

PE▲K6®

**POKER
POWER**

Case Study

2020 Operator Boot Camp

History & Mission

POKER POWHER is a Chicago based company whose goal is to teach one million women to play poker. By doing so, women and girls will be empowered to use the poker skills of risk-taking, discipline, capital allocation and confidence to #FlipTheTable.

Founded by Jennifer Just in 2019, POKER POWHER began as a grass roots initiative to teach high school girls a game that would become a game changer. Jenny is the co-founder of PEAK6, a leading fintech company headquartered in the Chicago Board of Trade. PEAK6 businesses include options trading, security clearing and custody, flood insurance and esports among other investments. Through operational efficiency and technology solutions, PEAK6 is in the business of what ought to be.



Current State

POKER POWHER has a unique position in the poker landscape as it is both female- and education-focused. Members do not play with real money and there is no gambling. The POKER POWHER branding and market position are a counterpoint to the stereotypical poker room/poker app experience. Joining as an individual is free and, since Covid-19, all lessons are taught by a live teacher over ZOOM. There are countless methods to learn poker (YouTube videos, private lessons, online seminars) but none are devoted to taking a novice player from beginner to advanced via an interactive, female-friendly curriculum and non-intimidating user experience.

Membership Model

With nearly 600 members, staff, volunteers and teachers, POKER POWHER's 50+ clubs currently operate in 15 states and encompass high school, college and adult women ages 14 to 70+ years.

Individual Membership

1. Members sign-up for a club as individuals or groups (corporate, friends, family, etc.) on the POKERPOWHER.COM website
 - a. Individuals join POKER POWHER at \$0 cost
2. Live expert teachers deliver a series of proprietary poker lessons using PowerPoint, ZOOM and interactive game play on the Pokerrrr 2 app (third-party app)
3. Members commit to a sequentially more advanced lesson plan of 4, 8 or 12 weekly sessions (75 minutes each) upon signing up
4. Members are encouraged to participate in the daily POKER POWHER tournaments held on the Pokerrrr 2 app
5. All lessons are delivered via a live teacher on ZOOM plus game play on the Pokerrrr 2 app

Corporate Membership

1. Event is delivered via a live teacher on ZOOM plus game play on the Pokerrrr2 app
2. Includes an introductory two-hour initial session featuring founder Jenny Just and a poker-playing guest speaker who links poker skills to real life success stories
3. Includes an accelerated lesson and app play experience.
4. Fees start at \$50/attendee.
5. Companies can bundle the cost of the initial session with weekly lessons (4-8-12) for an additional minimum of \$25/attendee.
6. Large corporate events (100+ attendees) receive flat pricing starting at \$5,000 and scale upward based upon the number of attendees/sessions (4 to 12 weeks).

Competitive Landscape

There are no direct competitors to POKER POWHER. There are female-focused poker seminars/lessons/affiliate groups offered by various established players in the space including WPT, WPA and WSOP. Poker Divas, a NYC based company, targets the corporate audience with in-person, one-time poker events which focus on a similar message of leadership, empowerment and team building.

POKER POWHER holds a first-mover advantage due to its club model approach, proprietary curriculum and bespoke app which is in development with a beta target date of December 2020. This app will revolutionize how women are introduced to the game of poker and serve as the hub for the POKER POWHER community.

Recruitment of new members occurs by word of mouth, corporate events and a college brand ambassador program. To date, POKER POWHER has not done any marketing or advertising campaigns. Our diverse network brings us confidence that, when we are ready to scale, POKER POWHER can gain unpaid media exposure to a national audience via various platforms including national TV, social media and print.

Team

The current team consists of six people: Jenny Just, Founder; Erin Lydon, Strategic Advisor; Joe Maloney, Head of Product Design (FTE); AJ Rudolph, Program Manager (FTE); Corporate and Technology; Lauren Fay, Program Manager (FTE), Clubs and Communications; and Cindy Luu, Admin (PT). Additionally, several independent contractors work with POKER POWHER including Sarah Stefan, Program Manager, Education, and a team of eight poker experts who teach the Clubs.

COVID-19 Pivot and Revised Curriculum

POKER POWHER initially delivered its curriculum via an in-person, teacher-led club model across the USA. When Covid-19 hit, in March 2020, POKER POWHER pivoted to a virtual club model which included live teacher instruction via ZOOM coupled with interactive app play on the Pokerrrr 2 app (a third-party provider). Teachers held weekly 75 - 90-minute club sessions scheduled at the members' convenience with no limit to the number of classes.

By June 2020, teachers began to notice a retention issue with members, with some clubs dropping from active participation levels of 7-9 members down to two or three. Surveys were sent to gauge interest/feedback with limited and inconclusive response rates and results. Anecdotally, POKER POWHER learned from some members that they felt:

- Burned out on poker
- Meeting cadence is too frequent
- Exhaustion from Covid-19 / ZOOM
- Interference from summer distractions
- Waning interest in POKER POWHER

To respond to these concerns and to add parameters to the curriculum delivery, POKER POWHER implemented a new lesson model in July 2020. The revised curriculum seeks to solve several issues and is defined as follows:

- Curriculum provides a progressive model where a member can start with an initial four lesson weekly plan and continue through all 12 lessons based upon interest level
- Upon completion of 12 lessons, members can participate in 'Advanced' weekly teacher-led instruction
- Helps with limited teacher pool (7) and bandwidth (teachers can now roll off one club and start another). Most teachers hold full-time jobs and teach POKER POWHER as side work. Teachers are paid \$50 per club session taught
- The 4-8-12 week lesson curriculum better matches interest / time constraints of members

POKER POWHER CURRICULUM

The revised Curriculum is marketed as follows:

Basics - 4 Week Course, 4 ONE HOUR Lessons

Upon completion of this course, members will have basic poker knowledge that allows them to sit and play at a poker table with confidence.

Breakthroughs - 8 Week Course, 8 ONE HOUR Lessons

Upon completion of this course, members will have intermediate poker knowledge. This includes a solid understanding of strategic gameplay moves, hand selection approaches, as well as an introduction to poker math and probability.

Brilliance - 12 Week Course, 12 ONE HOUR Lessons

Upon completion of this course, members will have complex poker knowledge. This includes strategies around logical decision making, advanced betting and raising techniques, and an introduction to pot odds and mathematical decision-making processes.

In addition, POKER POWHER also increased its daily in-app tournament play to 7 days / week. These non-teacher led tourneys provide additional poker practice and interaction for our members in a private game setting.

Current Financial State of Company

POKER POWHER incorporated in June 2020 and PEAK6 owns 100%. Prior to incorporation, POKER POWHER was run by part-time employees as a marketing program within PEAK6 without a separate budget allocation.

Current & Projected Expenses Break Down as Follows:

- 60% Headcount (FTEs, ICs)
- 15% Teachers
- 15% Technology (app development)*
- 8% Marketing and curriculum (website, messaging platform, guest speakers, content/videos)
- 2% Shared services (legal, HR, finance, etc.)

The POKER POWHER app is being developed using third party source code and outsourced developers. The beta version will seek to provide a branded, educational experience that changes the landscape of learning and playing online. App development is costly and time-consuming.

*Projected 2020 costs are \$200,000 for development, feature and functionality enhancements and beta roll-out. Projected 2021 costs are \$250,000 including further feature and functionality upgrades and maintenance.

Costs may be off-set by follow-on licensing, plus in-game microtransactions, ad sales and sponsorship; however, a critical mass of users is required to attract significant partners.

Current & Projected 2020-21 Revenues:

Current revenues are essentially zero.

Corporate events and lessons: \$1,000 - \$15,000 per event (5 paid events budgeted for 2020; 20 events projected for 2021)

One-on-one Teacher Lessons for club members: \$500 (2020); \$5,000 (2021). One-on-One lessons are available for \$50 each or a bundle of 3 lessons for \$100.

App sponsorships/ad sales: \$100,000 (2021). Top sponsors will have access to branding on the app, POKER POWHER's website, and in curriculum materials. Ad sales can be incorporated into the app.

In-app purchases: \$10,000 (2021). No in-app purchases currently exist. In-app purchases in other poker apps include GIFs, memes, avatars, and the ability to pay for more poker chips.

Merchandise: \$5,000 (2021). The best source of purchasers is POKER POWHER's member database. POKER POWHER's website does not yet have a storefront.

Future Vision of the Company 2021+

POKER POWHER's long-term mission is to teach one million women how to play poker. The mission is delivered via an interactive, virtual club model using a proprietary curriculum and app play. POKER POWHER believes that by learning the skills of poker, women gain critical skills needed to succeed in school, work and life. These include strategic thinking, risk assessment, discipline, capital allocation, resilience and confidence.

In 2019 and 2020, the organization focused on refining the business model, recruiting members by word of mouth, shifting from a part-time staff to FTEs, and developing a bespoke poker app focused on education, wrapped within a female-friendly user interface. With the club model and staff in place, the company is well positioned to scale in 2021 with a focus on providing paid corporate events, participating at major conferences, continued member recruiting, and increased marketing and social media campaigns to scale.

Further the new app will enable POKER POWHER to build a platform for a community of members, teachers and fans. For many, the POKER POWHER app will be their first experience with playing poker. Thus, this app will be a "sticky" download, which will be attractive for sponsors and advertisers looking to cross promote their brands with POKER POWHER and increase customer engagement and acquisition.

With the late 2020 roll-out of the app, POKER POWHER can seek licensees for the technology, host gender-neutral private games separate from the core member clubs, conduct learning sessions and build a competitive interface with leaderboards, prizes and recognition for tourney wins and successive lesson completion. The predominantly female, educated and middle class+ demographic will be highly attractive to advertisers, sponsors and established poker/gaming companies. Lastly, as the gambling regulations continue to shift state-by-state in America, monetization from betting is another viable path to profitability. The roll-out and transition to the POKER POWHER app is a key component of scaling.

Additionally, POKER POWHER plans to form an Advisory Board and develop video content with A-list names from the poker world.

Problems to be Solved

The company has a number of problems to solve as we approach 2021. Two priorities that we believe the app will help solve are:

1. Increased conversion of potential Club members from website intake to active membership as well as club member retention once lessons are completed.
2. Increased revenues to support operating expenses.

Challenges to Scaling

At its core, POKER POWHER is an organization that delivers free poker education to girls and women. That mission must exist within a shifting focus to revenue generation to support increasing operating expenses. There is tension between these two priorities. POKER POWHER is on track to accomplish the following in late 2020 / early 2021;

- App development and beta roll-out
- Teacher pool increase from 7 to 20 ICs
- Nationwide marketing
- Increase in membership from 500 to 5000
- Merchandise sales / develop website store

Goal of the Case Study Project

Put yourself in the shoes of the POKER POWHER team. POKER POWHER's goal is to attract a user base of one million women. Create a strategy, focused on the app, to help POKER POWHER reach this goal and to maintain user engagement in the years to come.

Things to Consider:

- What would you do over the next 6 months to put POKER POWHER in the best position to scale membership by 100x, then 1000x and increase revenues?
- Upon analysis, what inherent problems do you forecast with the proposed model?
- Which markets would you focus on? Corporate, high school, college, all or another?
- How would you prioritize 2021/2022 spend?
- What are your membership projections over 1, 3 and 5 years? What are the impediments to growth?
- POKER POWHER is designed for women; who will be allowed to join the platform? Only women? Only club members? How will this be verified? What other privacy/safe-space issues need to be contemplated in the app?
- After playing on the P2 app, and experiencing its pros and cons, design the 'table' page for the POKER POWHER app? What features/functionalities should be prioritized beta?
- Will there be separate poker portals for any gender? Will poker lessons have co-ed enrollment or is it limited to women only? What are the trade-offs?
- At what point should POKER POWHER monetize the app? At Beta? In 6 months? When critical mass has been reached? Why?
- As POKER POWHER grows, should it consider entry into additional verticals? Other poker games, bingo, other casino games, etc.? Do those games align with the mission? What economies of scale can be realized? Should POKER POWHER support 'real money' games as the U.S. gambling restrictions shift?
- How will POKER POWHER measure its growth? What should POKER POWHER do if at the end of 2021, there are fewer than 5000 members?

Resources

POKER POWHER Resources

Lauren Fay (lauren@pokerpowher.com), AJ Rudolph (aj@pokerpowher.com), and Erin Lydon (erin@pokerpowher.com) can be contacted for any specific questions about POKER POWHER. Please ensure that all questions are well-developed prior to sending. Please send emails to all three resources so that the most appropriate one answers your questions.

PEAK6 Subject Matter Expert Resources

Anthony DeBenny (Finance), Zach Kamran (Technology), and Tracy Jackson (Marketing and Strategy Development) have all set aside some time to answer questions you might have. Groups should have questions prepared prior to meeting with Anthony, Zach, or Tracy. Their availability is listed below:

Anthony DeBenny (adebenny@peak6.com) is available to answer finance-related questions on:

- Wednesday, August 19th between 1:30 PM - 2:30 PM CST
- Thursday, August 20th between 1:00 PM - 2:00 PM CST

Zach Kamran (zach@evilgeniuses.com) is available to answer tech-related questions on:

- Wednesday, August 19th between 10:00 AM - 11:00 AM CST
- Thursday, August 20th between 12:00 noon - 1:00 PM CST

Tracy Jackson (tjackson@peak6.com) is available to answer marketing or strategic development questions on:

- Wednesday, August 19th between 1:30 PM - 2:30 PM CST
- Thursday, August 20th between 2:00 PM - 3:00 PM CST

To schedule time with the PEAK6 Subject Matter Experts, please send them an email to confirm availability; upon confirmation please schedule a Zoom of 30 minutes or less.

Additional Resources

Abby Gay (agay@peak6.com), Connor Coughlin (ccoughlin@apexclearing.com), Swapan Dighe (sdighe@apexclearing.com), and Liam Foley (lfoley@apexclearing.com) are all available to provide advice and answer any questions about the case.