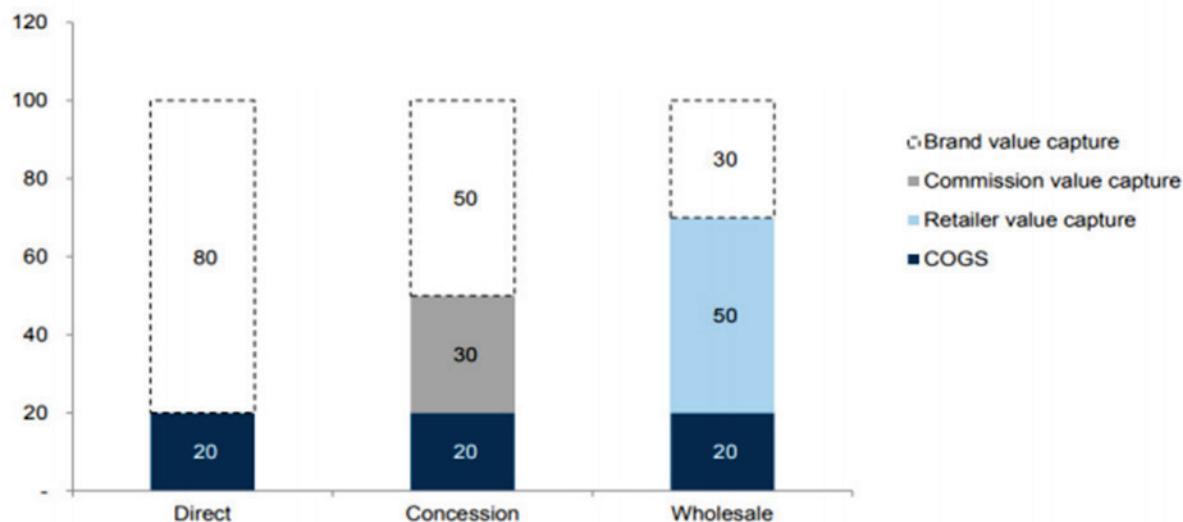
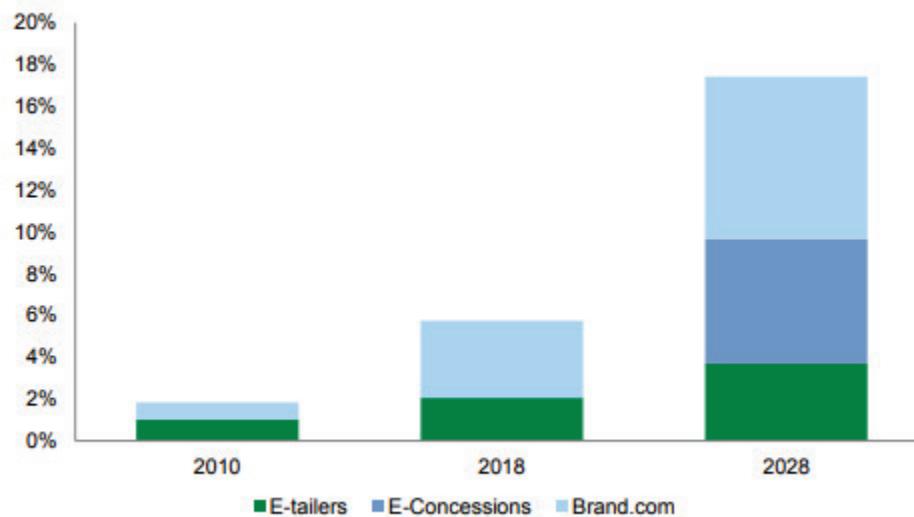
There was an influx of digitally native brands springing up that focused on creating frictionless user experiences. These brands spanned a range of price points, from Everlane who offered transparent pricing and ethically-sourced basics, to Cuyana who offered curated luxury-made collections.

Luxury Brands:

Goldman Sachs estimated that online sales accounted for only 7% of luxury fashion sales, although they noted that customers' online research prior to purchase likely informed 70% of their purchasing decisions, even those made offline. By 2018, most luxury brands understood the potential of digital and rushed to establish their own online presence with branded websites. Struggling to do this elegantly or cost-effectively, many brands chose to outsource their online stores to a growing number of multi-brand portals, such as Net-a-Porter, which promised upscale imagery and VIP customer service.

Source: Casewriters, based on information in: Singlehurst, Louise; Alberto D'Agnano, Heath P. Terry; Piyush Mubayi and Ronald Keung (2019) "E-Concessions and the digital department store," *Goldman Sachs Equity Research*, March 27, 2019, p. 8 and 26, and Fashion Tech Group (2019), "What is a digitally native vertical brand, or a DNVB?," *Fashion Tech Group Blog*, April 25, 2019, accessed 11/29/2020.

Exhibit 3b Luxury Goods Digital Sales by Channel and Channel Margin Estimates



Source: Singlehurst, Louise; Alberto D'Agnano, Heath P. Terry; Piyush Mubayi and Ronald Keung (2019) "E-Concessions and the digital department store," *Goldman Sachs Equity Research*, March 27, 2019, p. 10.

Exhibit 4 Smarter Search: How AI tools and data are helping shoppers hone in on what they want



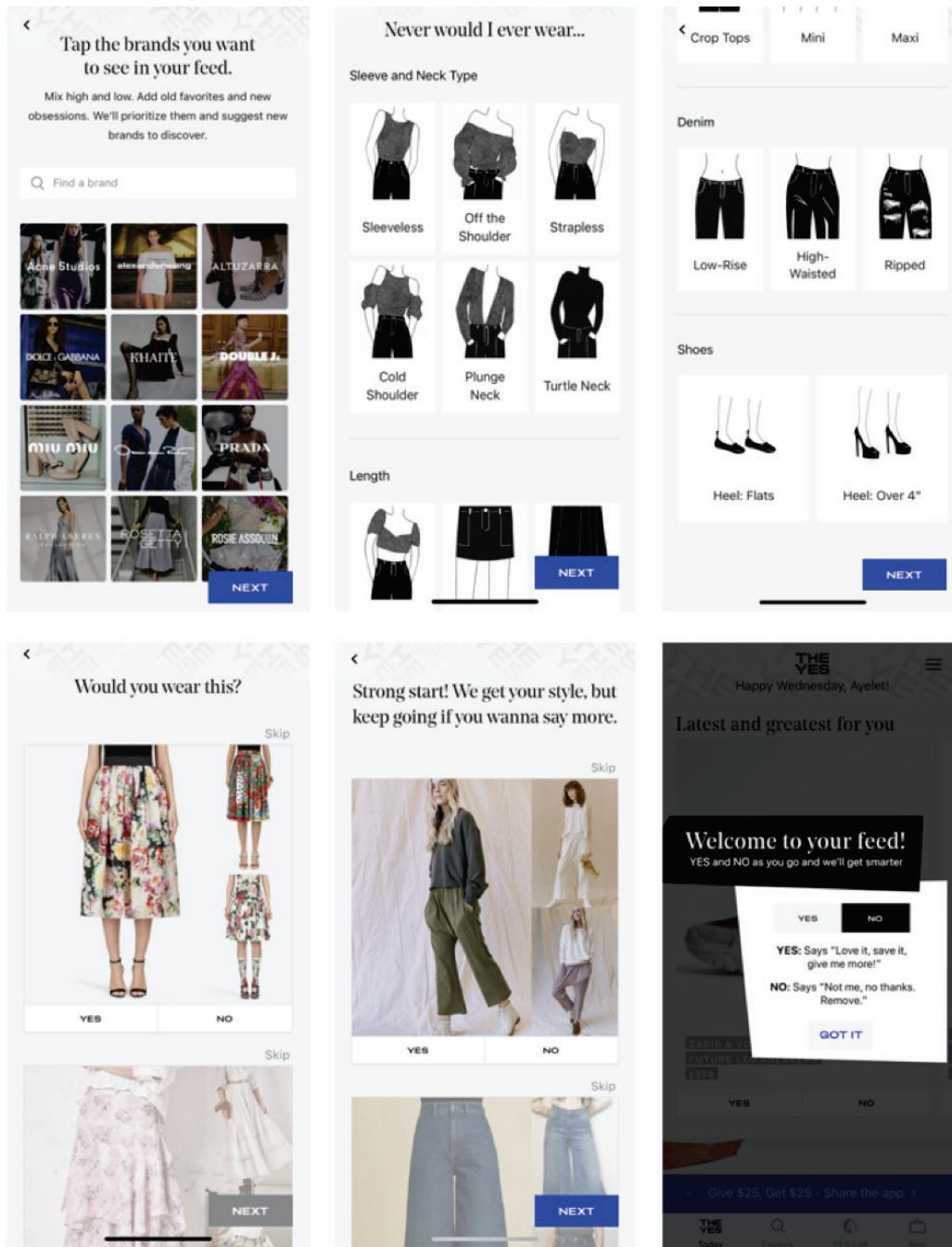
Source: Loten, Angus (2020), "Retailers use AI to improve Online Recommendations for Shoppers," *The Wall Street Journal*, November 2, 2020.

Exhibit 5 THE YES's UX Collects Data via All Touchpoints



Source: Company documents, August 2020.

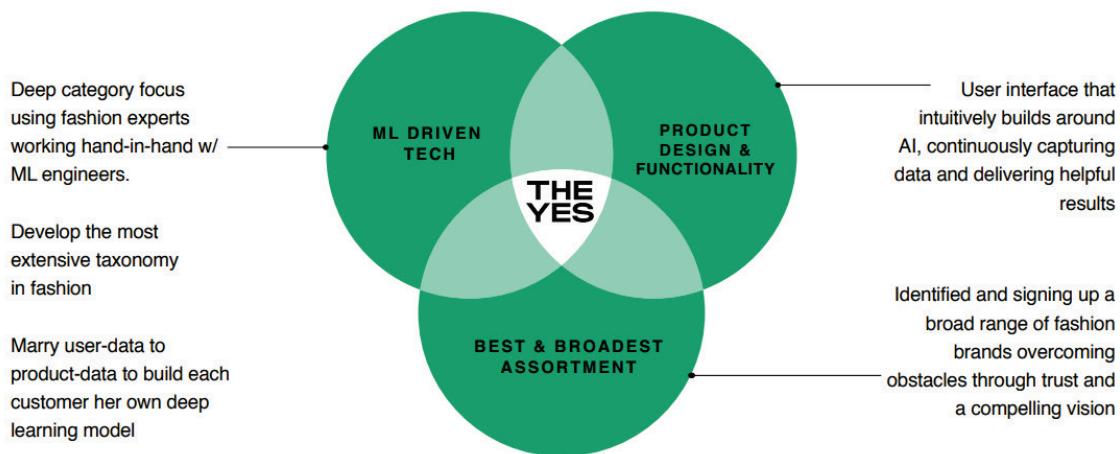
Exhibit 6 Select Screenshots from the Onboarding Process



Source: Company documents.

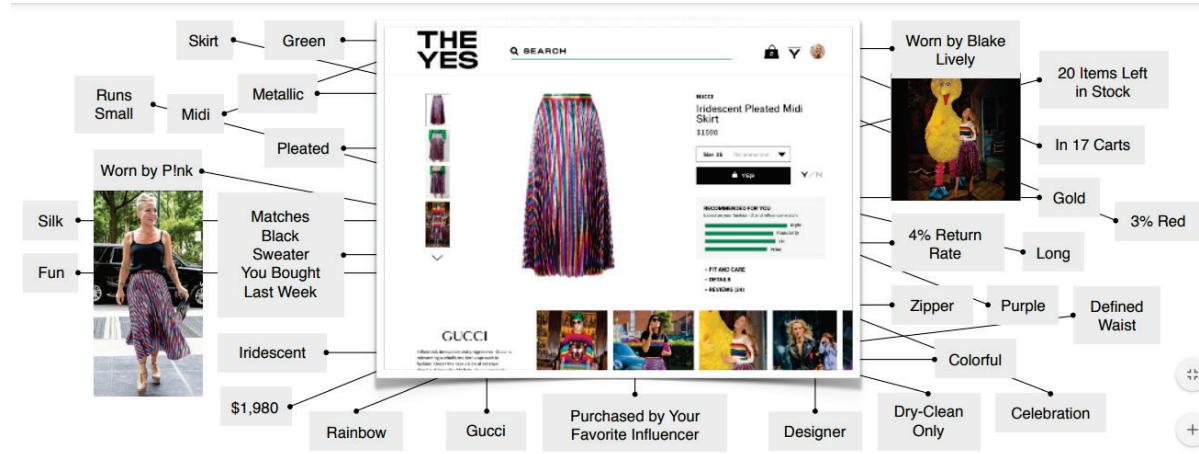
Exhibit 7 THE YES's Customer Value Proposition

We combine the best-in-class algorithm + new approach to user experience + the broadest fashion assortment.



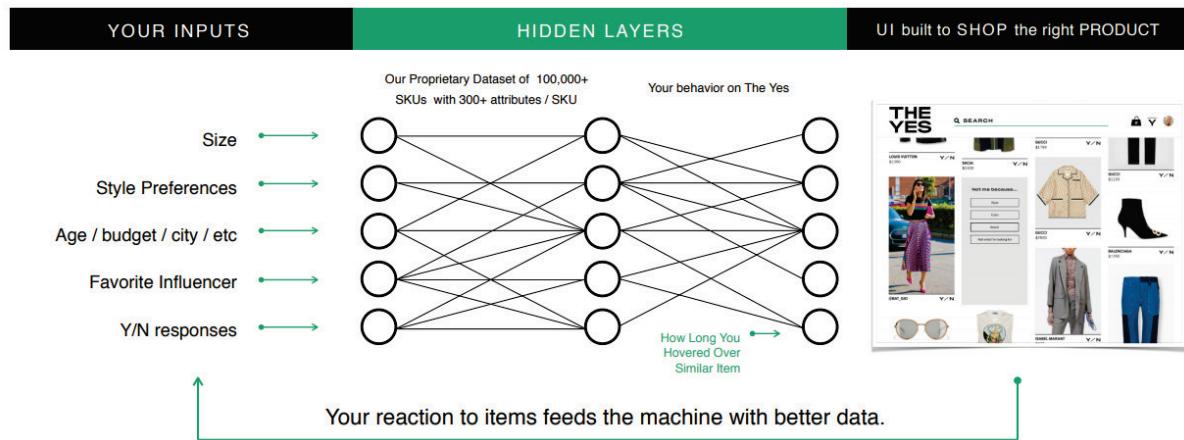
Source: Company documents, August 2020.

Exhibit 8 THE YES's Fashion Taxonomy



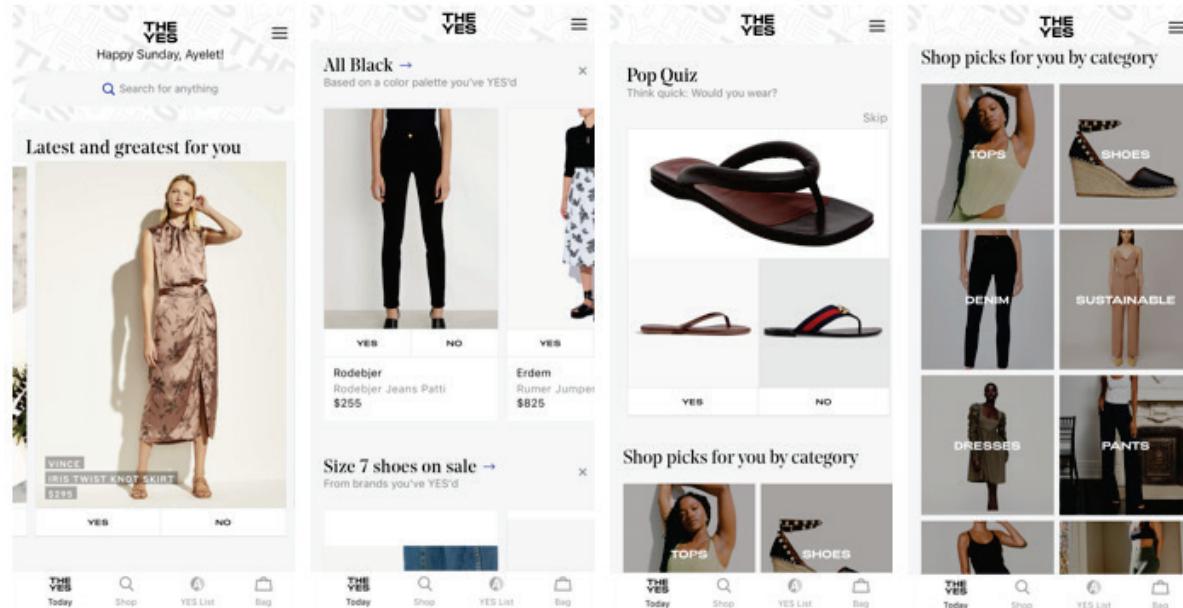
Source: Company documents, August 2020.

Exhibit 9 THE YES's Algorithm Creates a Deep Learning Model for Each User



Source: Company documents, August 2020.

Exhibit 10 THE YES screenshots



Source: Company documents.

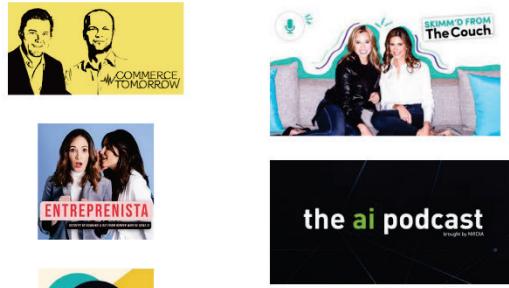
Exhibit 11 Representative Press Coverage Spring/Summer 2020

70+ press features and counting

CONSUMER PUBLICATIONS	BUSINESS PUBLICATIONS	OTHER (broadcast, podcast)
VOGUE TOWN&COUNTRY THE ZOE REPORT PureWow InStyle NYLON GLOSSY marie claire PAPER CITY <i>the/COVÉTEUR</i> DORÉ Daily REFINERY29	BQF ModernRetail TECH+EDIT RETAILDIVE FT FORTUNE Forbes WWD RetailWire AdAge TechCrunch FAST COMPANY SOURCING JOURNAL VOGUE BUSINESS FN AXIOS protocol MORNING BREW PYMTS.com Worth RETAIL BREW BusinessTimes The Tech Tribune The Motley Fool	Bloomberg COMMERCE TOMORROW Future Commerce TECH+EDIT STRICTLY VC YAHOO! FINANCE FOX BUSINESS IFP ENTREPRENISTA C cheddar Nasdaq

Fashion authorities notice

Podcasts are interested...with more to come



Source: Company documents.

Exhibit 12 THE YES Brand Partnerships

1.3.1 Phillip Lim	32.Christopher Kane	63.Judith & Charles	94.Miu Miu	125.Simon Miller
2.A.L.C.	33.Chufy	64.Kayu	95.Monogram	126.Splits59
3.Acne Studios	34.Citizens of Humanity	65.Khaite	96.Nanushka	127.St Roche
4.ADAY	35.Clare V.	66.Koral Activewear	97.Nation LTD.	128.Stella McCartney
5.Adriana Degreas	36.Cover Swim	67.Kule	98.Nicholas	129.Sub_Urban Riot
6.AGolde	37.Cult Gaia	68.La DoubleJ	99.Nili Lotan	130.SUNDRY
7.Alexander Wang	38.Cuyana	69.La Ligne	100.Nour Hammour	131.Sweaty Betty
8.Alexandre Birman	39.Cynthia Rowley	70.La Vie Style House	101.Of Her Own Kind	132.SZ Blockprints
9.Alice + Olivia	40.Deveaux New York	71.Lemlem	102.Oscar De La Renta	133.Tabacaru Swim
10.ALIX NYC	41.DL1961	72.Les Girls, Les Boys	103.palmer//harding	134.Tabitha Simmons
11.All Access by Bandier	42.Dolce & Gabbana	73.Leset	104.Pat Bo	135.Tamara Mellon
12.ALO Yoga	43.DSTLD	74.Levi's	105.Polo Ralph Lauren	136.Tanya Taylor
13.Altuzarra	44.Edie Parker	75.Live The Process	106.Prada	137.THE GREAT.
14.Andie	45.Erdem	76.LNA	107.Rachel Comey	138.Theory
15.Anine Bing	46.Être Cecile	77.Mackage	108.Rag & Bone	139.Tna by Aritzia
16.Araks	47.Eve Denim	78.Madewell	109.Rallier	140.Trave
17.ASTR The Label	48.Everlane	79.Maje	110.Ralph Lauren Collection	141.Trina Turk
18.ATM Anthony Thomas Melillo	49.FRAME	80.Mango	111.RE/DONE	142.Unfortunate Portrait
19.B SIDES	50.Frank & Eileen	81.Mansur Gavriel	112.Rebecca Taylor	143.UNTLD
20.ba&sh	51.Galvan London	82.Margaux	113.Reiss	144.Vince
21.Babaton by Aritzia	52.Ganni	83.Marina Moscone	114.Rejina Pyo	145.Vols & Original
22.Bailey 44	53.Generation Love	84.Marion Parke	115.Rhode	146.Warm
23.Batsheva	54.Grayson	85.Mark Cross	116.Rodarte	147.We Over Me by Bandier
24.Black Iris	55.Helmut Lang	86.Markarian	117.Rodebjør	148.Wesley by Bandier
25.Borgo de Nor	56.Hunting Season	87.Marysia	118.Rosetta Getty	149.Wilfred by Aritzia
26.BY any OTHER NAME	57.IRO	88.Merlette	119.Rosie Assoulin	150.Yves Salomon
27.Calé by Bandier	58.Jacques Soloviere	89.Métier London	120.ROYL NYC	151.Zadig & Voltaire
28.Cami NYC	59.Jason Scott	90.Mi Golondrina	121.Sandro	152.Zara
29.Carolina Santo Domingo	60.Jimmy Choo	91.MIAOU	122.Scotch & Soda	
30.Caroline Constas	61.Jonathan Simkhai	92.Michael Stars	123.Sea New York	
31.Charlie Holiday	62.JoosTricot	93.Misha Nonoo	124.SHOES 53045	

Source: Company documents, as of August 2020.

Exhibit 13 Acquisition by Channel - a Sample Week

	Installs	Quiz Completion	YES list	2 nd Week Retention	Total Orders (within four weeks)
Direct/PR	1,000	80.2%	72.2%	21.1%	6
Organic Social	400	91.0%	82.1%	22.5%	3
Paid Social	2,000	85.4%	76.0%	12.0%	12
Sharing	50	48.0%	62.5%	41.7%	1

Source: Company documents.

Notes: 1) Data in this exhibit has been disguised for case discussion purposes.

2) For case discussion purposes, assume that 5% of impressions yield an install in each of the channels.

3) Sharing indicates customers that clicked a link that was shared by another user.

Exhibit 14 Cohort Analysis over Time

Campaign	Number of acquired users	Cost per install	Quiz Completion	2 nd week retention	2 nd month retention	#users adding to cart	#users transacting
1	100	\$3	81%	24%	8%	72	1
2	100	\$5	91%	28%	10%	22	2
3	100	\$10	85%	20%	20%	18	10

Source: Company documents.

Notes: Data in this exhibit has been disguised for case discussion purposes.

Exhibit 15 Sharing/Referral Test

Share type	Share initiated	Share completed	Download
<u>Type:</u> Credit Text: Give \$25, Get \$25 SHARE MY UNIQUE LINK Get a \$25 credit to spend on THE YES when you invite a friend. Your friend will get \$25 too!	300	225 (75%)	45 (20%)
 <u>Type:</u> Generic Text: Love THE YES? SHARE THE APP Share it with a friend and they'll thank you for it.	100	34 (34%)	4 (12%)
 <u>Type:</u> Shop with a friend Text: Shopping Party Link up with a friend to share each other's YES Lists INVITE A FRIEND	80	40 (50%)	4 (10%)

Source: Company documents.

Notes: 1) Data in this exhibit has been disguised for case discussion purposes.

2) Assume that the number of THE YES users that were offered to share a link was equal across the three different Share type conditions.

Endnotes

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