Wallie - Location Based Credit Cards Offers

Sales Strategy

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Executive Summary

Wallie is a mobile application with a vision to maximize rewards for the users by letting users know about credit card and store specific offers based on location.

Wallie is a consumer mobile application that will be available to download for free. Wallie expects to generate revenue through the following three channels:

1) Credit Card leads - When a user signs up for a new credit card using Wallie's affiliate link, Wallie charges for this.
2) Software as a Service (SaaS) - Merchant system will be provided as a SaaS product to stores/merchants where stores can input all the store specific offers they have so that these stores can generate more foot traffic..
3) Ads - Generic search based store specific ads where stores can advertise their offers. Wallie charges for these ads.

To generate revenue from stores through Store Ads and SaaS model, Wallie needs to partner with local stores and get them onboard so that they can start posting their store specific offers. Wallie has a team of Merchant Field Specialists who will work on increasing the partnerships with stores.

Wallie will be officially launched in Q4 2018 and Wallie expects to hit a run rate of $5 Million in 2 years from the date of launch. Initially Wallie will provide services in South Bay Area and San Francisco for the first 4 quarters after launch(Q4 2018, Q1 2019, Q2 2019, Q4,2019). Then Wallie plans to expand the operations to Los Angeles , Seattle and New York. By the end of second year from date of Launch(by Q3 2020), Wallie expects to have more than 180,000 users and 6,000 merchants.

Revenue Plan

Revenue Channels

1) **Credit card leads -** Wallie provides credit card offers along with branded credit card offers based on users' location. When a user signs up for a new credit card using Wallie's affiliate link, Wallie gets compensated for this. Wallie will have affiliate links for different credit card companies. The affiliate links will be for both generic credit cards from different credit card companies and brand specific cards. The following chart shows Credit card lead pricing structure that Wallie expects for 2 years (8 quarters) from date of launch. More detailed explanation about pricing structure is provided in sales strategy sections.
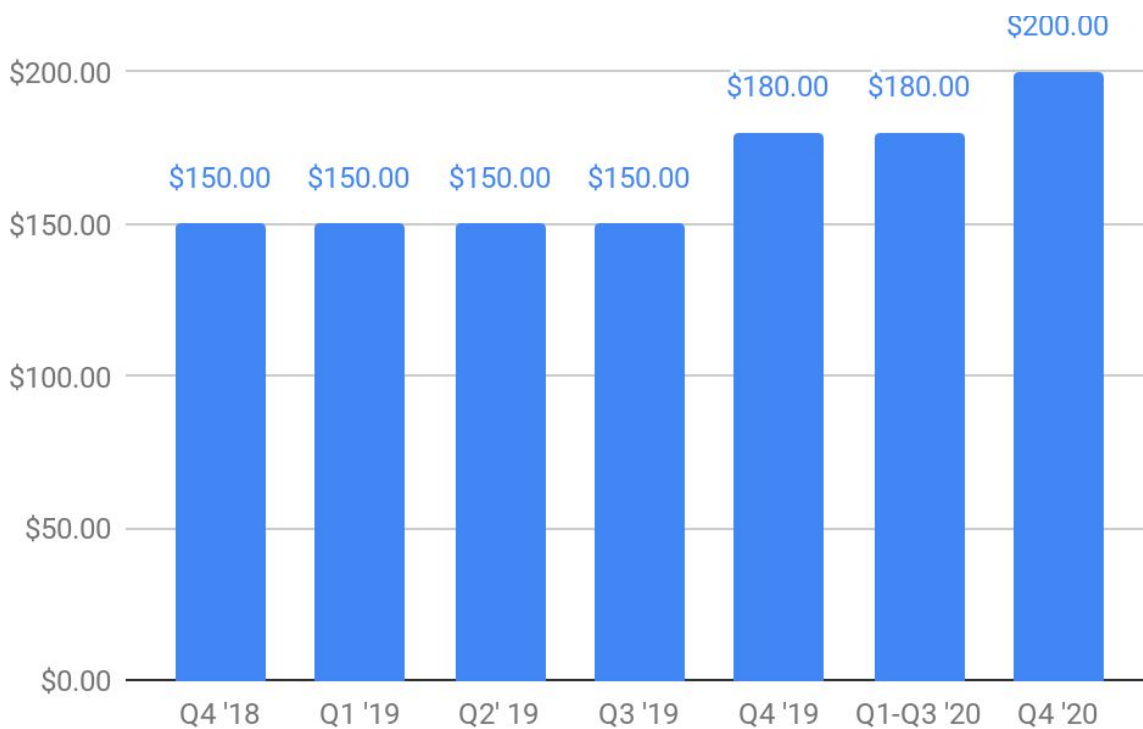

Chart 1 : Credit Card Leads Pricing

2) **Software as a Service (SaaS) Pricing -** One of the unique features of Wallie is store specific offers. Different stores can add their store specific deals to Wallie and this will drive more foot traffic to retail outlets or restaurants. For this, Wallie charges a monthly price ranging from $50 - $70 per merchant. Using the SaaS functionality, stores will add their deals and

offers to the database. When users see these offers (based on location) in their app, this will drive more traffic to these stores and hence Wallie has come up with this SaaS pricing model. We believe this will help drive more foot traffic to local stores who are looking to compete with Big retail chains. As with any SaaS model, there will be churn rate in every month across customer cohorts where some old customers leave and new customers get added. We expect a net positive merchant growth in every month. More details about SaaS pricing are explained in the sales strategy sections.
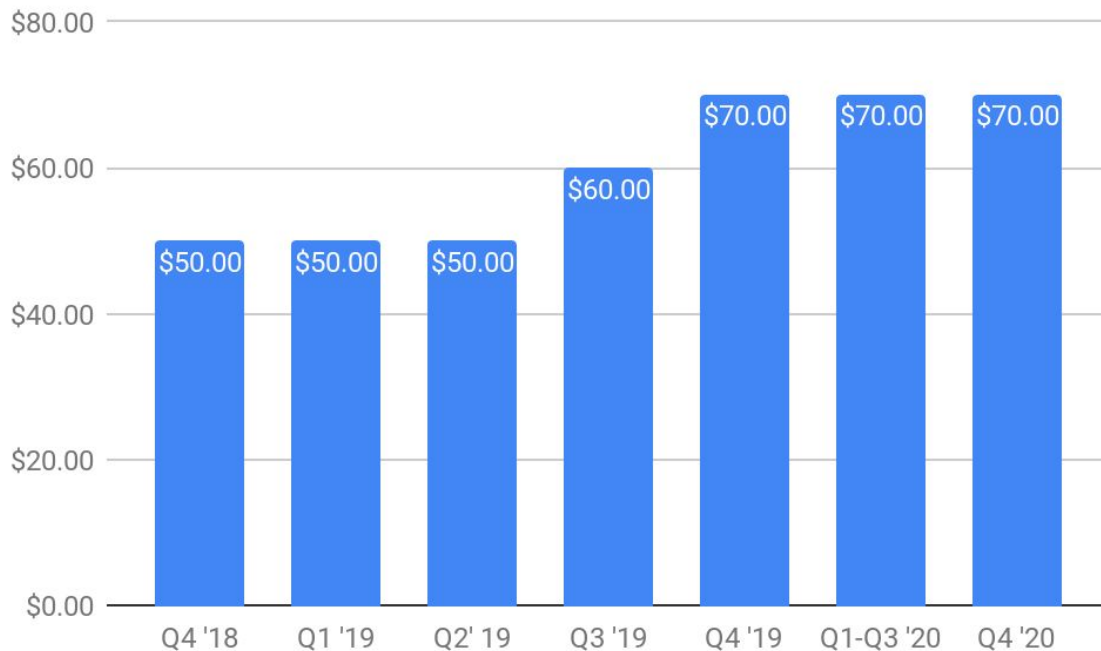
Chart 2 : SaaS Pricing per month

3) Ads Pricing - While the SaaS model mentioned above enables stores to advertise their store specific offers, it does not allow for featured ads. If a store wants their deal to be featured as an Ad, then Wallie will charge for these Ads. Wallie has come up with a conservative pricing model for these Ads. For the first 2 years from the date of launch, Wallie expects to charge $0.05 to $0.75 for featured Ads. More detailed Ads pricing structure is provided in the Sales Strategy sections.
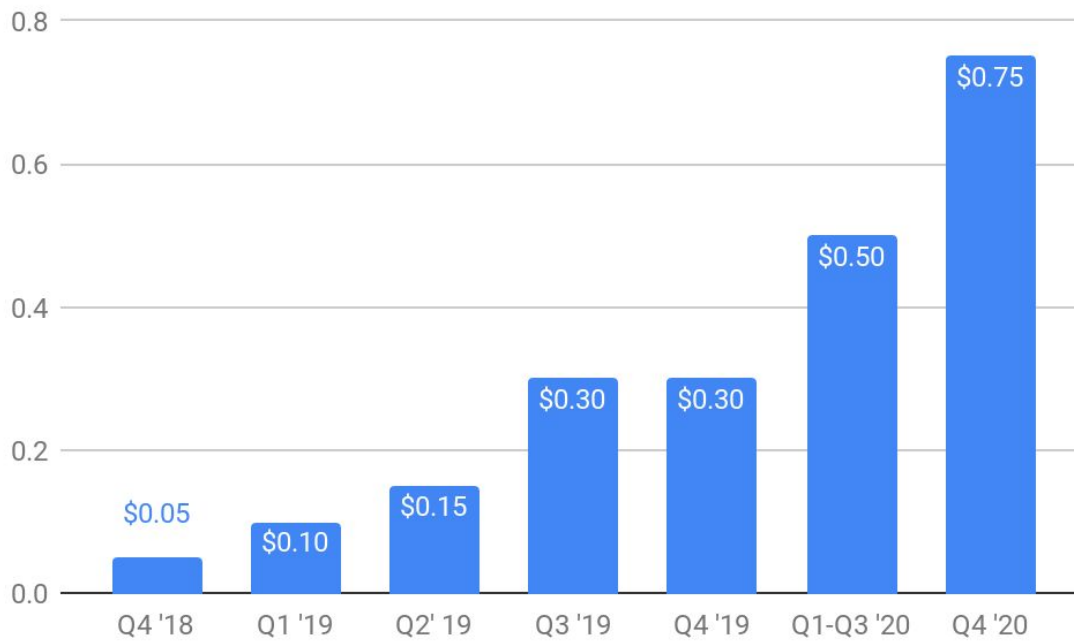
Chart 3 : Ads Pricing

User Growth

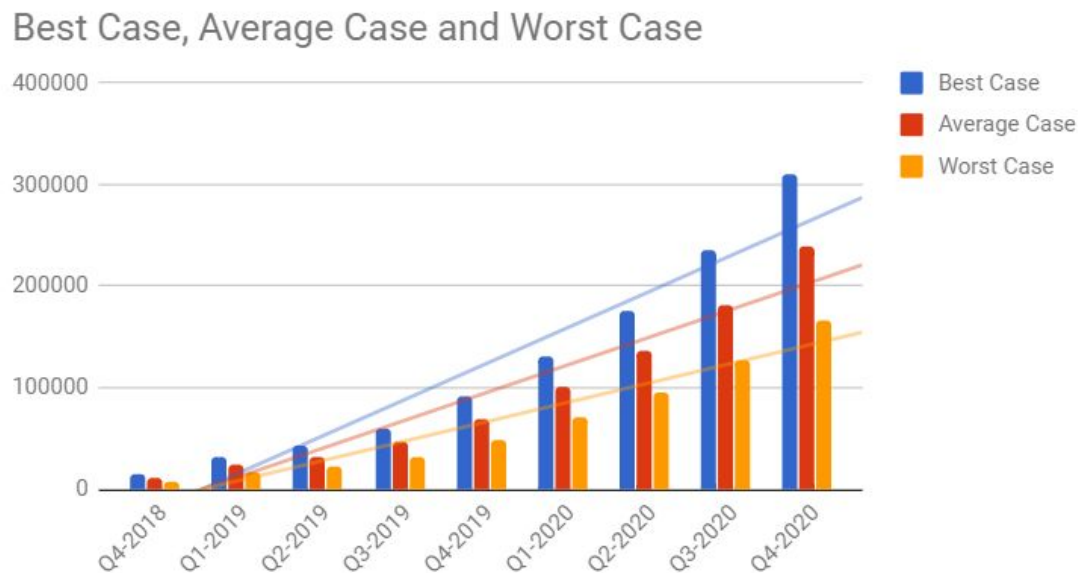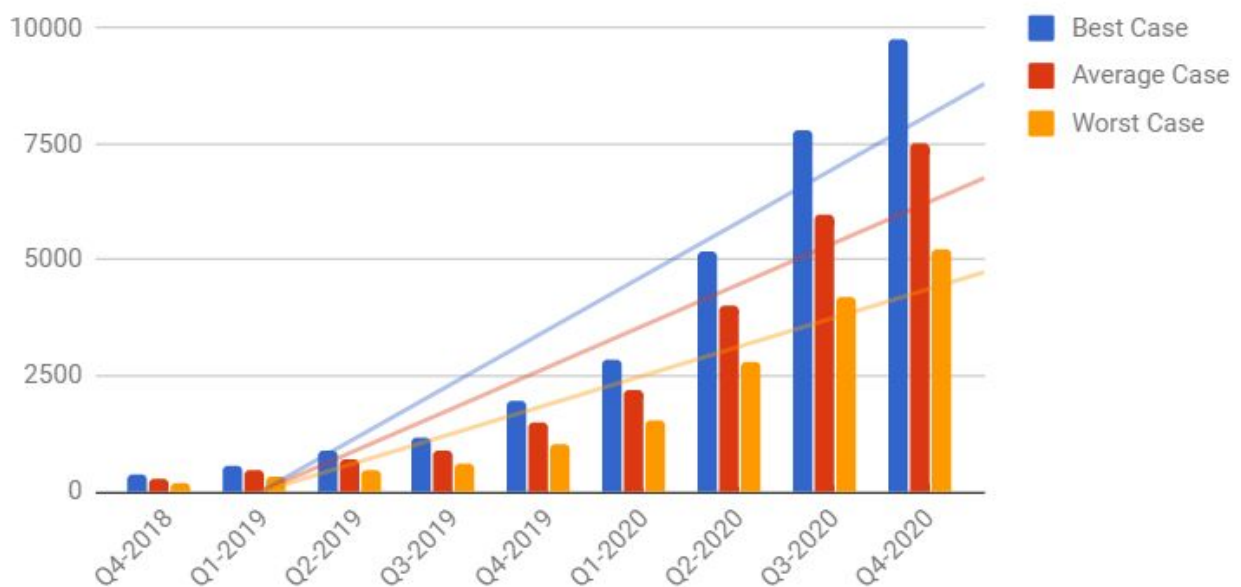Best Case, Average Case and Worst Case

Chart 4 :User Growth in best case, average case and worst case

Wallie will initially start its services in South Bay Area and San Francisco. After the first year from launch, Wallie plans to expand its services to other big cities on the west coast like Los Angeles and Seattle. At the end of second year from Launch, Wallie plans to expand to east coast cities such as New York and Chicago. By the second year from launch wallie expects to have 180,000+ users which is the expected average case. More detailed user growth numbers across every marketing channel are provided in the revenue plan spreadsheet (along with comments for further explanation)

Merchant Growth and Expansion to other cities

Chart 5 :Merchant Growth in best case, average case and worst case

Wallie has a separate team for business development. Initially, we will have a three member team (One Business Development manager and two field merchant operations specialists). For the first year, the team will concentrate on developing partnerships with local stores in south Bay Area, San Francisco and Sacramento. After the first year from launch, we plan to hire more local field merchant specialists in cities like Los Angeles and Seattle. The local field specialists will concentrate on growing Wallie's partnerships in their respective cities. By the end of second year from Launch we expect to have more than 6,000 merchants.

Revenue Growth and Run rate

Q3 2020 will be the 8th quarter from launch date. For the Q3 2020, Wallie expects to hit a revenue of $1.45 Million which means Wallie will have a run rate of more than $6 Million ($1.45 Million * 4) by the second year from launch. In Q4 2020, Wallie plans to expand to New York that will help Wallie get more users and merchants. In Q4 2020, Wallie expects to have revenue of more than $2 Million.
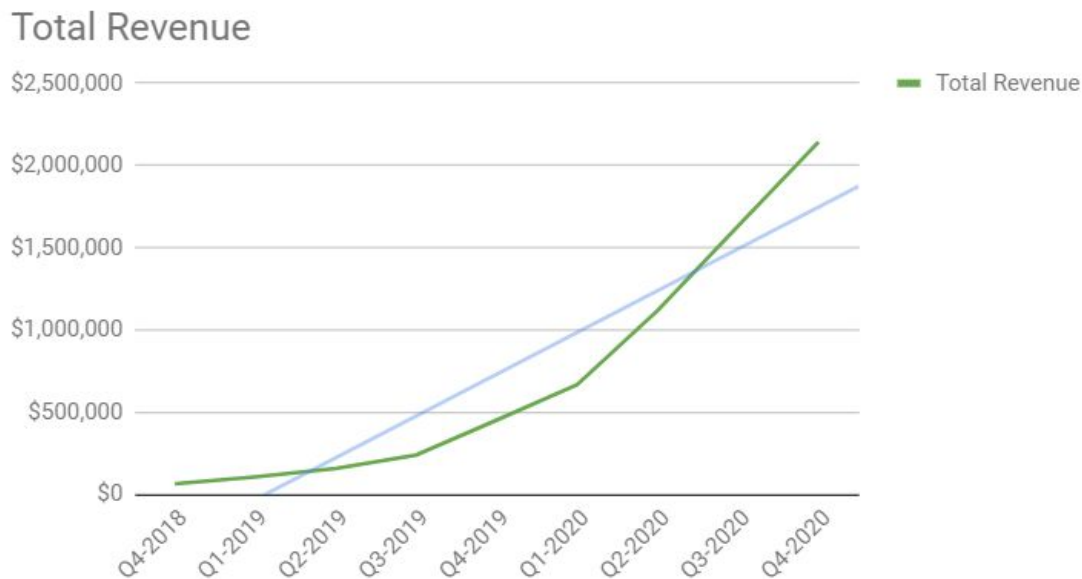

Chart 6 :Total Revenue Growth Trend

Best Case and Worst Case Explanation

Wallie's team has used average case user growth and average case merchant growth to calculate the average case revenue. The average case user growth and average case merchant growth logic or rationale is explained in the revenue plan spreadsheet where appropriate.

Wallie's team has considered best case as 1.3 times of the average case or 30% more than average case and similarly Wallie's team has considered worst case as 0.7 times the average case or 30% less than the average case. While Wallie's team understands that the best case and worst case numbers will vary every quarter, the team has decided to take 30% as the mean and calculate best and worst cases based on 30% mean. Hence, best case will be 30% more

than average case(1.3 times average case) and Worst case will be 30% less than average case (0.7 times the average case).

Initial Sales Strategy(First 3 Quarters)

The following initial sales strategy is for the first three quarters from the date of launch. Wallie is expected to be launched in Q4 2018. So, the initial sales strategy is for Q4 2018, Q1 2019 and Q2 2019.

Credit Card Leads

From Oct 2018 (release 1), the credit card affiliate links from different credit card companies and banks will be available in the app. Users can check the credit cards' deals and then choose the most suitable ones to apply. Once they successfully apply new credit card from Wallie's affiliate link, a credit card lead pricing on an average of $150 will be generated through lead conversions. This price is determined based on the industry average, but is lower than the average. From the beginning phase, Wallie wants to provide good deals for credit card companies and banks as an incentive for them to provide credit cards with good deals for our target users. Furthermore, this is also an opportunity to both entities to build trust and relationship as a revenue model testing phase.

From Q4 2018 to Q2 2019, the compensation is expected to be $150/lead, showing on chart 1. The users are expected to grow from approximately 12,000 to 33,000. In a conservative estimate, 1 percentage of Wallie's users will apply new credit card inside Wallie.

Based on the above assumption, the formula for revenue is:

$$\text{Revenue} = \text{User number} * 1\% \text{ conversion rate} * \$150/\text{lead}$$

The estimated revenue from this channel during this period is $104,033.

SaaS

Merchants will be provided with a SaaS based subscription model to partner with Wallie. They can register on Merchant's Account platform.

For the first three quarters after Release-1, ranging from Q4 '18 to Q2 '19, the subscription cost will be $50 per month for each merchant. With a low cost initially, our target is to generate as many merchant partnerships as possible. The merchants can post their ongoing offers and deals on the platform which will then be advertised on the application. The advertisements will help merchants to generate more foot traffic to their stores.

Ads

After the first release, ads on platform will be rolled out for all iOS users and initial pricing will start low to account for lower user engagement in the early stages. Estimated ad bidding price for the first quarter is $0.05. This is on the very conservative side of pricing compared to AdWords. But since Wallie is a new platform with only few thousand users, lower pricing estimate is justified.

Our estimates for ad bidding increases to $0.10 in the next quarter and $0.15 in the quarter after that. This is reflected in Chart 1.0 above. As Wallie's user base grows, the platform will become more attractive to the merchants to target Wallie's users and so the increase in pricing is justified.

There will be no charge for impression, as they are expected to be low given the lower user base. The expected CTR (Click Through Rate) for ads is around 5% of the impressions. This is slightly higher than the industry average for CTR across all categories but since the users on Wallie are already filtered targets, the expected CTR is higher than generic CTR. Also, Wallie's recommendation engine will have deeper insights into user's behavior will help improve ad targeting on Wallie.

Our estimated revenue from this channel during the last quarter of this phase is $2,455.

Sales Strategy to get to $5M Run rate (5 Quarters)

The following strategy is for quarters ranging from Q3 2019 to Q3 2020.

Credit Card Leads

Starting from Q3 2019 from Q3 2020, Wallie will expand its business to San Francisco and Sacramento after release 2, and to Los Angeles, Seattle and Portland after release 3. Therefore, it is reasonable to assume that both user base and merchant partnership will grow in a large scale. User number are expected to grow from roughly 47,000 (July 2019) to 180,000 (Sep. 2020). For the merchant, the size is expected to grow from 900 to 6,000.

For Q3 2019, the price will remain $150/lead. After release 3 (Q4 2019), the referral function will be ready to contribute to user growth. Since more and more traffic is brought to Wallie, the price will be increased from $150 to $180 per lead. The growth trend is reflected in chart 2 above.

The estimated revenue from this channel during this period is $946,226.

SaaS

With the growing user base of Wallie and availability of our application on Android after Release-2, the subscription cost for merchants will increase to $60 per months for Q3 '19. Wallie's availability on Android as well will lead to more foot traffic for merchant brands.

In our last release, Release-3, since all the perceived features for Wallie have been implemented and application is available entirely, we plan to increase the subscription cost to $70 for quarters ranging from Q4 '19 to Q3 '20.

Ads

By this time, Wallie will have released Version 2 for iOS and Release 1 or Android. Along with the new releases, Wallie will also have expanded to new markets outside of South Bay Area including SF, Portland, Seattle and Los Angeles. Our projects for users and merchants during this phase is 180k+ and 6k respectively.

Our ads average bidding price estimate for this last quarter is $0.75, considering a large user base and merchants on the platform.

Our estimated revenue from this channel during the last quarter of this phase is $45,216.

Sales Strategy at and above $5 Million run rate

The following strategy is for above $5 Million run rate starting Q4 2020 after the first 2 years of product launch.

Credit Card Leads

By this time, Wallie will expand to other cities in US, starting from New York and Chicago. Now in the post $5M run-rate phase, Wallie is already built a solid relationship with merchants and more traffic will be brought to credit card companies and banks with increased new applicants. In this stage, Wallie is confident to increase the lead fee from $180 to $200 per lead.

To display an example in this stage, the Q4 2020 revenue in this channel is $1,575,000. The user base is expected to be roughly 239,000.

SaaS

Post the $5M run-rate phase, Wallie plans to increase its outreach to the east coast cities as well. With more focus on region expansion, we intend to keep the subscription cost for

merchants constant and continue with $70. This will enable us to acquire an increased number of merchants at different regions, which will be Wallie's goal for this phase.

Ads

Wallie will continue growing to new markets post the $5M run-rate phase adding New York City and Chicago, the next major cities, adding more users and merchants to our platform. Despite the growth, we stayed conversative with our ads bidding estimate and our projections show a per ad click price of $0.75 during this phase, in line with our previous quarter.

Our estimated revenue from this channel during the last quarter of this phase is $89,574.