



Fitroom

Tech entrepreneur Nanodegree

Project 2 Monetization Plan

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Monetization summary

The success of online stores has changed the buying process for clothes. You buy first, then you try at home where you decide to return the item or not. Therefore, you need to be home to receive your orders and if necessary you must go to the post office to return the items.

Fitroom is a local store that will receive your orders for you, where you will try your items and that will manage the return process for you. The Fitroom local manager will be a stylist that will be able to provide fashion advice.

A mixed monetization model between a subscription and a fee seems to be a good approach in this case. Three subscription levels will be available, the user will be able to use the service just once by choosing a fee plan, meaning that a fee will be paid for each package. A second plan will offer access to an unlimited number of packages, a fixed fee for the returns and advice from the stylist who is the local Fitroom manager. And a third plan without any limitation regarding the number of returns. The user can switch between plans or can stop using the service anytime.

Monetization details

Users will never need to return their orders themselves anymore and could get advice from a stylist when trying the items. This is the major added value for Fitroom users.

As mentioned in the previous section, the monetization model will be a combination between a subscription and a fee. Users can stop their subscription from month to month or switch between plans whenever they want.

Three plans will be available :

1. Silver plan(0CHF/month), a 3CHF fee on each order where you used Fitroom's service.
2. Gold plan(9.90CHF/month), a fixed subscription will include an unlimited number of orders, a limited number of 3 returns per month (number of returns above the limit will be subject to a fee or will be returned by the Fitroom user himself) and free advice from a stylist.
3. Premium plan(15.90CHF/month), a fixed subscription will include an unlimited number of orders, returns and free advices from a stylist.

A subscription model is best in this case as it is the simplest possible model for the user and focused on the value of the service. In the Fitroom case, the process must be as straightforward as possible. The fee model used in the Silver plan should reduce the barriers to use the service in opposition to a subscription that seems to be a bigger engagement.

The ultimate goal is to grow the number of subscribers. To reach this goal, users that have chosen the silver plan will have the opportunity to include their first order in one of the subscription plans as if they had subscribed from the beginning.

A possible evolution of the monetization model could be to remove the fee plan and let users try the service once for free.

Key Performances Indicators

Number of new subscribers per week

Goal : Grow 200 new subscribers per month by December 2016.

Metric : $\text{Number of new subscribers}(t \rightarrow t + 1) = \text{Number of subscribers}(t + 1) - \text{Number of subscribers}(t)$

KPI : Grow new subscribers by 15% to 20% every month to reach a monthly growth rate of 200 new subscribers per month.

Rationale : One of the main goals is to have as many subscribers as possible. This is the key of the monetization model chosen. This metric should grow 15% to 20% every month based on the standard subscription model growth statistics for public companies. The growth must always remain higher than the churn rate.

Tracking Plan : Google analytics will be the tool used to measure this KPI by counting the number of visitors reaching the payment confirmation page for one of the subscription plans (goal setup in Google Analytics). Linked to this metric, here is the calculation of the growth that will be compared to the churn rate:

$$\text{new subscriber growth} = \frac{\text{Number of subscribers}(t+1) - \text{Number of subscribers}(t)}{\text{Number of subscribers}(t)} \times 100$$

Customer churn rate

Goal : The annual churn rate must be lower than 5% by December 2016

Metric : $\text{Churn rate} = \frac{\text{Number of subscribers lost this month}}{\text{Number of new subscribers this month}}$

KPI : Don't lose more than 5 customers per month to keep the annual churn rate lower than 5% by December 2016

Rationale : This metric should be as low as possible. Actually, the churn rate needs to remain smaller than the growth of new Subscribers to avoid the reduction of the customer database till the bankruptcy. A churn rate of less than 5% is a standard and realistic goal.

Tracking Plan : Google Analytics will be used again to measure the churn rate by counting the number of users accessing the unsubscribe page and the number of new subscribers.

Average Revenue Per Paying User (ARPPU)

Goal : Reach 12 CHF ARPPU by December 2016

Metric : $ARPPU = \frac{\text{Total revenue}}{\text{Total number of paying customer}}$

KPI : Grow the ARPPU 2 CHF per month by promoting the subscription plans to reach a 12CHF ARPPU.

Rationale : The goal for this metric is to always have a value between the Gold plan and the Premium plan because we want the users to be subscribers. The value of this metrics should be 15% to 20% higher than the price of the Gold plan. This KPI will be really useful in combination with the number of new subscribers in order to have visibility on the potential revenue that could be generated in the future.

Tracking Plan : Google Analytics will be used to measure this KPI by counting the total number of visitors that have reached the payment page of any plans proposed in combination with the e-commerce tracking allowing to measure the total revenue generated.

Back-up Plan

A product not generating revenue means that the KPIs defined are highlighting problems. The first step is to identify what problems do we have. Do we have an issue with the product or with the price? Depending on the issue, we may need to create additional KPIs to have full understanding of the situation.

The monetization strategy is not compatible with the product

Simplify the monetization methods by just having one monetization model. A fee model or a subscription model depending on the result of KPIs mentioned above (Distribution of users in different plans). Family subscription plans can be interesting to reach more users, mostly because the granularity to be considered is at the address level. An address corresponds to a family in a lot of cases and not the user alone.

Troubles with the execution

Users do not understand how to use their Fitroom address. Solving this issue means that some improvement are needed in the tutorial. Create a video showing how the product can be used.

Product is not built for the target customer

Adapt the product/service to meet the customer expectation for example by changing the way the service is executed. Moving from "users come to get their packages" to "the package is delivered to your home in the evening or the moment you choose". In this case, this is a pivot because the product market fit has not been reached.

The execution cost of the service is higher than expected

Users are ordering more than expected, which means a downward trend or a negative profit. Based on those new financial statistics, new plans will have to be defined. We need to adapt the subscriptions prices or create a family subscription plan.

If the users only come to get their packages without trying or without using the return service, then just remove the return option from all plans.

Annex - Project 1: Validated Product Design

Product Idea summary

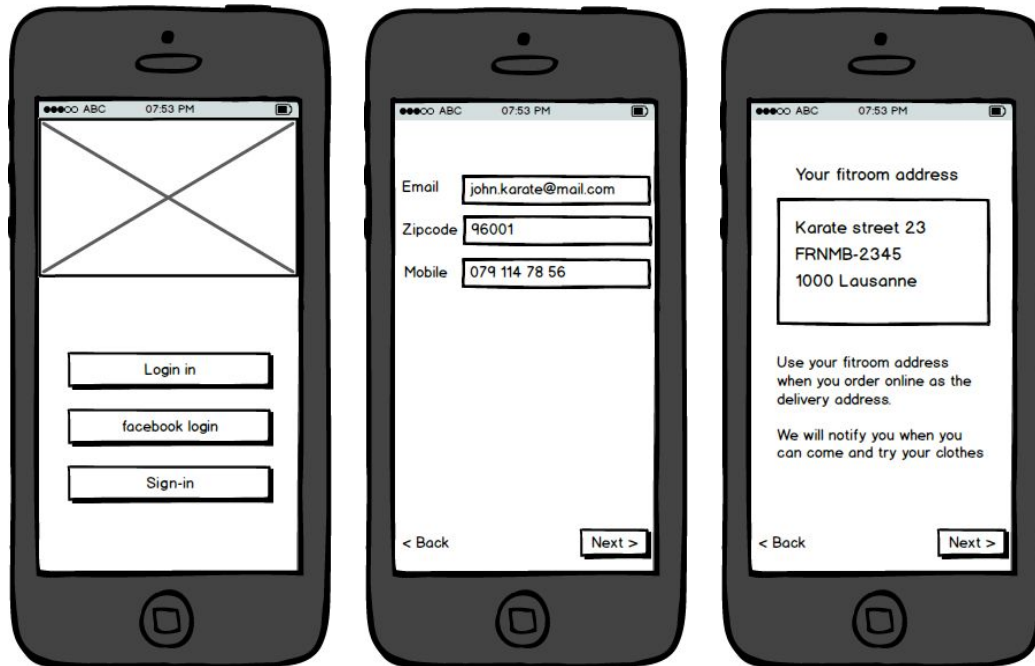
The success of online stores has changed the buying process for clothes. You buy first, then you try at home where you decide to return the item or not. Therefore, you need to be home to receive your orders and that you must go to the post office to return them.

Fitroom is a local store that will receive your orders for you, where you will try your items and that will manage the return process for you.

Design Sprint Deliverables

Wireframes

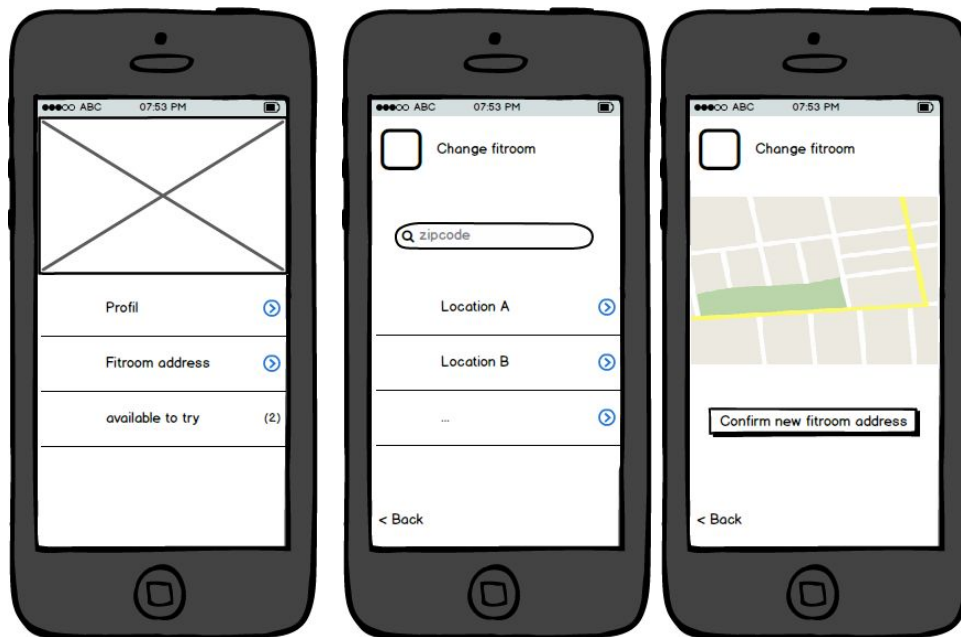
Signing-in



Accessing order details



Changing Fitroom address



Medium fidelity prototype

<https://invis.io/XN55K1JCH>

Design sprint

PROJECT NAME: Fitroom

DESIGN SPRINT CHALLENGE STATEMENT:

Create a cross-platform product/service for window shoppers that will allow them to receive any order in a physical store in order to try it, get advice from a stylist and delegate the return process if the item doesn't fit.

Launch: Q2-Q3 2016

DELIVERABLES:

- The golden path : main user journey flow for a window shopper
- Sketches
- Wireframes
- Medium fidelity prototype for a mobile app

LOGISTICS:

Who: 2 engineers (technical profiles), 2 window shoppers ordering online frequently, me.

When: 28/11 - 29/11 - 3/12

Where: At my place

TIMELINE:

1. Current state of the project

Nothing yet, this a new project

2. Vision for the project

Several online stores like zalando.com and smaller online retailers participate in the program in order that their customers can choose the Fitroom store where they will receive their orders. Window shoppers are happy because they can order online, try for real and don't need to think about the returning process of the items that do not fit. The users can get advice provided by the Fitroom stylist managing the Fitroom store. The service helps solving the last mile issue in the delivery process that costs the most to the e-commerce websites and that have a huge impact on the customer user experience.

3. Roadblocks or gaps

One major difficulty will be to have enough e-commerce partners in order for the service to be attractive for users. The monetization strategy will also be a key point to reach success, window shoppers are used to not paying any fees for ordering online or returning orders.

4. Path from the sprint to prototype

Sprint Ends: 5/12/2015

Deliverables Due: 4/12/2015

The design sprint starts by making sure that the problem is well understood by the team. Then, the team will focus on identifying the golden path which is the most important input to be able to produce a prototype to help validate if the solution is solving the problem or not. If not, the key learnings will be listed to be able to iterate and improve the prototype until it solves the problem and supports the golden path.

SPRINT AGENDA:

Day 1

1. Introduce the problem that needs to be solved in day 1
2. Present the challenge statement
3. Define the main user journey flow for a window shopper (the golden path)
4. Create sketches showing the golden path
5. Produce wireframes based on the sketches

Day 2

1. Discuss technical solutions and the level of integration needed in order to validate that the Fitroom MVP will cover the golden path identified in day 1.
2. Produce a prototype that will be used for the user research phase.

Day 3

1. Finalize the medium fidelity prototype

Day 4

1. User validation of the medium fidelity prototype

User feedback

Summary

Users really appreciated the simplicity to start using the service only by generating a personal Fitroom address within the sign in process. The possibility to use their Fitroom address for any online stores was perceived as a real asset.

All testers have fully understood the idea and the need to create a Fitroom personal address to start receiving online orders in their Fitroom store within the prototype provided.

Users found their way within the app and understood the purpose of all screens without asking any questions except about the price. They mentioned that they don't want to pay fees on each order. This point must be taken into account during the monetization model definition and must be added to the tutorial.

The product was described as an app that will notify users when their orders have been delivered to their Fitroom address. Then, they can come and try the items without the need of being home at a specific time and without the need to manage the return process.

Future improvements

Provide a shortcut to access the Fitroom address from anywhere within the app and a button to copy the Fitroom address in the clipboard.

The list of available orders screen should be more visual and provide more information such as brand, color and size of items. A picture of the item would be nice in the detail order screen.

Grow the volume of users by adding features to allow existing users to share and to talk about Fitroom.

Metrics summary

Percentage of returning users over a unit of time

This KPI will be used to have visibility on the engagement dimension by measuring the distribution of returning users versus users having used their Fitroom address over a unit of time.

A downward trend is a signal that the service is used only once which may be a consequence of some kind of issues in the process. On the other hand, an upward trend means that more and more users are returning.

User growth over a unit of time

This metric provides insight on the adoption dimension by comparing the number of created accounts over the total volume of users.

An upward trend indicates a growing volume of users. In opposition to a downward trend, that signals a decrease in the volume of users on which actions need to be taken in order to invert the situation.

Measuring the conversion funnel of Fitroom addresses

Measuring the task success dimension is really important especially in the Fitroom case where users have to perform a manual step (use the Fitroom address as the delivery address when ordering online). Here, we are measuring the percentage of orders performed compared to the number of Fitroom addresses created over a unit of time.

A downward trend is a clear signal that less users are converting (ordering with their Fitroom address) meaning that actions need to be taken to make the conversion process easier.