UGBA 190T: Product Development

Business Analysis: User Growth Projections

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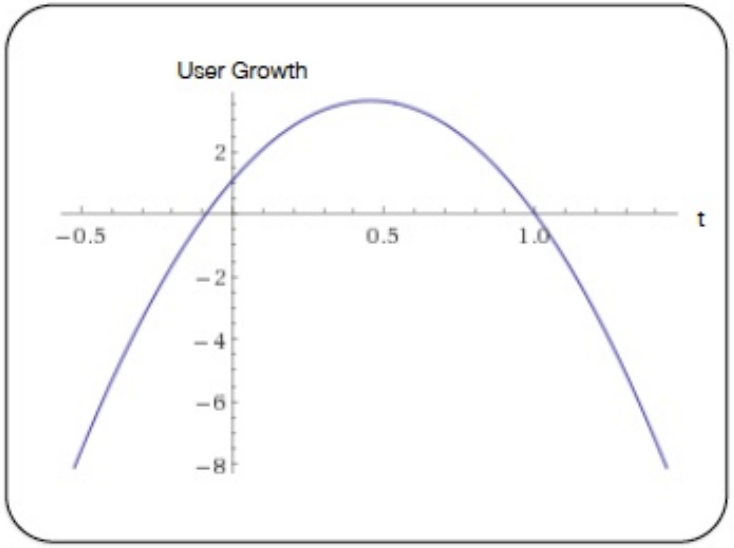
Bass Diffusion Model for User Growth

Sales=[p+qF(t)][1-F(t)]N

p=coefficient of innovation=0.04[1]
q=coefficient of imitation=0.45[2]
F(t)=fraction of consumers who have bought the product by period t
N=size of the market=(63.2m[3])(.43[4])= 293.2m

Sales=[0.04+0.45F(t)][1-F(t)]27.17



Assumptions:
[1] Assuming an above average p (p_{avg}=0.03)
[2] Assuming an above average q (q_{avg}=0.38)
[3] Estimated U.S. iPhone users according to Statista
[4] 43% of iPhone users are between 18-34 (our target market) according to comScore.com

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Business Analysis: Revenue Projections

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Revenue Projections

Y_0	Transaction Fees	(1.08m users)(MAU rate: 34%[1])(5.68%[2])(8.5% Fee[3])(AOV: $75.71[4]) (12 mo/yr)	$1,610,662	**Total: $1,610,662**
	Promotion	(0 users)($100/mo)(12 mo/yr)	$0	
Y_1	Transaction Fees	(3.108m users)(MAU rate: 34%)(5.68%)(8.5% Fee)(AOV: $75.71) (12 mo/yr)	$4,635,127	**Total: $4,653,127**
	Promotion	(15 users)($100/mo)(12 mo/yr)	$18,000	
Y_2	Transaction Fees	(3.6m users)(MAU rate: 34%)(5.68%)(8.5% Fee)(AOV: $75.71) (12 mo/yr)	$5,368,873	**Total: $5,404,873**
	Promotion	(30 users)($100/mo)(12 mo/yr)	$36,000	
Y_3	Transaction Fees	(4.78m users)(MAU rate: 34%)(5.68%)(8.5% Fee)(AOV: $75.71) (12 mo/yr)	$7,128,670	**Total: $7,170,670**
	Promotion	(35 users)($100/mo)(12 mo/yr)	$42,000	
Y_4	Transaction Fees	(7.34m users)(MAU rate: 34%)(5.68%)(8.5% Fee)(AOV: $75.71) (12 mo/yr)	$12,392,387	**Total: $12,440,387**
	Promotion	(40 users)($100/mo)(12 mo/yr)	$48,000	

Abbreviations:
MAU: Monthly Active Users
AOV: Avg. Order Value

Assumptions:
[1] Based upon information provided by Localytics
[2] Weighted Average percent of active users who make in-app purchases; information provided by App Annie
[3] Based upon Amazon's affiliate program. Zip over to a breakdown of these percentages >
[4] Based upon information provided by Statista.com

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Business Analysis: Bottoms-Up & Top-Down Analysis

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Bottoms-Up Analysis

Customers=Revenue/Average Selling Price
C=(250k[1]/month)/(75.71[2])
3302=Customers
C/[(MAU)(In-app purchases)]= Users
3302/[(.34[3])(0.0568[4])]=170,981/month
(170,981users/month)(12mo/yr)=
2,051,772 users/year

According to our Bass diffusion model, by the end of our second year we should have over 2.051m users and $250k/month in revenue.

Top-Down Analysis

Total Addressable Market (TAM):
Clothing Industry Sales Worldwide = $1,105bn[5]

Served Addressable Market (SAM): Mobile Shopping Revenue in U.S.=(21%)(44.7bn)=$9.3bn[6]

Share of Market (SOM): If we try to capture 1% of SAM, SOM=(.01)(9.3bn)=$930m

Our projected revenue of $12.4m in 4 years is only 0.13% of SAM. This is also assuming that e-retailing revenues and the percentage of e-retail revenues attributable to mobile shopping remain constant.

[1] With the goal of raising $10m in VC funding
[2] AOV based upon information provided by Statista
[3] Information provided by Localytics
[4] Information provided by App Annie
[5] Information provided by Statista
[6] Information provided by Statista and Marketing Land