Armoire Virtual Closet Startup Pitch

Group start-up project: We began by each bringing a few ideas to the table, having interviewed different audiences before deciding what to focus on. We agreed to create a business around a virtual fashion assistant app because we thought there would be high demand in the millennial demographic with rising purchasing power. Online clothing purchases are becoming more popular but fit and color are often not what consumers expect. With high reverse logistics costs, brands and consumers could both save money if they were able to better collaborate on clothing and fit. We conducted a Qualtrics survey to find out more and create our problem statement.

Problem Statement

     a. People have a hard time finding clothes that fit
     b. People don't know what their wardrobes need (filling in the holes)
     c. People don't know how to wear new styles based on what they already have
     d. People waste closet space with clothes they never wear
     e. People don't have an easy way to share their style/closet

The main sources of the pain are impulse buys, fashion ineptitude, not having their wardrobe on a digital platform, getting clothing this not true to size, and inability to share wardrobes. These sources of pain can be linked to both practical and social issues, people want to be able to shop efficiently, with style, while sharing wardrobe on a social media level. The main people that are experiencing these problems are those that need a more efficient and cost-effective way of shopping.

Generally, these problems are spread across a wide demographic of income levels, but more centered around ages 16-32. Today, people currently deal with these problems by browsing online, communicating with peers, brick and mortar shopping, and word of mouth.

Target Customer Profile

Our target market is both male and females aged 18-26. Around this age, people start to buy their own clothing to expand their wardrobe. Early adopters would be most likely college students or post-grad individuals looking to save both time and money on their shopping for clothing. People in this target market will not have a large disposable income, and will require their shopping to be effective and efficient. In this segment, individuals are highly social and often look to peers for buying decisions. Our solution is designed to incorporate a social aspect that connects users with each other to crowdsource purchasing decisions. Competitors such as Stitch Fix target a variety of audiences, but mainly target millennial buyers. These services are often premium services and target customers with money to spend.

Current/Similar Products or Services

Our product has similar aspects to other competitors, specifically a digital catalogue of your current wardrobe is available in many current apps. Many applications have a "stylist" component in which you can receive advice from style experts. We believe we're entering an existing market but have a product with new services. However, we've found that there are little to no social sharing

aspects from our competitors. We differentiate ourselves because of the social components of our application, having the ability to rate new trends and share clothing with your friends. WISHI, Stitch Fix, Stylebook, Glamoutfit, YourApparel

Key Solution Features

    a. An online platform that digitizes your wardrobe onto a mobile device
    b. A social media aspect that allows you to share your clothes with your friends
    c. Automatic wardrobe updates when shopping with partnered retailers
    d. A retail aspect that allows clothing companies to suggest clothes to fill "holes" in   your wardrobe
    e. An expert aspect that suggests new styles
    f. A ranking system that allows the public to rank items based on popularity, fit, material, style, etc.
    g. Ability to donate unwanted wardrobe items to charities
    h. Virtually try on clothing without going to the store
    i. Ability to sell clothes and pitch ideas to compete with / work with larger retailers

We then set out to collect market information and interview our target demographic:

Interviews

1. Kate (22) Student - Female
2/19/17 - Phone
Kate said that she has a lot of clothing from various brands and that her closet is constantly full. She often holds onto items for years on end and finds herself not using everything that she owns. Recently within the past 6 months she went through her entire closet in an effort to consolidate and threw away any article of clothing that she felt she had no emotional attachment to. She said that she has heard of other applications for iOS that do similar things (Glamoutfit, yourapparelapp) and wouldn't be surprised of current competitors, yet she still does not use one. Kate said that if the UI was outfit in a stream less engaging way that had her constantly coming back she would be likely to use and pay for it. $2 for app download said she would not be likely to pay for stylist service.

2. Cameron (21) Student - Male
2/19/17 - Phone
Price was the biggest determining factor for Cameron. He said, "I would be inclined for someone to pick a new outfit for me every day and send it to me monthly." Cameron said that he doesn't update his wardrobe that regularly because he doesn't have excess cash to spend on clothes. Said it would be nice to have outfits picked out for him but with his current wardrobe he doesn't know how many combinations it could yield and having a stylist recommend new clothes he wouldn't be able to buy, he didn't see the utility. Believes "people have a high confidence in their own ability."

3. Jim, 24, Male, Law Student
February 20th, Phone
I chose to interview Jim because he, along with his fellow students, must be able to dress well as they move on to the professional field of law. I figured that he would be a solid candidate because a younger, more technologically adept generation would likely be the early adopters. Jim thought this product was a great and idea and that he had been looking for something like this. Although he considers himself fashionable, a virtual fashion assistant could be a great help to people his age who

struggle with style. Although he loved the idea of the product, he shed some light about how some people might not care enough or want to take the time to use this application to help dress. His current solution is browsing websites and fashion blogs in search of answers to all of his fashion questions. Jim thought that the virtual reality aspect was a smart idea and would save him the hassle of going to stores to try things on.

4. Matt, 32, Male, Business Professional
February 20th, Phone
I chose to interview Matt because I was looking for a perspective that was slightly older than the millennial to see if there was any value to them. Matt enjoyed the idea and thought it would be useful for him. He currently does not pay too much attention to fashion and thought this would be an easy and cool way for him to do so. With the idea itself, his concern was dealing with finding a large enough audience to use the platform, but he believed that millennials would definitely be the early adopter/main users. All in all, Matt liked the idea and would consider using it if it was a simple platform that did not require too much work. He also thought the virtual reality aspect of the idea was cool and useful, but was less interested in this aspect.

5. Suzannah, 21, Female, Hotel Intern
February 19th, phone
I chose to interview Suzannah because I know she is a taller girl who often needs to buy custom clothes and shoes to fit. One of her biggest complaints with how she buys clothes is that sizes for women (0, 2, 4, small, medium, etc) are not universal and will vary greatly depending on brands (vanity sizing). She wishes that there is an easier way to crowdsource information on the fit, as she has had pretty good luck averaging ratings online when shopping. Also when she finds something she likes she will often buy different colors of the same designs because she doesn't know when she'll come across the fit again. She was excited to hear about our solution and thinks that there is big potential in the idea but she was initially confused by the project scope--she recommended that we focus in more on a few main points we want to address.

6. Sara, 32, Female, Salesperson
February 15th, Cincinnati
I chose to interview Sara because she is a business professional and in the target demographic that we hypothesized would have these consumer pain points. We talked about the difficulties she faced tackling her wardrobe, as she works in business casual attire five days a week. Because she has an outlet mall nearby (one of her favorite places to shop is J Crew), she will often walk into the brick and mortar store to check the fit of a particular garment and buy it online, where there are usually more selections available as well as online deals. She says that she's on the skinny side with broader shoulders so sometimes it's harder for her to find a fit, even though she's considered a "small" in most brands. She thinks the idea could take more refining but is excited about the individualized and social elements to our solution.

7. Maddy, 22, Female, Student
February 18th, In Person
I chose to interview Maddy because she is the president of the Miami fashion club. I thought she would provide some valuable insight from a fashionably knowledgeable point of view. In addition, she fits the target market for our product. Maddy said that often that girls, especially those that love to shop, like to show off their new clothes to their friends and like their friends input on what they buy.

8. Adam, 27, Male, Consultant

February 18th, Phone
As a young business professional in a major city, I thought Adam would offer a different viewpoint than Miami students. When I asked Adam about how he likes to shop for clothes, he says that he tries to buy top brands, but often finds himself buying the same type of clothing from the same retailers. He noted that he has tried Trunk Club in the hopes of finding new styles of clothing to wear.

9. Dara, 21, Female, Student
I chose Dara to interview because she is working for Lbrands post-graduation with Victoria's Secret. In addition, she fits the target market of our intended solution. She says she has a hard time deciding what size of clothing to wear. She also mentioned that she has a hard time deciding what to buy next. I ran our solution past her, and she loved the idea. She noted that it would be used daily with her and her friend group if the solution existed today.

10. Jacob, 21, Male, Student
I chose Jacob to interview because he was also within our target market. Jacob offered critical feedback of the idea, noting that it would be difficult to get users to upload their wardrobe to the service. In addition, he said that it would be really tough to get users for the solution even if it was free to use. He did note however that the solution would be effective in solving his problem of being on a budget while also needing to figure out what to buy next.

We addressed key attributes of our market, channels to market, conversion assumptions, app monetization, and what it would take to build out the minimum viable product (MVP).

Key Attributes of Addressable Market

The target customers for Armoire are people aged 18-26 of both genders. One of the key attributes of this age group is that they will not have much disposable income, which financially drives a cost-effective buying behavior. Our product requires internet access, and in our target group 85% of people have a smartphone and nearly all have access to the internet. Another attribute to consider is that individuals start to buy their own clothes at this age range using their personal money. In addition, this is a transition age for our market's wardrobe, meaning that they need advice on what to buy and have a way of visualizing what they already have.

There are two major reasons that this group was identified as our target customer. First, our research shows that most in this group have a fashion ineptitude, as they are not used to buying clothes on their own. As noted earlier, our target costumer will start to transition the style and clothes they wear around this age. Buying decisions become a hassle, and time is wasted trying to figure out what to buy next. The second and most important reason this group was chosen is that disposable income is low around this age. Through surveying potential customers, we found that this group does not have a lot of money to spend on clothes, and cost efficiency is the main factor in their purchasing decision. Armoire would help our target customer be cost efficient in multiple ways. By visualizing their wardrobe, Armoire both illustrates what is missing in one's wardrobe and ensures that the customer will not waste money buying the same or similar piece of clothing. In addition, our service will provide discounts from retailers based on the holes in the customers' wardrobe. Our target customer is clearly hurting when it comes to both managing and expanding their wardrobe, and Armoire provides a unique solution to solve these issues. The total addressable market for our product is about 32.4 million people, factoring in the attributes of the consumer group we have chosen to target.

Marketing Channels

Because our product is a mobile and online application, we plan on marketing mainly through social media and word of mouth. In addition to this, digital advertising and encouraging a degree of virility associated with the product will help get the word out. Our first step will be to utilize a plethora of social media ads using Instagram primarily, followed by Facebook and Twitter. We believe that it is essential to utilize social media as our target audience are the primary users of social media so it is likely that we will be able to reach a large audience via this method. Through Facebook advertising, you are able to create both Instagram and Facebook ads that can cater to an audience of your choice using their advertisement tools. We are deciding on Facebook because if it's large size and amount of users and Instagram because of the simplicity of having it right there on your mobile device. In addition to this, research shows that that 55% of all 19-28 year olds in the US are using Instagram. That equates to a market size of 29.54 million potential customers solely through Instagram. Advertising on social media is relatively cheap compared to other options, so this will be the most beneficial based on our lack of capital and resources. Also, there is an option for download links in advertisements that will help customers navigate to the app store to download directly.

After our initial round of advertisement, we will be able to use that information to increase the effectiveness of our marketing strategy based on our results and strengths. After the app is downloaded by the customer, we are making a key assumption in that people will show their friends the application, thus enforcing the word of mouth marketing strategy. This strategy has no cost, however there is no guarantee that it will be effective. Our product will be distributed via app stores and will be downloaded by customers there. They will be directed to the app store with links from advertisements and social media posts. We are really focusing our marketing strategy around platforms that our target audience uses on a daily basis in order to reach as many potential customers as possible. All in all, we plan on building significant brand awareness by hitting the social media scene hard and getting our application out there for our target audience to see.

Conversion Assumptions

We identified important action items in our freemium model that paying customers would have to take. Firstly, we must make people aware of our app. Through marketing we will include a call to action, funneling people to some sort of landing page that ultimately leads to viewing our application from the device's app store. We also expect traffic to come from app store searches. The next step is downloading the application and registering an account - to make this step easier, we plan to incorporate a Facebook account login option, which would let users easily transfer their basic information without worrying about the app posting on their behalf. Here the users will get a chance to test out our product, and will have the option to become a paying customer for premium subscription services within the application. Finally, the last point covers churn, or retention (customers who are satisfied with the premium model and are willing to stay). This would also require an effective feedback loop for constant app improvement.

In acquiring users, we will also look at estimates for word of mouth, referral networks, and organic search marketing among paid advertisement strategies. For Facebook advertisements specifically, the average click through rates differ by industry, with 1.24% for apparel. Cost per click in this industry is $.45 per click. Previous research (A/B testing) has shown that app conversion--from app page to download-- differ depending on category, with an average conversion rate of 17.08% for social media and 22.3% for entertainment apps. The average app conversion is around 20%, which we currently estimate our rates to be. For example, 10,000 click throughs (which cost $4,500) convert to 2000 app downloads and registrations. For the freemium model with a moderate conversion rate of 3-5%, 80 become paid users (cost of premium customer conversion $56.25 per person). At $10 a

month for premium services, each paid user brings in $120 a year. In this model each user needs at least 6 months of premium subscription to break even for advertising costs.

Monetization

The monetization plan for Armoire consists of two main sources of income. Cash flow from the consumer side and inflow from the retailer side. Consumers will be able to purchase the Armoire app for free on the app store with features including wardrobe upload, sharing capabilities, and sizing features. Consumers will have the choice to upgrade to premium service, which will include features such as recommended brick and mortar stores based on geographic location, discounted purchases at brick and mortar stores, fashion industry updates/trends, and more personalized targeted clothing from retailers. This freemium model is advantageous because we will be able to attract a lot of customers and generates buzz about the product, and it also serves as a marketing tool.

Retailers will generate revenue for Armoire through two main streams: advertising and transaction fees. Clothing retailers will pay for advertising space and "priority preferencing" for suggesting clothes to consumers (retailers will suggest clothes to fill holes in consumers wardrobes or suggest clothes that they think consumers will like). Another revenue stream from retailers is from brick and mortar purchases. Premium users will be offered discount codes for clothes at neighboring retailer stores, our company will receive a small percentage (transaction fee) of the sale for bringing the consumers into the stores. Through consumer and retail cash flows, Armoire will be able to generate revenue.

Minimum Viable Product

For our MVP we plan on offering the key initial features of Armoire that will help users understand and begin to use Armoire in their everyday lives. Facebook signup integration is integral to the success of Armoire and will help users connect with their friends and begin sharing their wardrobes with each other. Users without Facebook profiles will have the option to sign up via email as well. One of the our key initial features for our users will be the digitization of their clothing. Users will have the ability to upload individual articles from their wardrobe using our search feature and matching system. Users will also be able to upload their own photos from their closet. While users are uploading individual articles of clothing Armoire will ask for specific sizing and measurements and will save all information privately in users profile. Once users have begun filling in their wardrobe they will have the option to start sharing looks and outfits with their friends. Finally participating retailers will have the option to send users promotional discounts to their Armoire account that users can redeem in stores via their mobile device.

Sources:
https://blog.hootsuite.com/instagram-demographics/
http://www.marketingcharts.com/traditional/so-how-many-millennials-are-there-in-the-us-anyway-30401/

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Sources:
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http://www.marketingcharts.com/traditional/so-how-many-millennials-are-there-in-the-us-anyway-30401/

To prepare for Demo Day, we estimated the income statement, balance sheet, and cash flow statement so we could have a rough ballpark to show investors.

Armoire Income Statement

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5		
	12-18 months	3 months	3 months	1 year	1 year		
	Nov-18	Feb-19	May-19	May-20	May-21		
Revenue Projections Assumptions						**3-Year Cash Burn Rate**	**$333,702**
Engagement Metrics						**Ask For:**	**$350,000**
Total Number of Users	1,207	8,623	20,869	519,261	778,892	**Will cover:**	
Market Share*	0.05%	0.40%	0.97%	35.97%	53.96%	App Development Costs	
						Admin. Expenses	
Revenue Streams						Marketing	
Expected number of purchases	9,655	68,987	166,955	4,154,089	6,231,134		
Revenue from purchases	$ 11,296	$ 80,715	$ 195,337	$ 4,860,284	$ 7,290,426		
Revenue from Advertisements	$ -	$ 8,623	$ 20,869	$ 519,261	$ 778,892		
Revenue from Big Data Sales	$ -	$ -	$ -	$ 2,617,076	$ 3,925,614		
Total Revenue	$ 11,296	$ 89,338	$ 216,206	$ 7,996,621	$ 11,994,932		
Expense Assumptions							
Variable							
Total Customer Acquisition Cost	$ 1,979	$ 14,142	$ 34,226	$ 851,588	$ 1,277,382		
App Development	$ 93,900	$ 18,780	$ 18,780	$ 18,780	$ 18,780		
Advertisement	$ 36,000	$ 54,000	$ 81,000	$ 121,500	$ 182,250		
Total Variable Costs	$ 131,879	$ 86,922	$ 134,006	$ 991,868	$ 1,478,412		
Fixed							
Employee Salaries	$ 50,000	$ 62,500	$ 78,125	$ 97,656	$ 122,070		
Rent/Lease Payments	$ -	$ -	$ 20,000	$ 50,000	$ 100,000		
Technology Licensing Fee	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200		
Total Fixed Costs	$ 51,200	$ 63,700	$ 99,325	$ 148,856	$ 223,270		
Total Expenses/Cash Burn Rate	$ 183,079	$ 150,622	$ 233,331	$ 1,140,725	$ 1,701,683		
Gross Margin	$ (120,583)	$ (61,284)	$ (17,124)	$ 6,855,897	$ 10,293,250		
Gross Margin %	-1068%	-69%	-8%	86%	86%		

Armoire Cash Flow Statement

	Year 1 May-18	Year 2 May-19	Year 3 May-20	Year 4 May-21	Year 5 May-22
Cash Flows From Operations					
Operating Income	$ 11,296	$ 89,338	$ 216,206	$ 7,996,621	$ 11,994,932
Expenses	$ 183,079	$ 150,622	$ 233,331	$ 1,140,725	$ 1,701,683
Total Cash Flow From Ops	$ (171,783)	$ (61,284)	$ (17,124)	$ 6,855,897	$ 10,293,250
Cash Flows From Investing					
Asset Worth	$ 93,900	$ 18,780	$ 18,780	$ 18,780	$ 18,780
Other Assets	$ -	$ -	$ 20,000	$ 50,000	$ 100,000
Total Cash Flow From Investing	$ 93,900	$ 18,780	$ 38,780	$ 68,780	$ 118,780
Cash Flows From Financing					
Loans Recievable	$ 350,000	$ -	$ -	$ -	$ -
Loan Payment	$ -	$ -	$ -	$ -	$ 350,000
Total Cash Flow From Financing	$ (350,000.00)	$ -	$ -	$ -	$ 350,000.00
Gross Margins	$ (427,883)	$ (42,504)	$ 21,656	$ 6,924,677	$ 10,762,030

Revenue

Engagement Metrics Inputs	
Total Number of Users YoY Growth Rate:	50%
Total Number of Retailers YoY Growth Rate:	50%
Market Share Growth Rate:	50%

Revenue Streams Assumptions	
Yearly Purchases per User	8
Average Revenue per Sale	$117.00
Transaction Fee	1.00%
Profit per Sale	$1.17
# of Ads seen by User	50
Revenue per Impression	$0.02

Revenue Streams Inputs	
User Data Value	$5.04

Expenses

Expenses Inputs	
Advertising Cost YoY Growth Rate:	50%
Labor Cost YoY Growth Rate:	25%

Expenses Assumptions	
% of Conversion	1.24%
Cost per Acquisition	$1.64
CPM (Cost per 1000 Impressions)	$5.00

Rollout City Market	
Columbus	97,324
Phase 1	
Indianapolis	
Chicago	
Cincinatti	
Total	695,435
Phase 2	
New York City	
Boston	
Pittsburgh	
Washington D.C.	
Baltimore	
Total	1,683,012
Phase 3	
Nationwide	41,875,898

| Market Size	
Ecommerce Sales $	108,175,000
% of Target Market	0
Sales for Target Market	22,229,963

ARMOIRE EXECUTIVE SUMMARY

Company Value Statement

Armoire revolutionizes fashion e-commerce by connecting brands and consumers to deliver a personalized online shopping experience. Our application alleviates the pains of online shopping by providing consumers with real-fit technology, accurate color visuals, and comparative texture quality.

Background: e-Commerce Growth

The growth of e-commerce has tremendously affected retail sales, changing the way companies strategize, market and distribute their products. One industry that has been greatly impacted is the apparel and accessory industry. Today, about 17.2% of all e-commerce sales come from the fashion industry (Statista). The current market is valued at $223 billion and is expected grow 12.2% annually. By 2020, the estimated size of the online apparel and accessory market is expected to reach $355 billion (Statista).

Revenue in the clothes and accessories market
in million U.S. dollars (worldwide)
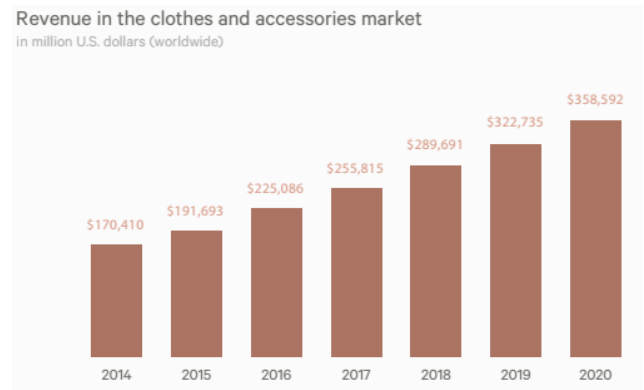
There are three main reasons why e-commerce has become popular. The first is the popularity of mobile devices. Today, consumers can conduct almost all shopping activities from the palms of their hands. People are no longer required to go to physical brick and mortar stores to purchase products and services. Instead, mobile devices offer the flexibility to purchase anytime, anywhere. The second reason is innovative technology. Technology has enabled consumers to browse and compare millions of products, read and write reviews, and explore new brands. Technology has also enabled brands to source material from all over the world and reach audiences on a global level. These factors foster online trade and e-commerce. The third reason is a growing middle class with disposable income. The largest group of consumers, millennials, are now adults with disposable income. On average, a millennial spends over $2,000 annually online shopping (Smith, 2015). Although this demographic is currently lower on the income scale, their total spending is the highest. As the size of the millennial market grows, so will their income levels, which will continue to go toward e-commerce. In order to capitalize on potential future growth, tomorrow's e-commerce fashion and apparel companies must position themselves to leverage technology to address consumer behavior.

Problem Statement

Within e-commerce, there are trust issues between consumers and brands that lead to high return rates and unsatisfied customers. What you see online isn't always what you get. This problem affects both buyers and sellers. High return rates have detrimental financial implications on companies affected.

For customer insights and problem validation, we conducted interviews and brief surveys to narrow the scope of our project. We initially conducted one-on-one interviews with young professionals from mid-twenties to early thirties, finding that a few struggle with overall clothing fit, citing some cons of online shopping. Additionally, we conducted two general surveys that were distributed to Miami University students (inside our target demographic). The first survey was composed of general

consumer complaints we researched related to online clothes-shopping (Adams, 2015). Using this information, we asked participants to choose and rank common problems, giving them room to write a free response about their online shopping experiences. Overall, the discrepancy between online descriptions and in-person features (color, quality, and fit) was cited as the main problem in online shopping, with inaccurate fit being the number one complaint.

(5 being most important, 1 being least)

#	Field	5		4		3		2		1	
1	I'm worried the clothes won't fit (sizing is off, online shopping, etc.)	23.68%	9	28.95%	11	28.95%	11	10.53%	4	7.89%	3
2	I don't know my wardrobe needs (unsure what I need to buy)	0.00%	0	18.42%	7	28.95%	11	26.32%	10	26.32%	10
3	I don't know how to wear new styles (unsure what to buy/try)	18.42%	7	21.05%	8	26.32%	10	21.05%	8	13.16%	5
4	It's hard to share my closet (coordinating with friends, asking for fashion advice)	5.26%	2	7.89%	3	21.05%	8	26.32%	10	39.47%	15
5	I buy clothes I regret or never use (wasted closet space)	13.16%	5	26.32%	10	26.32%	10	23.68%	9	10.53%	4

We conducted a short, follow-up survey that addressed online shopping habits of Miami University students using the same distribution channels (closed Facebook groups and social group platforms). We found that on average our participants shopped for clothing online 35% of the time versus 65% at brick and mortar stores. 91% of participants stated that they would online shop for clothing more often if the common problems identified (inaccurate fit being the biggest problem) was addressed.

Q4 - How often would you say you buy clothing: Page Options ⌄

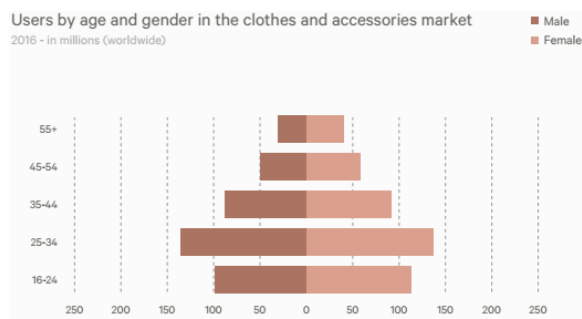| Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
Online	10.00	80.00	35.18	20.75	430.69	22
In Stores	20.00	90.00	64.82	20.75	430.69	22
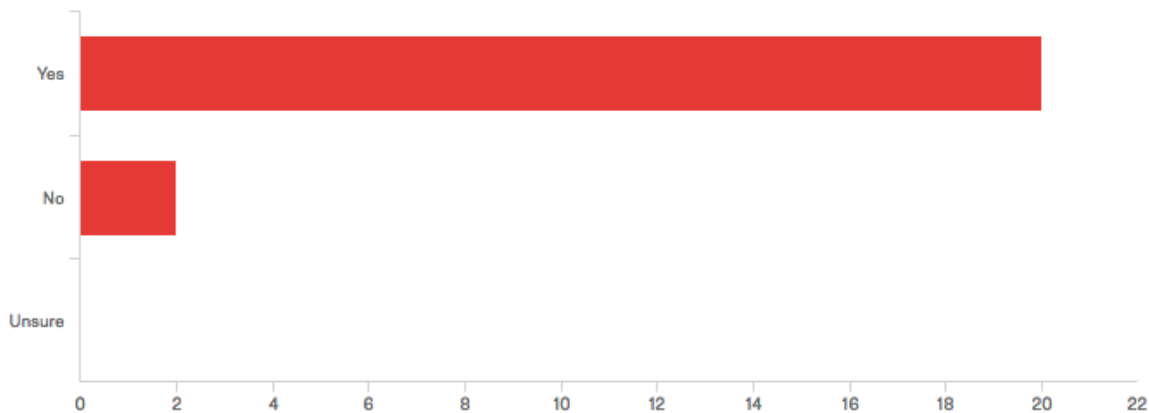
Overall, our research has identified three main problems in online clothes-shopping that lead to high return rates.

1. *Fit*: sizing can be off between brands, clothes don't fit well or the wrong size is ordered
2. *Color*: colors aren't accurately displayed on the online catalog, misleading consumers
3. *Texture*: material is not what the consumer expects

According to a study done by Shopify, consumers often purchase two different sizes of items with the intention of returning one. In fact, on average about 35% of all online clothing purchases are returned, compared to only 10% of brick and mortar purchases (Statista). Clothing companies are financially burdened; on average, if a $40 dollar item is bought, it costs $15 in reverse logistics if returned. If online returns decreased by just 1%, it would increase the bottom lines of companies by half a billion dollars industry-wide.

Addressable Market Size

Armoire targets individuals between 22 and 32 years old. This consumer base will dominate online apparel and accessory markets by the year 2020 (Statista). Nationwide, we have identified 520,000 potential Armoire users.
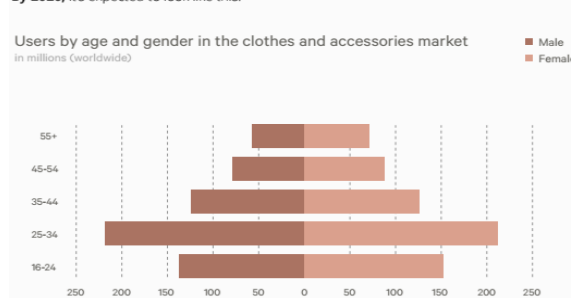
Customer Assumptions

The following are key assumptions about the target market:

1. *Digital Natives*: Armoire's target users have grown up parallel to the rapid development of technology. We assume most, if not all, of our users are digitally-savvy and comfortable using our app. This group also intuitively interact with and adopt emerging technology quickly.
2. *Omnichannel Ecosystem*: the consumer base is familiar with multiple marketing and distribution channels. We assume the majority of our consumers are familiar with e-commerce and difficulties associated with a virtual marketplace compared to brick and mortar shopping.
3. *Personalization*: customers expect brands to connect with them on a more intimate level. We assume people in the market value the experience of personalized shopping beyond being treated as a generic customer.
4. *Social Media*: Our target demographics use popular social media platforms like Pinterest, Facebook, and Instagram to interact with friend groups. We assume consumers will want to share information with their large friend groups in the virtual marketplace, thus leading to effective advertising with a social/viral component.
5. *Connection Beyond POS*: One of the thought leaders we reached out to, Joe Flannery (General Manager of Marmot), emphasized the fact that "Brands need to have a conversation with consumers now more than ever before". In keeping with this growing trend/demand, our platform enables brands to connect with consumers beyond the POS (point of sale).

Key Features

While considering consumer needs, we identified a few core features that will contribute to the success of our application (for readability, these app mock-up images are placed in the back of this document).

1. *Add Wardrobe Function*: current app competitors in the apparel/fashion space require users to add their clothing information by hand: typing the item out in the app, choosing sizes and categories from a drop-down menu, and taking a picture of the product. Our software has three flexible ways to upload a user's closet information: 1) manual searches, 2) online order codes and 3) receipt or item bar-code scans. We anticipate users will upload a minimal amount of clothing (favorites they currently own) with the first option as it takes the most time and effort. However, future uploads will be much more convenient through the second and third upload options. We'll be able to utilize information that already exists in a company's database infrastructure by tracking interactions with an item's SKU, adding value by also tracking the purchase behavior of individual customers on an e-commerce website beyond the initial transaction. This technology is scaleable and can easily be implemented using a website's own database.
2. *Outfit Feature:* we offer a way to curate and customize outfits chosen by the user. Users can create outfits and organize them with custom tags, taking the guess work out of wearing every-day looks. Additionally, this function supports the sharing/social element of the app that has the ability to become vital, as well as the commercial aspect of recommending like-products to people who are more likely to buy them.
3. *Fit Component*: a core feature that addresses a consumer pain point for online apparel shopping is an innovative way to gather body measurements and link them to apparel and accessory products. Our solution uses the principles of photogrammetry, a field that extrapolates 3D measurements from 2-D pictures (Wolf & Dewitt, 2000). Using math and a standard measurement (a sheet of 8.5" x 11" paper) within user pictures, we can interpret

sizes without the bulky process of users measuring and entering numbers themselves. We talked to Tim Brunk, co-founder of Cladwell (an online personal styling service) who stated that a difficulty they faced in addressing the sizing issue was getting users to enter body measurements. This technology would streamline the process, and also be an advantage to quickly updating body measurements during individual weight gain/loss. Additionally, brands have been known to employ vanity sizing (Adams, 2015). in their clothes which creates inconsistent sizing between one brand's "small" and another brand's "small". We can pool together existing crowd-sourced information (Dockerterman, 2017) on sizing to create accurate estimates for a user perusing a clothing item.

4. *Color Component*: a common complaint for online purchases is that the color description is inaccurate. Pictures can often be misleading if they are taken in low lighting or different situations, for example, fluorescent/indoor lighting versus cloudy overcast. Our app eliminates this discrepancy by tracing product coloring to SKU information/manufacturer descriptions on Pantone, a universal color reference (Quito. 2015). Our app can adjust the phone screen to show constant hue/saturation/lighting. Additionally, this feature complements the style component and has potential for item color coordination suggestions and seasonal color picks.

5. *Quality Component*: the final consumer pain point we'll address with Armoire indicates physical clothing properties. There is currently no way to know what an online product feels like short of having it in front of your person. Our unique system will be able to break down item properties and fabric blends to give users a sense of what the clothing feels like, recommending similar clothes that are already in their closets so people can get an immediate, physical sense of the item.

Unique Elements & Entry Barriers

There are a few unique elements that give Armoire a competitive edge. Previous applications like GlamOutfit and Stylebook in the fashion technology space have merely acted like a "virtual closet", relying on users to populate the app as a type of "inventory tracking" activity. This does not take advantage of current, emerging technologies, limiting app growth and making the app irrelevant. Our biggest differentiating factors lie in the ability to place app interaction into a larger social framework:

1. *Real-Time Updates:* we utilize technology for our target demographic of digital natives to provide constant reiterations and feedback loops. The ability to quickly update a user's measurements and closet, as well as the ability to integrate this information with fashion influencers and seasonal trends in a broad context will keep Armoire relevant and useful.

2. *Personalized Experience*: our software features support a personalized shopping experience that uses consumer behavior insights to create niche ads, reaching the target audience with higher click-through rates. Additionally, there is potential to expand content marketing based on user preferences, current seasonal trends, activities within a user's social circle, and endorsement from bloggers, celebrities, and fashion influencers.

3. *Social Engagement*: Armoire will have the ability to integrate with social media platforms such as Pinterest, Facebook, and Instagram, bringing in existing relationship circles and adding an important social, viral component with the potential for exponential growth.

4. *Product Network*: a unique feature the app provides is the ability to place consumer purchases into social behavioral context. Currently, there is no effective way to track an item's use after its initial purchase. Our app can provide an ongoing conversation between consumers and brands; valuable insights into the way an individual interacts with a brand, its products, and related products.

While considering barriers to entry, Armoire's advantage lies in its combination of emerging technology and human relationships. The application offers a set of solutions that solve common consumer pain points related to online clothes shopping in a way that has never been done before.

We intend to pull together a talented team of engineers, UI/UX designers and researchers, and professionals with business acumen in the apparel and e-commerce industry. We will build relationships with people from diverse backgrounds: brand loyal customers, brands themselves, retailers, fashion influencers, and public figures, connecting them all in a social space between fashion and technology. While there is no specific barrier to entry, (intellectual property, exclusive rights, etc.) once Armoire gains momentum, our level of exposure, social resources, and overall business framework will be very difficult to replicate. Furthermore, exclusive partnerships between brands and retailers popular to our target demographic can be negotiated. In this current economic climate of increasing e-commerce and technology acceptance, it is an idea time to launch our application solution

Rollout Plan

For our 3-5-year rollout plan, we've broken down the necessary stages into 5 major steps. First, we plan to spend 12-18 months developing an initial application that will roll out to an initial test market. We will conduct potential customer interviews and get constant feedback while developing the app to ensure we accommodate user needs. After we develop an initial prototype, we will roll out to our first test city, Columbus. Columbus fits our demographics with a locally diverse population. We feel it's important to utilize a city close to home where we can have ample conversations with potential customers about the pros and cons of Armoire during the test phase.

After our initial proof of concept, we will spend 2-4 months refining and continuing app development in preparation for the next phase. We will target 3 more cities to reach a wider addressable market and further our proof of concept, gathering important key metrics along the way. We will target Chicago, Cincinnati, and Indianapolis as these cities also have our key demographics and are relatively close to home. With rollout in three more cities, we'll be able to reach more users. We calculate that we'll be able to convert just under 9,000 users with this next phase. This allows more customer feedback to further refine our application before reaching the next phase and eventual nationwide rollout.

Our fourth rollout stage will reach a much more sizable market that includes 5 more cities: New York, Baltimore, Boston, Washington D.C., and Pittsburgh. Again, these cities fit our mold for our ideal target customer and together have a very large addressable market. With this rollout, we will convert an estimated 22,000 customers to users. With such a large audience, we will have a wide range of customers to receive feedback from to solidify our application and work out features/bugs. Finally, the fifth step will be a nationwide rollout. After testing in 9 cities, we are confident our application will be in its best working condition. With the nationwide rollout, we will convert roughly 520,000 users. Many of these steps will include costs associated with marketing. Because this will be a large majority of the cost we will incur during the rollout phase, we are much less limited in a nationwide campaign. With

this rollout plan in place, Armoire will be able to reach and convert a very large customer base in a short period of time, achieving a large revenue growth phase after phase.

Monetization

We plan to focus revenues around 3 major points: data selling, transaction fees, and advertising. With these three major revenue points, we'll be able to maximize our growth by creating multiple income streams. Data selling will be one of our biggest revenue streams. Companies value insights gathered around key metrics about their customers, purchasing habits, and other information that can impact their operations. We will gather data on clothing sizes, customer demographics, and online shopping habits. According to our phone call with Joe Flannery, these are areas in which brands are interested in gathering data and insights. With our large total addressable market, we'll be able to monetize our data and keep steady revenue streams.
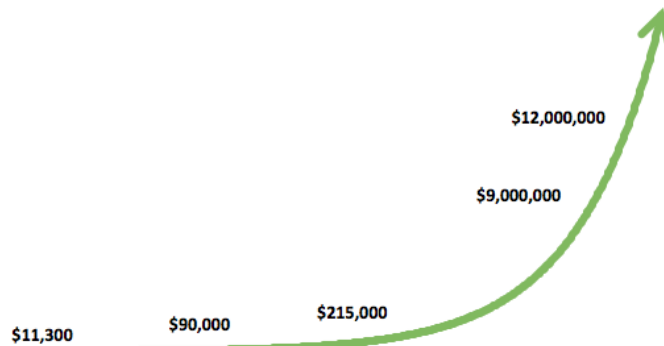
In addition to data sales, we'll charge transaction fees when customers make purchases through Armoire. For each purchase a customer makes, we'll take a small percentage of the transaction. As we scale and increase our customer base, our number of transactions will increase proportionally. This will become a reliable stream of revenue, as we will increase users and items available for purchase. We will also collect revenue from advertising, as companies will pay us to promote their clothing. Being able to place sponsored clothing above the rest will attract companies to continue to place advertisements on our application and increase their need to be involved with Armoire. With the combination of data sales, transaction fees, and advertising revenue, Armoire will achieve three ongoing consistent revenues streams that enable company growth.

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