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## **INDEPENDENT BUSINESS PLAN**

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# I. EXECUTIVE SUMMARY

## DESCRIPTION OF SERVICE

Augmented Reality (AR) is an experience that crosses the real world with the digital world. It allows users to hold up their phones and project objects into real life by utilizing a lifelike model of the object. An example of this could be virtually placing a sofa in your living room through your phone camera (**Figure 1**). **Envision AR** is a digital marketing agency that helps e-commerce stores by providing a Fashion Visualization Experience, Interactive Experiences, and Virtual Product Modeling. These services all use augmented reality and will be detailed further in the solutions portion.



Figure 1  
Example of how consumers would use **Envision AR's** services.

## PROBLEM



### LACK OF VISUALIZATION

Lack of product visualization online causes customers to experience buyer's remorse. This leads to an influx of returns.



### CONSUMER ATTENTION SPANS

Advertisers have a difficult time attracting and keeping the attention of their intended audience.

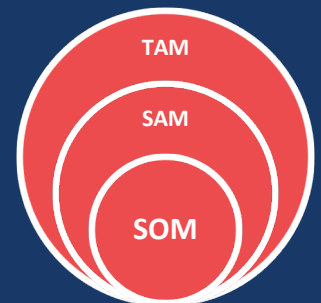


### RETURNS IN FASHION E-COMMERCE

Fashion e-commerce brands largely struggle with high return rates to due poor product visualization.

## CUSTOMER SEGMENTS

**Envision AR** will utilize a marketing segmentation method known as the **TAM-SAM-SOM** approach. This method starts by taking the Total Available Market that our company has. Then, we find the Serviceable Available Market that can benefit from our services. Finally, we narrow this down to the Serviceable Obtainable Market that we could realistically reach. Using this method, we have determined that we will target small e-commerce businesses with a target audience aged 18-45.



## UNIQUE VALUE PROPOSITION

Unlike over seven thousand other online marketing agencies, **Envision AR** uses augmented reality to enhance the originality of our clients' marketing campaigns. The use of AR sets us apart from the competition and allows for growth and success throughout our operations. Additionally, **Envision AR** will not have to conform to industry standards as we change the status quo and help companies achieve their dream outcome. Finally, we use what is known as the Value Equation to maximize the value of our services in the eyes of our clients.

## SOLUTIONS



### Virtual Product Modeling

E-commerce stores have an abundance of products in their catalogs. For this service, we will add an augmented reality feature to help customers visualize their products better. For example, if a furniture store purchased this service, a customer on their website could virtually place a chair or couch in their living room.



### Interactive Experiences

This service is broader, as it is custom-tailored to our clients. This service entails the creation of an interactive advertisement for a company. For example, if we were to work with a basketball organization, this experience could let their customers place a virtual basketball hoop on their table and shoot a ball into it.



### Fashion Visualization Experience

This service is for e-commerce fashion brands. Rather than virtually placing an object in their room, this would allow customers to virtually place clothes or accessories on themselves. This would provide their customers with a sense of style and scale. This could be a pair of sunglasses, a shirt, a pair of pants, a hat, or any other fashion items.

## CHANNELS



### COLD EMAIL OUTREACH

By utilizing cold email outreach, we can create customized messages for potential clients, prioritizing quality over quantity.



### SEARCH ENGINE OPTIMIZATION

Search engine optimization is when a website is formatted specifically to make it appear higher in natural search results.

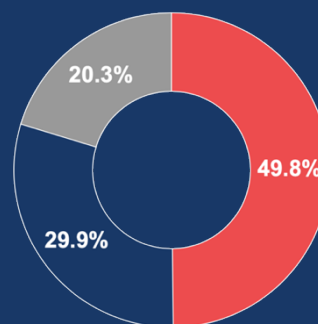


### PAY-PER-CLICK ADVERTISING

This is social media advertising that charges us when our advertisement is clicked, resulting in a lower cost.

## REVENUE STREAMS

Our revenue streams consist of the three services offered by **Envision AR**. Our main and most profitable revenue stream will be the virtual product modeling service, as pictured in the pie chart to the right. Each of our customers will sign a 3-year contract that confirms monthly recurring payments and gives us the ability to increase the price of our services annually.



Virtual Product Modeling



Interactive Experiences



Fashion Visualization Experience

## COST STRUCTURE

Our services consist of software and consultation, so after purchasing the necessary equipment, the only fulfillment cost would be our human resource costs. This means that our human resource costs will make up the majority of our costs. We will have 5 employees in the first year. We will hire one software engineer, two 3D designers, a marketing consultant, and a legal consultant. Our startup costs will be relatively low, only costing us **\$44,478**, but we will need an investment to avoid cashflow issues in the first year. Our customer acquisition cost will be **\$486.11**.

## DETAILED FINANCIALS

3-Year Plan	2023	2024	2025
Virtual Product Modelling	\$205,230	\$474,081	\$905,064
Interactive Experiences	\$123,140	\$284,453	\$543,047
Fashion Visualization Software	\$82,092	\$201,125	\$362,026
<b>Total Revenue</b>	<b>\$410,462</b>	<b>\$959,660</b>	<b>\$1,810,137</b>
Startup Costs	\$44,478	\$-	\$-
Human Resource Costs	\$421,444	\$611,607	\$803,089
Direct Operating Costs	\$61,682	\$87,987	\$96,994
Depreciation	\$2,786	\$3,643	\$4,249
<b>Total Annual Expenses</b>	<b>\$530,390</b>	<b>\$703,237</b>	<b>\$904,333</b>
<b>Net Income Before Tax (Loss)</b>	<b>(\$119,928)</b>	<b>\$256,424</b>	<b>\$905,805</b>

**Envision AR** is requesting an investment of **\$300,000 in return for 25% equity** in our company. Our startup costs will only account for \$44,478, but with five salaried employees in the first year, we will need the extra capital to avoid cashflow issues. To ensure this remains true, we will dedicate a portion of our revenue towards building capital reserves to offset potential losses in the future. After tax, we will end the first year with \$76,811 in cash. As our revenue expands exponentially in

future years, we can predict that after 5 years, you will receive a **return on investment of 223%**. This will be paid to you quarterly as a dividend.

## KEY METRICS

**Envision AR** will evaluate its success through customer growth rate and customer loyalty. A high growth rate can indicate the effectiveness of our services or marketing strategies. We will measure this by dividing the number of new customers by the total number of existing customers. When **Envision AR's** revolutionary marketing strategies are implemented into our customers' marketing campaigns, they will experience the growth needed for success. This will create customer loyalty, which will be measured by recording the number of recurring customers that purchase our services.

## COMPETITIVE ADVANTAGE



### NICHE BUSINESS MODEL

Unlike the other thousands of digital marketing agencies, **Envision AR** uses augmented reality.



### RAPIDLY EXPANDING INDUSTRY

**Envision AR** is entering a rapidly expanding industry that is expected to grow to **\$90.8 billion** by 2028.



### LOW MARKETING COST

Search engine optimization and cold email outreach have no expense; pay-per-click advertising has a limited cost.

## CONCLUSION

### SUMMARY OF KEY POINTS

**Envision AR** is an augmented reality digital marketing agency that will revolutionize advertising using augmented reality solutions at a low cost.

### REQUEST FOR FINANCING

**Envision AR** is requesting a \$300,000 investment in exchange for a 25% stake in our company. This will be repaid quarterly as a dividend.

# II. PROBLEM

## PROBLEM SUMMARY



### Lack of Visualization

Consumers commonly face difficulty when shopping online due to a lack of visualization in relation to the size and quality of the product. This can cause buyer's remorse and result in an abundance of returns.



### Consumer Attention Spans

It is extremely difficult for companies to capture the attention of their customers, especially on social media. Attention spans are declining and marketing teams are struggling to capture them.



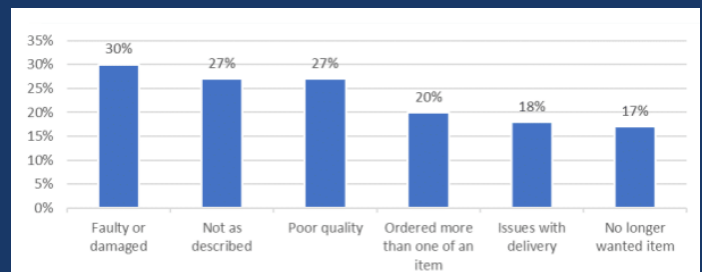
### Returns in Fashion E-commerce

Fashion e-commerce brands largely struggle with high return rates due to poor product visualization. This abundance of returns hurts customers by wasting time and hurts the company by wasting money.

## PROBLEM 1 LACK OF VISUALIZATION

Buyer's remorse is a significant issue that online businesses face, and it can even shut down companies if the problem persists. Standard advertisements do not provide enough visualization for a customer to decide whether or not to buy the product offered. Buyer's remorse can significantly decrease a customer's lifetime value, which has long-term effects on the company's revenue. An increased churn rate may lead to negative brand recognition, which causes a loss of potential customers. If the advertisements provided a more interactive product experience, this problem would be less prevalent. According to a research study published by the University of Birmingham, e-commerce stores were going so far as to digitally alter products' color, size, or quality online to make them appear more appealing to consumers. These marketing tactics are more harmful than beneficial, leading to increased product returns and growing customer dissatisfaction.

Figure 2



Spaceguard surveyed 18,000 global e-commerce customers, and over 27% of them felt that the product they purchased did not match its description on the website, as seen in **Figure 2**.

## PROBLEM 2 CONSUMER ATTENTION SPANS

The modern world is an attention seeking economy. Companies that capture consumers' attention are the most successful, especially on social media. Older teens and mid-twenties adults dominate social media (**Figure 3**). This means social media marketing works best for companies targeting that age range. However, this demographic lacks a sufficient attention span. When presented with advertisements, this demographic will scroll past them almost immediately. According to Forbes, the average person is exposed to 6,000 to 10,000 advertisements daily. This is far too many to have any impact on the consumer, let alone provide a significant return for the advertiser. Many companies struggle with social media marketing because traditional advertisements have become completely saturated on these platforms. Despite the huge consumer base, this leaves many companies struggling to receive a significant ROI from this channel of promotion.

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*Almost all small businesses (93%) struggle with social media challenges such as best practices in marketing.*

-Visual Objects, a marketing company

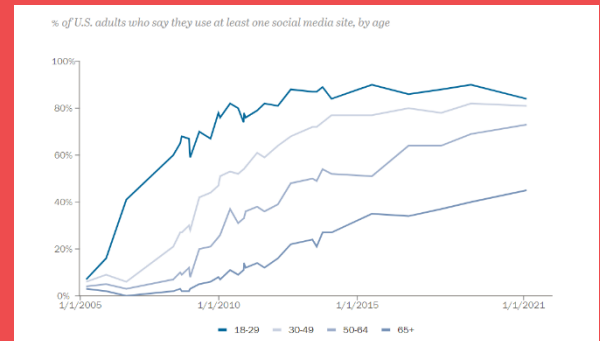


Figure 3

Social media age demographics according to PEW Research, a nonpartisan American think tank based in Washington, D.C.

## PROBLEM 3 RETURNS IN FASHION E-COMMERCE

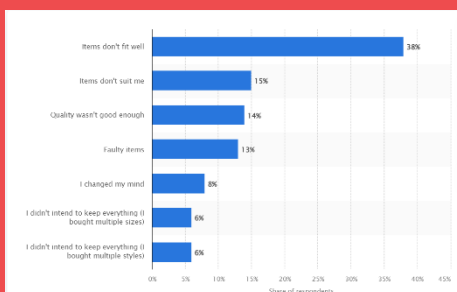


Figure 4

Clothing e-commerce return causes from Statista

One of the most prominent problems for fashion e-commerce stores is that there are far too many returns. Chris Waldeck, COO of Kontoor Brands, told us that **clothing return rates are at 56%**. If customers are constantly returning items, e-commerce brands will have an extremely difficult time generating revenue and focusing on their business. A large majority of these returns are because the consumer has virtually no way of viewing the product on their bodies before buying it. This causes buyer's remorse. Buyers' remorse in online clothes shopping is caused by an unfitting item 38% of the time and because of style 15% of the time according to Statista (**Figure 4**). Because companies cannot properly provide their customers with a sense of style and scale, customers face buyer's remorse at unprecedented levels, causing an influx in clothing returns.

“

*Technological shifts of the digital economy force enterprises to employ new tools in their marketing activities.*

- The Eastern-European Journal of Enterprise Technologies



# III. CUSTOMER SEGMENTS

## TAM – SAM – SOM



Market segmentation is critical to ensure that our marketing costs are spent efficiently.

Envision AR will use a market segmentation method known as the **TAM-SAM-SOM** approach. This market segmentation approach starts with a large range of possible customers and narrows it down to our most probable customers. This allows us to target a specific demographic.

### TAM

Our total available market consists of e-commerce stores that advertise their products or services through online advertising. Statista has been the market leader in reliable business data for 13 years, and it found that over 90% of businesses utilize social media in their marketing plan. This indicates that e-commerce stores need social media marketing agencies; however, we do not plan to target all e-commerce stores with our marketing.



### SAM



Many large companies have research and development departments, so they conduct their research internally. Because of this, our serviceable available market will only include companies that fall under the Small Business Association's definition of a small business. This definition describes a small business as a private business with less than 500 employees. Our serviceable available market narrows down our total available market by excluding larger companies and including private companies with less than 500 employees.

### SOM



*Half of the consumers younger than 45 years have used augmented reality and virtual reality in 2020.*

- Department of Marketing,  
University of Kiel, Germany

As a new company with limited capital, we cannot reach every business in our serviceable available market. So, Envision AR will need to be extremely precise with the location and timing of our marketing. First, Envision AR is an English-based marketing firm, so we will target English-based e-commerce stores in the U.S. Additionally, Augmented Reality (AR) is a relatively new technology that is much more popular with younger audiences (see quote on the left). This serviceable obtainable market narrows down our target market without limiting it completely. **Envision AR's target market is e-commerce brands with less than 500 employees, and a target customer age range of 18 - 45.**



# IV. UNIQUE VALUE PROPOSITION

## THE VALUE EQUATION

$$\text{Value} = \frac{\text{Dream Outcome} * \text{Perceived Likelihood of Success}}{\text{Time to Get Outcome} * \text{Effort and Sacrifice}}$$

Christopher H. Volk, a recognized business model expert, has led three successful public companies, including STORE Capital, valued at over 9 billion dollars today. He created an equation known as **The Value Equation**, which is used to predict a customer's perceived value of a product or service. **Envision AR** uses this equation to optimize each variable and maximize the value our potential clients can receive.

Dream Outcome	Perceived Likelihood of Success	Time to Get Outcome	Effort and Sacrifice
The dream outcome represents what the customer can gain from a product/service in a perfect scenario.	How likely the customer is to believe that the product/service will let the achieve the dream outcome.	The amount of time it takes for the customer to receive the product/service being offered.	How much effort and capital is required from the customer in order to achieve the dream outcome.

## ENVISION AR'S UNIQUE VALUE

**Envision AR** is a digital advertising agency that uses augmented reality to help grow e-commerce businesses. With a modern advertising approach, we will provide a dream outcome that captures the attention of potential customers, unlike many traditional advertising agencies. We will use our work with previous clients as testimonials on our website. This way, we can show new clients the effectiveness of AR marketing and boost the perceived likelihood of success. With the combined work of five employees and two owners, we can ensure full dedication to each client, allowing the service to be delivered quickly. Finally, integration is included in the cost of our services, meaning that we will integrate this technology into our clients' websites for them, and no work is required from them.



# V. SOLUTIONS

## ENVISION AR'S SERVICES



### Virtual Product Modeling

Envision AR's first service is Virtual Product Modeling. Our company creates 3D models of the client's products and imports them into augmented reality for their website. This is our most versatile service as it can be applied to almost any e-commerce business.



### Interactive Experiences

Envision AR's second service is custom Interactive Experiences. This service is based on creating AR software to market any type of product or service. These interactive AR experiences will act as marketing funnels for a company's customers.



### Fashion Visualization Experience

Envision AR's Fashion Visualization Experience is the most high-end service that we offer. It is for e-commerce clothing brands to allow their customers to try on outfits virtually.

## SOLUTION 1

### VIRTUAL PRODUCT MODELING

Virtual product modeling is a form of advertising that will provide our client's customers with the ability to place a product they are buying into the real world using their phone or tablet camera. For instance, you are a consumer who wants to purchase a lamp for your desk; however, you cannot visualize how it will look with the rest of your decor. Then, you see that this website has provided you with a virtual product modeling option. This allows you to hold up your phone camera to your desk and virtually place different lamp options into your decor, providing you with a sense of style and scale that you never had before. By providing consumers with this extra layer of visualization, our clients will increase customer satisfaction, increase the likelihood of a purchase, and decrease the likelihood of a return.

## SOLUTION 2

### INTERACTIVE EXPERIENCES

In addition to our virtual product modeling service, Envision AR will provide our customers with the opportunity to create interactive AR experiences. This form of advertisement will allow the consumer to physically interact with the model created in AR. An example of this could be a basketball shooting game to



promote a basketball game or event and create more engagement with the target market. We know this will create more engagement because a study by The Department of Psychology at the University of Washington found 89% of participants click on the interactive ads, while 3-13% click on the normal ads. By creating an interactive advertisement, we can better attract the attention of the overstimulated consumer and ensure that our clients are spending their marketing budgets on advertisements that will receive engagement. Scan the QR code in **Figure 5** with your mobile device to better understand what our client's customers would see.

“

*[AR] enables consumers to virtually overlay products on their face or surroundings, 'as if' they are part of their real world.*

- The Amsterdam School of Communication Research

### SOLUTION 3

## FASHION VISUALIZATION EXPERIENCE

Our final service will provide the fashion e-commerce industry with virtual fashion experiences for their customers. A virtual fashion experience will essentially place the clothing item onto the consumer virtually so they can gain a better sense of how the item may fit and how the item may appear on them. This service will help drastically reduce the number of returns centered around the fashion e-commerce industry because it will show the customer the product's size, fit, and style. In a study conducted by the University of Borås in Sweden regarding why customers return clothing items, size and fit were the most common reasons for returns. By providing the customer with the opportunity to see how the clothes would fit before they buy, we will succeed in reducing customer returns, improving customer satisfaction, and enhancing brand loyalty.

“

*Using an AR triggering mechanism, a static image is given transformative properties. A two-dimensional portrayal of an object becomes three-dimensional; image-based stimuli become animated and so on, mechanisms which potentially increase the volume of information derived by the recipient.*

- Procedia - Social and Behavioral Sciences from Cork Institute of Technology, Ireland

**Figure 5**



**Envision AR's** founders, Luke Anderson and Ryan Taylor, programmed a custom AR experience for the purpose of demonstration. Scan the QR code in **Figure 5** with your mobile device to get a better understanding of what our clients' customers would see. Scan the QR code, grant access to the camera, and follow the directions on your device.

# VI. CHANNELS

Envision AR will utilize the **business-to-business (B2B)** distribution channel. With e-commerce stores being our target clientele, they will provide a higher lifetime value than individual consumers.



## COLD EMAIL OUTREACH

Our main marketing channel will be cold email outreach. To do this, a large list of potential leads will be generated, and then, a standardized email will be sent out to each lead with keywords personalized to each company. By doing this, we can gather a list of promising prospect leads in the e-commerce niche and simultaneously reach out to all of them. The ability to cast a wide net over our clientele and reel in a handful of enthusiastic customers with an enticing email means that cold email outreach is an excellent fit for our business.



## SEARCH ENGINE OPTIMIZATION

Search Engine Optimization (SEO) is a business strategy that optimizes a business' website so that it organically appears higher in search results. When implemented correctly, our website will appear at the top of Google searches, significantly increasing customer traffic. This strategy can be broken down into two types of SEO: On-page and Technical. On-page SEO is the inclusion of keywords, images, and content to make our website appear higher in search results for a broader range of search terms. Technical SEO is when the code that makes up our website is favored by the algorithms used by Google to produce search results. The combination of these will allow our website to gain more traction at no additional cost.



## PAY-PER-CLICK ADVERTISING

Pay-Per-Click advertising, otherwise known as PPC, will be our largest channel of promotion. PPC means that Envision AR will only be charged when customers click on our advertisements. This is effective in business-to-business marketing because we do not need a high volume of customers. Instead, we need a small number of enthusiastic clients who want to click on our ads. These advertisements will also appear at the top of Google search results, but not organically. This form of marketing combined with an inviting landing page on our website will result in the highest volume of quality leads and conversions.

# VII. REVENUE STREAMS



## Virtual Product Modeling

Year	Customers	Average Service Price	Revenue
2023	10	\$20,523	\$205,230
2024	22	\$21,549	\$474,081
2025	40	\$22,627	\$905,064
Total Revenue:			\$1,584,376



## Interactive Experiences

Year	Customers	Average Service Price	Revenue
2023	5	\$24,628	\$123,140
2024	11	\$25,859	\$284,453
2025	20	\$27,152	\$543,047
Total Revenue:			\$950,641

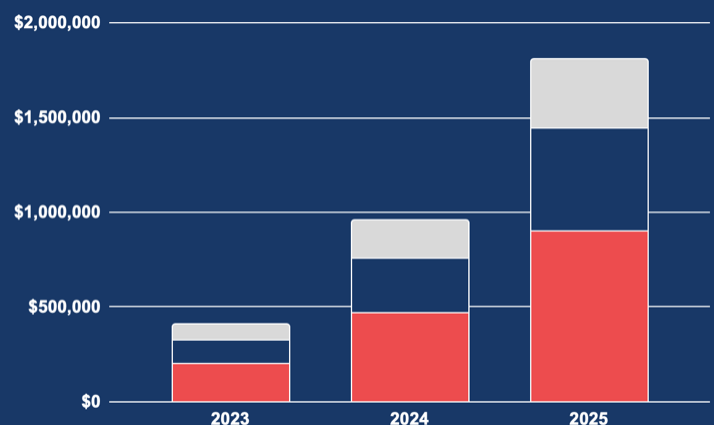


## Fashion Visualization Experience

Year	Customers	Average Service Price	Revenue
2023	3	\$27,364	\$82,092
2024	7	\$28,732	\$201,125
2025	12	\$30,169	\$362,026
Total Revenue:			\$645,243

The three revenue streams for **Envision AR** are the three services described above in the Solutions section. **Figure 6** displays the projected total revenue from our three services over the course of 3 years. Virtual Product Modelling is our most affordable service, and it will generate the most revenue. The Fashion Visualization Experience is the most expensive service, and the Interactive Experiences service is in-between. With each of our customers, we create a 3-year contract that allows for recurring monthly payment, and also allows for annual price increase. Due to inflation and other factors, the price of our services will increase by about 5% each year. This allows for a constant guaranteed stream of income, which is beneficial for steady growth.

Figure 6



# VIII. COST STRUCTURE

## COST 1

### STARTUP COSTS

The startup costs will include all assets and expenses that must be paid for before we begin operations. This includes everything that we need to develop augmented reality software and everything that we need to be legally recognized as a business.

Assets	Amount	Cost Per Unit	Total Cost
2021 MacBook Pro 16'	7	\$2,499	\$17,493
Website Creation	1	\$7,147	\$7,147
Microsoft HoloLens 2	5	\$3,500	\$17,500
<b>Total Asset Costs</b>			<b>\$42,140</b>
Other Costs	Amount	Cost Per Unit	Total Cost
LLP Formation	1	\$175	\$175
Office Space Rental	1	\$915	\$915
Sketchfab (AR Software)	1	\$948	\$948
Business Registration	1	\$300	\$300
<b>Total Other Costs</b>			<b>\$2,338</b>
<b>Total Startup Costs</b>			<b>\$44,478</b>

## COST 2

### HUMAN RESOURCE COSTS

The human resource costs consist of all costs from employee payroll. We will hire two 3D designers, two software engineers, a marketing consultant, and a legal consultant in the first year of operations. This will allow us to develop 3D models of the client's products and import them into augmented reality on their website. The marketing consultant will assist in the advertising campaigns for our services, and the legal consultant will work with our clients to create contracts that ensure recurring payment for 3-years.

Year	2023		2024		2025
Employee	Annual Salary	Annual Benefits	Amount		
3D Designer	\$61,305	\$9,809	2	3	3
Software Engineer	\$102,628	\$16,420	1	2	3
Legal Consultant	\$75,633	\$12,101	1	1	1
Marketing Consultant	\$62,443	\$9,991	1	1	2
<b>Average Monthly Human Resources Cost</b>			<b>\$35,120</b>	<b>\$50,967</b>	<b>\$66,924</b>
<b>Annual Human Resources Cost</b>			<b>\$421,444</b>	<b>\$611,607</b>	<b>\$803,089</b>



## COST 3

## DIRECT OPERATING COSTS

The direct operating costs include all the fixed assets and expenses we must cover annually to maintain operations. As our company grows, we will continuously invest more capital from revenue to ensure steady growth. Most of this capital will be allocated toward assets and expenses relating to hiring new employees.

Year		2023	2024	2025
Assets	Total Amount	Annual Cost		
2021 MacBook Pro 16'	11	*In Startup Costs*	\$4,998	\$4,998
Microsoft HoloLens 2	8	*In Startup Costs*	\$7,000	\$3,500
Annual Asset Costs		\$0	\$17,997	\$17,997
Expenses	Annual Cost			
Sketchfab (AR Software)	*In Startup Costs*	\$948	\$948	
Office Space Rental	\$10,065	\$10,980	\$10,980	
Website Maintenance	\$130	\$130	\$130	
Hardware Insurance	\$900	\$1,350	\$1,800	
Office Supplies	\$1,050	\$1,100	\$1,150	
Legal Expense	\$3,000	\$3,195	\$3,403	
Miscellaneous Expenses	\$2,500	\$2,590	\$2,650	
Business Insurance Expense	\$10,000	\$10,000	\$10,000	
Marketing	\$8,750	\$9,000	\$9,250	
Payroll Tax	\$25,287	\$36,696	\$48,185	
Annual Expenses		\$61,682	\$75,989	\$88,496
Average Monthly Direct Operating Cost		\$5,140	\$7,332	\$8,083
Annual Direct Operating Cost		\$61,682	\$87,987	\$96,994

## COST 4

## FIXED ASSET DEPRECIATION

Year					2023	2024	2025
Assets	Life in Years	Cost Per Unit	Salvage Value	Annual Expense	Amount Total		
2021 MacBook Pro 16'	7	\$2,499	\$1,250	\$178	7	9	11
Website	4	\$7,147	\$6,000	\$287	1	1	1
Microsoft HoloLens 2	10	\$3,500	\$1,000	\$250	5	7	8
Monthly Depreciation Expense					\$232	\$304	\$354
Annual Depreciation Expense					\$2,786	\$3,643	\$4,249

## CUSTOMER ACQUISITION COST

The customer acquisition cost of a company is defined as the amount that a company spends on marketing divided by the number of customers gained. In the first year, our projected customer acquisition cost will be **\$486.11**.

$$\frac{\text{Total Marketing Expense}}{\text{Total Customers Acquired}} = \text{CAC}$$

$$\frac{\$8,750}{18} = \$486.11$$



# IX. DETAILED FINANCIALS

## A. PROJECTED INCOME AND EXPENSES

As a new company, customer trust is the largest factor limiting our growth at the beginning of operations. This is why **Envision AR** has a net loss in the first year of operations, as seen below. Although customer trust is a hindrance at first, it will eventually become the largest factor propelling our success. After existing clients understand the value of our services, they will become recurring customers. As we build up a portfolio of testimonials on our website, we will gain the trust of new clients faster, allowing **Envision AR** to retain customers. As seen in our projected three-year plan, our revenue increases by more than 4x by Year 3, showing exponential growth. We will reinvest this extra cash by expanding our team and building capital reserves. Our employees are the most important factor in fulfillment for our clients, so by hiring new employees, we are increasing the speed and capacity of our services.

### FIRST YEAR INCOME STATEMENT

Income Statement	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>REVENUE</b>													
Virtual Product Modeling	\$8,209	\$10,262	\$12,314	\$13,340	\$14,366	\$15,392	\$16,418	\$18,471	\$20,523	\$22,575	\$24,628	\$28,732	\$205,230
Interactive Experiences	\$4,926	\$6,157	\$7,388	\$8,004	\$8,620	\$9,236	\$9,851	\$11,083	\$12,314	\$13,545	\$14,777	\$17,240	\$123,140
Fashion Visualization Software	\$3,284	\$4,105	\$4,926	\$5,336	\$5,746	\$6,157	\$6,567	\$7,388	\$8,209	\$9,030	\$9,851	\$11,493	\$82,092
<b>Total Revenue</b>	<b>\$16,418</b>	<b>\$20,523</b>	<b>\$24,628</b>	<b>\$26,680</b>	<b>\$28,732</b>	<b>\$30,785</b>	<b>\$32,837</b>	<b>\$36,942</b>	<b>\$41,046</b>	<b>\$45,151</b>	<b>\$49,255</b>	<b>\$57,465</b>	<b>\$410,462</b>
<b>EXPENSES</b>													
Hardware Expense	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$2,991	\$35,893
Office Space Rental	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$10,980
Website Expense	\$7,158	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$130
Software Expense	\$948	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$948
Office Supplies	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$1,050
Legal Expense	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000
Depreciation	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$2,786
Business Insurance Expense	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$10,000
Miscellaneous Expenses	\$208	\$208	\$208	\$208	\$208	\$208	\$208	\$208	\$208	\$208	\$208	\$208	\$2,500
Payroll Expense	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$35,120	\$421,444
Payroll Tax	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$25,287
Business Expense	\$475	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$475
Marketing Expense	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$8,750
<b>Total Expenses</b>	<b>\$54,805</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$43,235</b>	<b>\$530,390</b>
<b>Net Income (Loss)</b>	<b>(\$38,386)</b>	<b>(\$22,712)</b>	<b>(\$18,607)</b>	<b>(\$16,555)</b>	<b>(\$14,503)</b>	<b>(\$12,450)</b>	<b>(\$10,398)</b>	<b>(\$6,293)</b>	<b>(\$2,189)</b>	<b>\$1,916</b>	<b>\$6,020</b>	<b>\$14,230</b>	<b>(\$119,928)</b>

## FIRST YEAR CASH FLOW STATEMENT

Projected Cash Flow by Month	January	February	March	April	May	June	July	August	September	October	November	December	Totals
<b>Cash Flow from Operations</b>													
Net Income (Loss)	(\$38,386)	(\$22,712)	(\$18,607)	(\$16,555)	(\$14,503)	(\$12,450)	(\$10,398)	(\$6,293)	(\$2,189)	\$1,916	\$6,020	\$14,230	(\$119,928)
Depreciation	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$232	\$2,786
Dec/(Inc) in AR	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec/(Inc) in AP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Sources / (Uses) of Cash Flows from Operations</b>	<b>(\$38,154)</b>	<b>(\$22,480)</b>	<b>(\$18,375)</b>	<b>(\$16,323)</b>	<b>(\$14,270)</b>	<b>(\$12,218)</b>	<b>(\$10,166)</b>	<b>(\$6,061)</b>	<b>(\$1,957)</b>	<b>\$2,148</b>	<b>\$6,253</b>	<b>\$14,462</b>	<b>(\$117,142)</b>
<b>Cash Flow from Investing</b>													
Purchases of Fixed Assets	(\$42,140)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$42,140)
Startup Expenses	(\$2,338)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,338)
<b>Sources / (Uses) of Cash Flows from Operations</b>	<b>(\$44,478)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$44,478)</b>
<b>Cash Flow from Financing</b>													
Financing	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000
<b>Sources / (Uses) of Cash Flows from Operations</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300,000</b>
<b>Cash from Operating Activities</b>	<b>\$217,368</b>	<b>(\$22,480)</b>	<b>(\$18,375)</b>	<b>(\$16,323)</b>	<b>(\$14,270)</b>	<b>(\$12,218)</b>	<b>(\$10,166)</b>	<b>(\$6,061)</b>	<b>(\$1,957)</b>	<b>\$2,148</b>	<b>\$6,253</b>	<b>\$14,462</b>	<b>\$138,380</b>
Beginning Cash	\$0	\$214,905	\$189,347	\$167,277	\$146,953	\$128,372	\$111,536	\$96,445	\$84,843	\$76,729	\$72,104	\$70,969	\$0
Tax Expense	(\$2,463)	(\$3,078)	(\$3,694)	(\$4,002)	(\$4,310)	(\$4,618)	(\$4,926)	(\$5,541)	(\$6,157)	(\$6,773)	(\$7,388)	(\$8,620)	(\$61,569)
<b>Ending Cash</b>	<b>\$214,905</b>	<b>\$189,347</b>	<b>\$167,277</b>	<b>\$146,953</b>	<b>\$128,372</b>	<b>\$111,536</b>	<b>\$96,445</b>	<b>\$84,843</b>	<b>\$76,729</b>	<b>\$72,104</b>	<b>\$70,969</b>	<b>\$76,811</b>	<b>\$76,811</b>

## FIRST YEAR PROJECTED BALANCE SHEET

Balance Sheet			
Assets		Liabilities and Equity	
Current Assets		Current Liabilities	
Cash	\$76,811	Accounts Payable	\$2,338
Inventory		Taxes Payable	\$61,569
<b>Total Current Assets</b>	<b>\$76,811</b>	<b>Total Current Liabilities</b>	<b>\$63,907</b>
Fixed Assets		Owners' Equity	
Equipment	\$42,140	Capital Contribution Owners	\$0
Leasehold Improvement	\$0	Capital Contribution Investor	\$300,000
Accumulated Depreciation	(\$2,786)	<b>Total Equity</b>	<b>\$300,000</b>
<b>Total Fixed Assets</b>	<b>\$39,354</b>	Retained Earnings	(\$119,928)
<b>Total Assets</b>	<b>\$116,165</b>	<b>Total Liabilities and Equity</b>	<b>\$116,165</b>



## THREE YEAR INCOME AND EXPENSE PLAN

3-Year Plan	2023	2024	2025
Virtual Product Modelling	\$205,230	\$474,081	\$905,064
Interactive Experiences	\$123,140	\$284,453	\$543,047
Fashion Visualization Software	\$82,092	\$201,125	\$362,026
<b>Total Revenue</b>	<b>\$410,462</b>	<b>\$959,660</b>	<b>\$1,810,137</b>
Startup Costs	\$44,478	\$-	\$-
Human Resource Costs	\$421,444	\$611,607	\$803,089
Direct Operating Costs	\$61,682	\$87,987	\$96,994
Depreciation	\$2,786	\$3,643	\$4,249
<b>Total Annual Expenses</b>	<b>\$530,390</b>	<b>\$703,237</b>	<b>\$904,333</b>
<b>Net Income Before Tax (Loss)</b>	<b>(\$119,928)</b>	<b>\$256,424</b>	<b>\$905,805</b>

## B. PROPOSED PLAN TO MEET CAPITAL NEEDS

Although our startup costs only amount to \$44,478, we have estimated we will need \$300,000 to maintain positive cash flow and mitigate unforeseen circumstances. **We will request \$300,000 from you in return for a 25% stake in our company.** This values Envision AR at \$1.2 million in the first year of operations, as seen in **Figure 7**.

Since our company is a mix of multiple business models, finding one exact market multiple for valuation is difficult. Microcap, a financial analysis company, states that software companies should use a market multiple of about 12.7x EBITDA (earnings before interest, tax, depreciation, and amortization). Since this is a proposed business with no actual revenue, we used a 5x market multiple instead. As you can see in the projected three-year plan, we only have positive EBITDA in 2024, so we will use that for our valuation. The \$256,424 from 2024 with the 5x market multiple values our company at just over \$1.28 million, as seen in **Figure 8**. By Year 3, using the same valuation strategy, our company's value reaches over \$4.5 million. Although you will make back 75% of your investment by Year 3, by continuing the projected growth to five years you will receive a **223% return on investment paid in the form of a quarterly dividend**.

### OFFER VALUATION

Figure 7

$$\frac{\text{INVESTMENT}}{\text{EQUITY}} = \text{VALUATION} \quad \frac{\$300,000}{25\%} = \$1,200,000$$

### EBITDA VALUATION

Figure 8

$$\begin{aligned} \text{EBITDA} & * \text{MARKET MULTIPLE} = \text{VALUATION} \\ \$256,424 & * 5\text{X MULTIPLE} = \$1,282,120 \end{aligned}$$

# X. KEY METRICS

## DETERMINATION OF SUCCESS

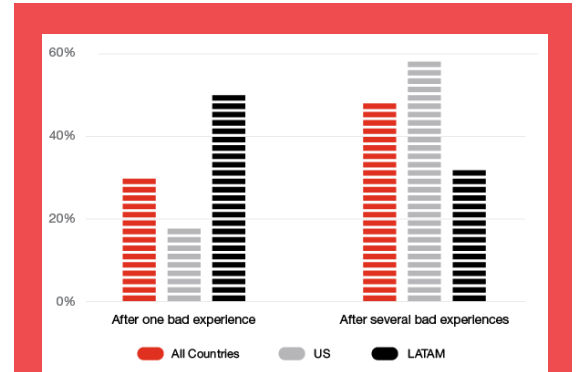
The key metrics of a company are how it evaluates its success. At Envision AR, we will revolutionize how online advertising is done. Envision AR will evaluate two key metrics to determine success, **customer growth rate and customer satisfaction**.

### CUSTOMER GROWTH RATE

Our annual customer growth rate provides valuable insight for the health and trajectory of our company. This can be calculated by dividing the number of newly acquired customers by the number of previous customers, and then multiplying that by 100 to get a percentage. A higher rate can indicate that we are successfully expanding our customer base, while a lower rate can signal potential issues with our services, marketing, or pricing. Tracking customer growth rate over time can also help us identify trends and patterns in customer behavior, such as seasonal fluctuations or changes in demand.

### CUSTOMER LOYALTY

With customer satisfaction comes business loyalty. When Envision AR can satisfy its customers with quality service and overwhelming results, customers will continue to use our service. Contrarily, customer dissatisfaction is detrimental to the growth of a business. PWC, a business advisory company, stated that 59% of customers would leave a business after multiple negative experiences, while 17% will leave after just one (**Figure 9**). Being a growing business, losing 17% of our customers will leave little room for growth in the future, and 59% of lost customers will spell certain failure for our company. Customer loyalty will be measured by tracking the number of repeat customers and will help us spend less time marketing and more time improving the quality of our services.



**Figure 9**  
The negative effects of customer dissatisfaction from PWC



*If the customer [is] satisfied with the organization, it will increase the customer lifetime value and generate more revenues for the organization.*

- The Journal of Undergraduate Social Science and Technology

# XI. COMPETITIVE ADVANTAGE

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## COMPETITIVE ADVANTAGE OVERVIEW

In the current state of advertising, far too many companies are taking advantage of the same channels to entice new customers. The market of advertising agencies is far too saturated, and there is a lack of originality. In a study by Forbes, 91% of business executives said they planned to increase their social media advertising budgets over the next three years. In an article by Harvard Business Review regarding a turn away from digital marketing, a survey found that 57% of people created a negative connotation towards digital advertisements when they came before a piece of media. This shows that not only are these antiquated digital advertisements not working, but they are repelling customers. **That is why our competitive advantage outlines three ways Envision AR separates itself from traditional advertising agencies.**

### ADVANTAGE 1 LOW MARKETING COST

Our first competitive advantage is that **Envision AR** requires little to no cost to market itself. The channels we have chosen (email outreach, search engine optimization, and PPC) require minimal additional cost. Contrarily, The American Small Business Association stated that most business-to-business companies spend 6.9% of their revenue on marketing. **Envision AR** would save **\$128,864** on marketing over three years. By saving money on marketing, **Envision AR** can better use our revenue to improve our service and increase customer satisfaction.

### ADVANTAGE 2 ROOM FOR GROWTH

The second advantage that **Envision AR** has over the competition is the fact that we are involved in a rapidly growing industry. According to the Globe News Wire, the AR and VR industry has a 31.5% compound annual growth rate and is expected to reach **\$90.8 billion** by 2028. By starting in a young and thriving industry, **Envision AR** is investing early in a promising technology that is likely to become a regular part of everyday life as opposed to relying on an obsolete business model like much of our competition.

### ADVANTAGE 3 UNIQUE SERVICE

Our third, and most important, competitive advantage is our niche in the advertising industry. No major advertising agencies currently provide e-commerce businesses with interactive augmented reality marketing. This provides us with no pressure or competition within the AR advertising space and would allow complete creative control over our business. Additionally, by having no other competition to occupy our niche, **Envision AR** would have a separating factor to catch the eyes of future businesses looking to revolutionize their marketing strategies.



## XII. CONCLUSION



### SUMMARY OF KEY POINTS

**Envision AR** is an augmented reality marketing firm dedicated to altering the future of digital advertising. Through our three services, we can help our clients catch their customer's attention with unique, interactive advertisements. While accomplishing this task, we can complete it at a lower cost and higher quality than competing marketing firms. By saving large amounts of capital on advertisements, we will acquire customers for a fraction of the cost while still maintaining the quality of our services.



### REQUEST FOR FINANCING

**Envision AR** is requesting a **\$300,000 investment for a 25% stake in our company**. With this capital to help us into our first few years of operations, we can project that you will receive a **return on investment of 223% in 5 years, which is a total return of \$667,799**. This will be paid to you as a quarterly dividend. Our projected EBITDA valuation is 7% higher than our offered valuation, which allows you to quickly regain your capital, and receive a great long-term investment.

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## XIV. APENDIX

A letter from David Rothkopf, an entrepreneur who has successfully started and sold several companies, confirming the feasibility of **Envision AR's** business and financial plan.

**MEDICEPT**  
Trusted Solutions, Rapid Response

### M E M O

Date: 3/31/23  
To: DECA  
From: F. David Rothkopf  
RE: Review of Envision AR

Dear DECA Judge,

Hello, my name is F. David Rothkopf, President and Founding Partner of MEDICEPT. I have been asked by Luke Anderson and Ryan Taylor to review their independent business plan titled "Envision AR". This was to help them with their participation in the DECA program at King Phillip High School.

Regarding my qualifications for the review, for the last 30 years I have started and sold several companies. I have started a management holding company, four medical device companies, successfully selling two of them, and founded two successful consulting firms. I have an MBA, two Masters in Engineering, and an unfinished law degree. I sit on the board of three companies and two non-profits in which one of them I am the Vice President of Finance. I also perform due diligence reviews/audits for four separate private equity firms related to regulation compliance. In my spare time, I teach medical regulatory compliance at MIT, John Hopkins Whiting School of Engineering, and University of Texas-Dallas.

I am pleased to report that I was impressed by the quality of the business case, the preparation and the financial understanding, especially for individuals at a high school level. The concept, case and logic, implementation plan and growth strategy are all well thought out and supportable. The strategy aligns well with the fast-developing opportunities in the augmented reality industry, and the financials are well-prepared and appropriately phased between start-up investment, growth, and long-term viability. The request for a \$300,000 investment in exchange for a 25% stake in the company is reasonable based on risk and projected valuation methodologies.

In summary, I view this business case as a well-prepared and well-thought-out plan. I can support the construct, flow of the case, and the financials.

Sincerely,

*F. David Rothkopf*

F. David Rothkopf