



Avenue One

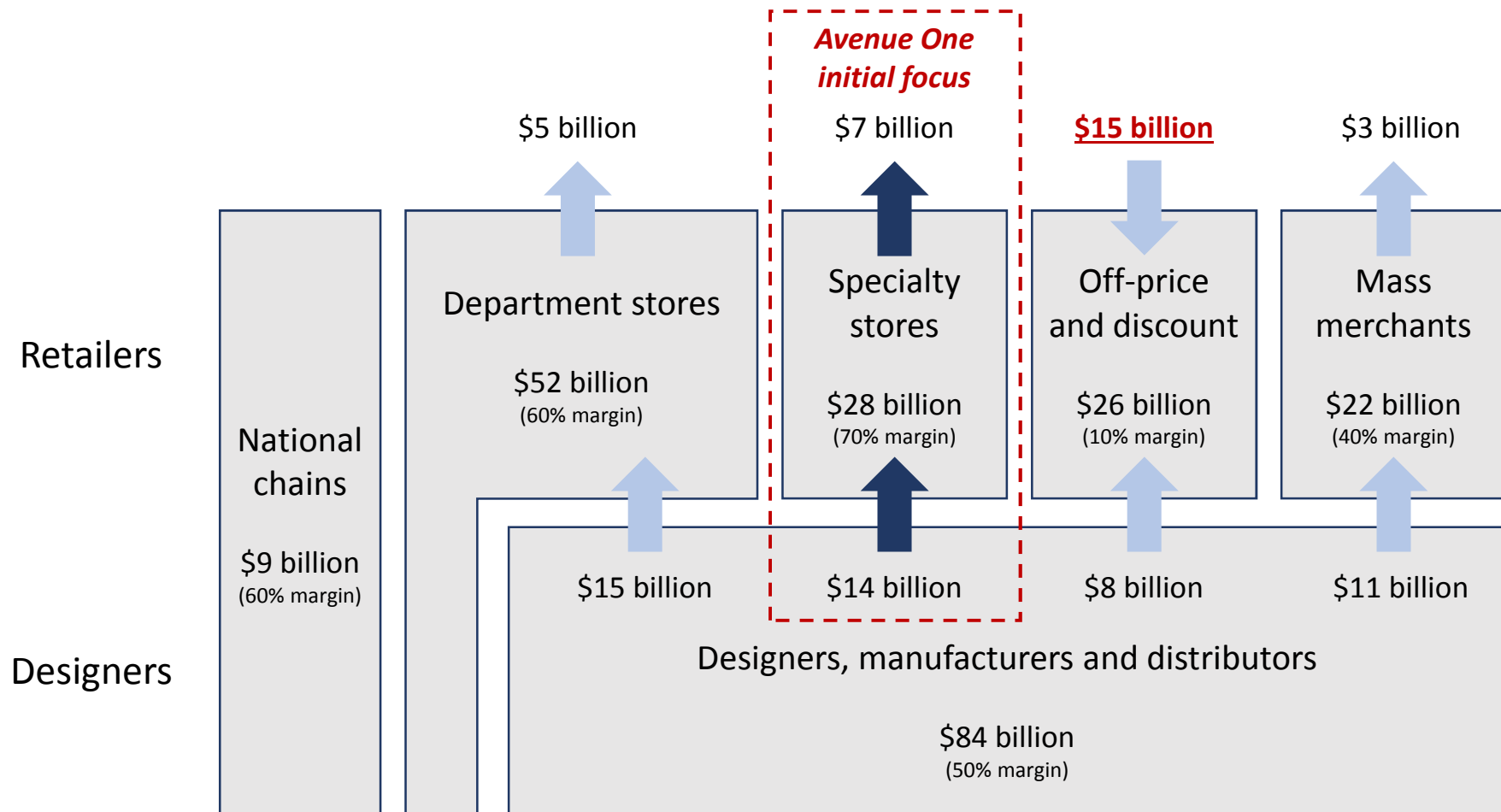
Value proposition and idea overview

Jincheng Cao | Pietro Lomazzi | David Sun | Harrison Xue
avenueone.com [In negotiation]
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Avenue One serves three distinct stakeholders

	Consumers (End customers)	Designers (Apparel producers)	Retailers (Apparel channels)
Situation	E-commerce stores focus on products that drive sales rather than new SKUs that have not yet gained traction	Designers “hope and pray” new designs are successful until after launch, when it’s too late to adjust	Assortment planning is a “leap of faith” based on historical data and gut feel
Current pain	Early adopters do not have access to new designs before everyone else	Retailers will not buy again if products do not sell; also, many are forced to repurchase excess inventory	SKU proliferation, stock outs, and excess inventory are all results of assortments with no data input
What’s in it for me?	Early adopters get a cutting edge assortment and are rewarded for “buying the trend”	Designers can test ideas early in the process and have more certainty with the products they bring to market	Retailers receive actionable projections on new products before wholesale purchases are finalized

Apparel assortment is \$15 billion opportunity



Note: All margins are estimates of industry gross margin averages, Includes online sales, Diagram is not to scale

Source: The NPD Group, "Men's and Women's Apparel Trends," May 2014, Booz and Co. "Merchandise Strategies to Improve Apparel Margins," 2007

Our advanced analytics enable apparel pre-sales

Previous pre-sales models have failed	Avenue One analytics overcome these challenges	Pre-sales can inform assortment decisions
Sample size requirements increase testing costs <ul style="list-style-type: none">Traffic required to generate 30 sales is substantial	New analytics reduce sample size requires <ul style="list-style-type: none">Individual-level modelsStochastic variables and probabilistic modeling improves accuracy	Initial sales are the best predictor for SKU success <ul style="list-style-type: none">Avenue One can estimate demand with 3-5 items per SKU
Sample customers are not representative <ul style="list-style-type: none">Difficult to randomize sample customers	Curated membership allows bias correction <ul style="list-style-type: none">Membership allows only representative consumersSamples can be adjusted in real-time to fit targets	Members are weighted to be representative <ul style="list-style-type: none">Avenue One has detailed demographic information on all members
Seasonality and sizes <ul style="list-style-type: none">Difficult to sell products 3-4 months pre-seasonRange of apparel sizes means large numbers of samples are required	Online testing expands sample reach <ul style="list-style-type: none">Website optimized for browsing rather than conversion allows close observation of behaviorNationwide sample	Products can be targeted to individual customers <ul style="list-style-type: none">Avenue One only needs to stock one size per SKUOur membership base is focused on representative early adopters

Analytics sources: “Buy Till You Die – A Walkthrough,” Daniel McCarthy, Edward Wadsworth, 2014; “Counting your Customers the Easy Way: An Alternative to the Pareto/NBD Model,” Peter S. Fader, Bruce G. S. Hardie, Ka Lok Lee, 2005; “The New Science of Retailing: How Analytics are Transforming the Supply Chain and Improving Performance,” 2010

Team includes analytics and retail expertise



Jincheng Cao

Responsibilities:

- Lead development of the e-commerce site and experience
- Front-end design

Background:

- Penn graduate student studying Computer and Information Technology



Pietro Lomazzi

Responsibilities:

- Sales and customer management
- Finance and operations

Background:

- Wharton MBA
- Investment manager at Noventi Ventures
- Business development



David Sun

Responsibilities:

- Lead data sciences
- Manage back-end development and data analysis tools

Background:

- Penn Ph.D. candidate in electrical engineering and computer science



Harrison Xue

Responsibilities:

- Product development and user acquisition
- Growth strategy

Background:

- Wharton MBA
- Consultant at the Boston Consulting Group with focus in consumer and retail

Analytics are based on the work of: Professor Peter Fader (Wharton), Professor Marshall Fisher (Wharton)

With successful pilot in 6 months, raising \$300k

6-month milestones to test product viability

- 1 **Minimum viable product**: Build membership-based e-commerce platform and process for core analysis
- 2 **Pilot customers base**: Sign up 5-10 designers and 10-15 retailers to test products
- 3 **Critical mass of users**: Grow membership base to 5,000-10,000 active shoppers in target demographics
- 4 **Product introduction**: Identify most promising prioritized product/channel opportunities from site data
- 5 **Validation and assessment**: Collaborate with initial designers and retailers to sell prioritized products. Begin iterative cycle of evaluating results, refining analytics, and developing new analysis to test.

Seed investment to scale

\$300K investment

\$250K to drive website membership:
User base growth needed to keep up with increasing volume of test SKUs

\$50K for technology development:
Refinement and automation of processes and algorithms needed when there is scale