



# Armoire

Perfect Fit Everytime

## Executive Summary

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



# eCommerce Growth

The growth of e-commerce has changed the way companies strategize, market and distribute products. One industry 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).

1. Mobile devices allow consumers to conduct almost all shopping activities from the palms of their hands. People are no longer required to go to physical brick and mortar stores. Mobile devices offer the flexibility to purchase anytime, anywhere.
2. Technology has enabled consumers to browse and compare millions of products, read and write reviews, and explore new brands. Brands can source material from all over the world and reach audiences on a global level, fostering online trade and e-commerce.
3. There is a growing middle class with disposable income. Millennials, the largest group of consumers, spend on average \$2,000 a year shopping online (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 drive e-commerce. **In order to capitalize on potential future growth, tomorrow's e-commerce fashion and apparel companies must leverage technology to address consumer behavior.**

# Problem Statement

In e-commerce, trust issues between consumers and brands lead to high return rates and frustration. What you see online isn't always what you get. This problem affects both buyers and sellers, wasting time and money on both sides.

To validate the problem and generate customer insights, we distributed online surveys and conducted one-on-one interviews with young professionals (mid twenties to thirties) in our target demographic. Our results showed 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.**

Using social platforms to source responses to our follow-up survey, 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 were addressed.

We 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. Online clothing returns average to **35% of purchases, 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.**

# Target Market

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 users.**



# Customer Assumptions

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 interacts with and adopts emerging technology quickly.
2. **Omni-channel Ecosystem:** we assume the consumer base is familiar with multiple marketing and distribution channels and the difficulties of e-commerce 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 (Point of Sale):** 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.

# Solution

## Key Features

We identified a few core features that will contribute to the success of our application.

1. **Add Wardrobe Function:** current competitors require users to add clothes manually (type out item, choose size/categories and take picture). We have three flexible ways to upload a user's closet information: 1) manual searches, 2) online order codes and 3) receipt/item bar-code scans. We anticipate users will upload a minimal amount of clothing with the first option as it is the most tedious. However, future uploads will be more convenient using the latter two options. We can track interactions with an item's SKU (Stock Keeping Unit) and track purchase behavior beyond the initial transaction. This technology is scalable and can easily be implemented on existing database structures.
2. **Outfit Function:** 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. This function supports social interactions as well as commercialization for recommending like-products to people likely to buy them.
3. **Fit Function:** we address the key consumer pain point in an innovative way by gathering body measurements and linking them to apparel and accessory products. Our solution uses 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. This technology would streamline the sizing process and be advantageous 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 Function:** pictures can often be inaccurate depending on the lighting, for example, images taken in 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 realistic hues, saturation, and lighting. This feature also has potential for item color coordination suggestions and seasonal color picks related to outfits.
5. **Quality Function:** there is currently no way to know what an online product feels like short of having a similar one in front of you. 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 material they already own so people can get an immediate, physical sense of the item.



# Unique Elements and Barriers to Entry

A few unique elements give us a competitive edge. Previous apps like GlamOutfit and Stylebook in the fashion tech space have merely acted like a “virtual closet”, relying on users to populate the app as a type of tracking activity. **This does not take advantage of current, emerging technologies, limiting app growth and relevancy.** 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. 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 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.** We offer a set of solutions that solve common consumer pain points related to online clothes shopping in an innovative new way. We intend to pull together a talented team of engineers, interaction designers and researchers, and business professionals. We will build relationships with diverse stakeholders:

# Rollout Plan

Three to Five Year Rollout	
12 - 18 Months	1. Development
3 Months	2. Local Rollout (Columbus, OH)
3 Months	3. Target Midwest Cities (+3)
1 Year	4. Target Populated Cities (+5)
1 Year	5. Nationwide Rollout

For our three-to-five year rollout, we’ve broken down five major steps. First, we plan to spend 12-18 months developing an initial app that will roll out to a test market. We will conduct customer interviews and get constant feedback during development to ensure we accommodate user needs. After we develop a 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 about three months refining and continuing app development in preparation for the next phase. **We will target three 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.

Our fourth rollout stage will reach a much more sizable market that includes five more cities: New York, Baltimore, Boston, Washington D.C., and Pittsburgh. With this rollout, we will convert an estimated 22,000 customers to users. 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, we are confident our app 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 rollout, we are much less limited in a nationwide campaign.





# Monetization

We plan to focus revenues around three major avenues:

- Data Selling
- Transaction Fees
- Advertising

With these three major revenue points, we can maximize our growth by creating multiple income streams. Data selling will be our biggest source of revenue. Companies value insights gathered around key metrics related to their customers, purchasing habits, and other information that can impact their operations. To balance our users’ privacy concerns, we will implement transparent opt-in data practices, anonymize detailed user behavior patterns, and provide insight into general and regional trends to brands. 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 attract more users and increase the number of items available for purchase.

We will also collect revenue from advertising through companies that wish to promote their clothing on our app, providing them a space to sponsor products above the rest of the app content. This exposure and product feedback based on interest/conversions will benefit the brand. With the combination of data sales, transaction fees, and advertising revenue, Armoire will achieve three ongoing consistent revenues streams that enable company growth.

# Financials

## Revenue

Engagement Metrics Inputs	
Total # Users YoY Growth:	50%
Total # Retailers YoY Growth:	50%
Market Share Growth:	50%

Revenue Streams Assumptions	
User Purchases Per Year	8
Avg. 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	
Ad Cost YoY Growth:	50%
Labor Cost YoY Growth:	25%

Expenses Assumptions	
% of Conversion	1.24%
Cost per Acquisition	\$1.64
CPM (Cost/1k Impressions)	\$5.00

Market Size	
E-Comm Sales	\$108.175 MM
% Target Market	0.2055%
Sales Total	\$22,229,963

## Rollout Market Audience

Phase 2	97,324
Phase 3	695,435
Phase 4	1683012
Phase 5	41,875,898

3 Year Burn Rate:	
\$333,702	
Seeking Investment:	
\$350,000	

## Sample Cash Flow (CF) Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
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 CF (Ops)	\$(171,783)	\$(61,284)	\$(17,124)	\$6,855,897	\$10,293,250
Asset Worth	\$93,900	\$18,780	\$18,780	\$18,780	\$18,780
Other Assets	\$ -	\$ -	\$20,000	\$50,000	\$100,000
Total CF (Investing)	\$93,900	\$18,780	\$38,780	\$68,780	\$118,780
Loans Recievable	\$350,000	\$ -	\$ -	\$ -	\$ -
Loan Payment	\$ -	\$ -	\$ -	\$ -	\$350,000
Total CF (Finance)	\$(350,000.00)	\$ -	\$ -	\$ -	\$350,000.00

Gross Margins	\$(427,883)	\$(42,504)	\$21,656	\$6,924,677	\$10,762,030
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## Sample Income Statement

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Total # of Users	1,207	8,623	20,869	519,261	778,892
Market Share	0.05%	0.40%	0.97%	35.97%	53.96%
# of Purchases	9,655	68,987	166,955	4,154,089	6,231,134
Revenue (Purchases)	\$11,296	\$80,715	\$195,337	\$4,860,284	\$7,290,426
Revenue (Ads)	\$ -	\$8,623	\$20,869	\$519,261	\$778,892
Revenue (Data)	\$ -	\$ -	\$ -	\$2,617,076	\$3,925,614
Total Revenue	\$11,296	\$89,338	\$216,206	\$7,996,621	\$11,994,932

Customer Acq. 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
Employee Salaries	\$50,000	\$62,500	\$78,125	\$97,656	\$122,070
Rent/Lease Payments	\$ -	\$ -	\$20,000	\$50,000	\$100,000
Tech Licensing Fee	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Total Expenses	\$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%





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