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Swipe it - Revolutionizing Online Shopping

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Abstract

This thesis presents the business idea "Swipe it" through a business plan and an investment memo. Swipe it is an innovative mobile app aimed at improving the online shopping experience for young, fashion-conscious consumers. Featuring a swipe-to-match interface inspired by dating apps, it allows users to evaluate clothing items one at a time. The app leverages content-based filtering and Natural Language Processing (NLP) for personalized recommendations. The business plan outlines the product, go-to-market strategy, and financial projections, while the investment memo critically assesses the start-up from an investor's perspective.

Keywords: Start-up, entrepreneurial finance, business plan, investment memo

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Individual parts: While developing the business plan, Ferdinand Döttinger focused on financial opportunities and analyses, calculating financial projections, costs, and revenues of Swipe it. Greta Haas worked on the market strategy, specifically how to effectively promote the product and to whom. Jonas Milsmann concentrated on the detailed development of the product and its business model.

Group part: After individually developing various aspects of the startup idea Swipe it, the group then critically reflected on and analyzed the start-up from an investor's perspective in the form of an investment memo.

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List of Abbreviations

AOV	Average Order Value
CAPM	Capital Asset pricing model
CARG	Compound Annual Growth Rate
CLV	Customer Lifetime Value
GMV	Gross Merchandise Volume
IRR	Internal Rate of Return
NLP	Natural Language Processing
PE	Private Equity
SAM	Serviceable Available Market
SOM	Serviceable Obtainable Market
TAM	Total Addressable Market
UI	User Interface
VC	Venture Capital

Executive Summary *(Group)*

The familiar "swipe-to-match" mechanism from dating apps inspired "Swipe it," a innovative approach to online clothes shopping that transforms fashion discovery into a fun, gamified, and highly personalized experience. By showing users one clothing item at a time, the app refines recommendations with each swipe—left to reject, right to accept—while offering the option to purchase directly. This streamlined approach addresses the common frustration of overwhelming and impersonal online shopping , enhances user engagement, and optimizes shopping across multiple brands, tackling issues like abandoned carts and lost sales. Swipe it generates revenue through margins on direct sales as well as by monetizing the customer insights it collects, which are valuable to fashion brands. The app's asset-light business model, based on drop-shipping items directly from brands to customers, ensures scalability in the €412 billion fashion market forecasted for 2024. With a focus on young, fashion-conscious female professionals in the DACH region, the company targets a market segment with a substantial growth opportunity and a Serviceable Obtainable Market (SOM) of approximately €96 million. Swipe it stands out by leveraging precise customer feedback to offer unmatched personalization, creating a shopping experience that is fun, engaging, and stress-free. The start-up is led by a highly skilled founding team with extensive experience in software engineering at companies like Apple, Tinder, and TikTok, making it particularly well-equipped to build and scale this app. While the competitive nature of the fashion industry and price-sensitive markets pose challenges, the rich data collected by the app opens up significant opportunities for additional revenue streams beyond direct sales. With projected monthly revenues of €350,000 and plans to break even by October 2028, Swipe it forecasts annual revenues of €154 million by 2034.

Methodology *(Group)*

This paper is divided into two parts: the first part presents the start-up from the founders' perspective via a business plan, while the second part offers an investment memo critically evaluating the idea for potential investors. Together, these documents provide a comprehensive overview of Swipe it's vision, strategy, and growth potential. Due to the novelty of the concept and limited availability of secondary sources, the research primarily relied on data gathered through interviews, a survey, financial modeling, and app design prototyping. Below, we outline these methodologies and their contributions to the project.

Investor Interviews: To evaluate the attractiveness of the business model from a venture capital perspective, we conducted interviews with investors. Their insights were instrumental in shaping the investment memo, providing feedback on key factors such as growth potential, scalability, and market fit. An overview of the investors interviewed is provided in Table 1.

Name	Position / Experiences	LinkedIn
1. Johanes Niemann	• Investor at 468 Capital • Ex. Permia, Morgan Stanley	link
2. Lina Wenner	• Partner at firstminute capital • Ex. BCG, Cambridge	link
3. Paula Weber	• Investor at Northzone • Ex. Cherry Ventures, bunch, Razor	link
4. Laurenz Lankes	• Investor at Merantrix focused on AI investments • Ex. Signals VC	link
5. Dennis Ahrling	• Partner at GMPV • Investor in AboutYou, Grover, Clark	link
6. Global Founders Capital Partner	• Partner of Global Founders Capital • Supports founders in 60+ countries	N/A

Table 1: Investor Overviews

Technical Expert Interviews: Technical expert calls were conducted with the dual purpose of team recruitment and gaining insights on app development. Table 2 summarizes the technical experts consulted.

Name	Position / Experiences	LinkedIn
1. Gerog Ye	• Software Developer @ AWS • MsC in Data and Computer Science @ ETH	link
2. Chris Grant	• Senior Software Engineer @ AirBnb • Ex. Klarna, Apple, Square Space	link
3. Sreeram Padmanabhan	• Senior Web Engineer @ Bumble • Ex. Delivery Hero, Apple, Wipro	link
4. Ana Escobar	• Software & Data Engineer @ Tinder • Ex. CodeOp, DSTI	link
5. Rukshan Marapana	• Senior iOS Engineer @ Bumble • Ex. Sysco, Woolstra	link
6. Saif Eddin Gmati	• Senior Rust Engineer @ Quizlet • Ex. Bumble, Toraido	link
7. Kannan Kalidasan	• Data Engineer Lead @ Lets do this • Ex. Chase, Deliveroo, Expedia Group	link
8. Ekaterina Trofimenko	• Principal Engineer @ Bumble • Ex. Badoo, Chappy	link
9. Andrawes Al Bahou	• Senior Software Engineer @ Meta • Ex. Founder, CreditSuisse, ETH Zurich	link
10. Haley Huang	• Machine Learning Engineer @ TikTok • Ex. University of Cambridge, Softwire	link
11. Yukikazu Hidaka	• Machine Learning Engineer @ Meta • Ex. Tinder, Google, USC	link
12. Krishna Durai	• Machine Learning Engineer @ Meta • Ex. Cisco, Proximity Labs	link
13. Behlool Sabir	• Senior ML Engineer @ Meta • Ex. Fidelity Investments, Aray.ai	link
14. Samy Benachi	• Senior SDK Software Engineer @ TikTok • Ex. Lyods Bank, Remedy Robotics	link
15. Aleksei Timin	• Lead Backend Engineer @ Bumble	link
16. Jeff Nagasuga	• Senior Software Engieer @ Amazon • Ex. Disney Interactive, Fuhu	link

Table 2: Product Expert Interviews

Industry Expert Interviews: Industry expert interviews were conducted to validate the business idea from multiple perspectives. Founders in the industry (Interview: Reeker, Simon Maier) provided a comparative view and contextual validation of the idea. The interview with Dennis Exner was critical in assessing the feasibility of collaborating with Tradebyte, the

chosen third-party provider to access brands, their products, and product data relevant for the app. This discussion clarified operational requirements and potential processes for such a partnership. Additionaly, a Partner from McKinsey offered objective feedback, independent of vested interests, ensuring balanced and unbiased validation. An overview of the industry experts interviewed is presented in Table 3.

Name	Position / Experiences	LinkedIn
1. Max Reeker	• Co-Founder of Arive a delivery company for luxury and lifestyle products	link
2. Dennis Exner	• Sales Expert for Marketplaces @ Tradebyte	link
3. Simon V. Maier	• Co-Founder of Archivist a online outlet shop for luxury fashion products • Ex. PICUS Capital, BCG	link
4. McKinsey Partner	• Partner @ McKinsey with ~10 years in the consumer and fashion space	N/A

Table 3: Industry Expert Interviews

After a discussion with our professor, we decided to record interview notes for investor and industry expert discussions (Appendix H) to enhance referencing and ensure transparency. Detailed notes were not required for technical expert interviews, as these primarily focused on team recruitment and the technical aspects of the app development.

Survey: A survey was conducted to assess interest in the Swipe it app concept and validate its appeal among the target audience. Detailed findings are presented in Appendix I, and the survey instrument can be accessed here (link).

Financial Model: A financial model was developed to project revenue, outline cost structures, estimate profit margins, and evaluate the concept's financial viability using discounted cash flow (DCF) analysis and the venture capital method.

App Mockup Design: Mockup designs were created to visualize the app's user interface and functionality. These mockups were utilized to support the investor pitch and to faclitate the development of the app.

Swipe it– Business Plan (Founder Perspective)

1. Vision *(Group)*

“To be your first choice when it comes to shopping clothes online.”

We aim to revolutionize the online shopping experience across the entire industry. We believe that the current approach to online shopping is outdated and requires adaptation to better meet the needs and preferences of the new generations. Swipe it seeks to transform the online shopping industry by making it simpler, more personalized, and engaging, thereby establishing itself as the primary choice for young consumers in the online shopping market.

2. Company Mission *(Group)*

“Our mission is to make your shopping experience simple, personal, and fun by decluttering your online shopping experiences and only recommending you clothes that match your style with a swipe-to-match algorithm.”

3. Problem *(Milsmann)*

The primary issue Swipe it aims to address for users is the dissatisfying customer experience when shopping online. According to a representative IBM study, a mere 14% of respondents expressed satisfaction with their online shopping experiences (IBM, 2024). The problem is that dissatisfied customers significantly impact a company’s success, as dissatisfaction reduces repurchase intentions and, consequently, customer lifetime value (CLV) (Lu et al., 2012). Negative shopping experiences not only harm customer retention but also impair brand associations and image, as negative memories are more enduring and impactful than positive ones (Emidi, 2021). This widespread dissatisfaction stems from several key factors:

Poor User Experience

Information Overload: Especially in e-commerce, the phenomenon of choice overload intensifies dissatisfaction. Studies show that an overwhelming number of options increases stress, frustration, and perceived risk for consumers (Appiah Kusi et al., 2022). Evidence from a study from Iyengar and Lepper underscores this: consumers report greater satisfaction and make more purchases when presented with fewer options (2000). Ultimately, choice overload leads to stress and dissatisfaction for shoppers and diminished value and retention for businesses. Addressing this challenge is key to improving both customer experience and business outcomes.

Static Website Layouts: The traditional "grid layout" of traditional shopping platforms is very static and fails to adapt within the shopping journey. One can only get adapted recommendations when reloading the webpage or clicking on the 2nd page of product recommendations.

Inadequate Personalization

Limited Data Signals: For personalization, current platforms primarily rely on a narrow set of implicit signals (e.g., clicks, add to cart) which are only positive as confirmed by talking to machine learning experts Huang, and Sabir.

Ineffective Personalization: The static nature of websites and reliance on limited implicit signals lead to suboptimal personalization, with research showing that over 75% of customers feel frustrated by this lack of effective personalization (McKinsey & Company, 2024). This further leads to dissatisfied customers supporting the previously mentioned poor user experience.

Short-Term Revenue Focus

Despite high customer acquisition costs (CAC), many platforms are designed to optimize short-term Gross Merchandise Volume (GMV) (Interview: McKinsey Partner) rather than focusing on long-term customer retention and loyalty missing out on potential CLV.

Example: Zalando's average orders per active customer are 4.9 per year (2023); AboutYou's average order frequency is 3.1x per year (2023), both well below the potential of the “fast forward segment” that buys 14x a year. (Interview: McKinsey Partner)

4. Solution *(Milsmann)*

Swipe it tackles key online shopping issues by making the experience engaging and personalized. Inspired by Tinder, Swipe it offers one clothing recommendation at a time, allowing users to swipe left to dislike, right to like, and up to add to their basket, boosting user engagement and creating a fun and highly personalized shopping experience.

Our Unique Value Proposition: With Swipe it young, fashion-conscious females can discover fashion that fits their style with our swipe-to-match algorithm, offering them personalized, clutter-free recommendations for a fun and effortless shopping experience.

Enhanced User Experience through Dynamic Design:

Adaptive Website Layout: Swipe it introduces a dynamic, constantly evolving layout that shifts from traditional scrolling to a swiping mechanism, inspired by engaging user experiences in apps like Tinder. This new UX approach encourages exploration of products and trends, helping users build a habit of regularly using the app.

Constant Learning and Real-Time Adaptation: The app continuously collects data on user preferences through their swiping actions, allowing the algorithm to improve and adapt recommendations dynamically. This also allows to provide a highly personalized experience much faster and more accurately than traditional methods.

Improved Personalization through Explicit and Diverse Signals

Advanced Product Labelling: Leveraging advancements in vision models, the app labels products more accurately, enabling hyper-personalized clothing recommendations tailored to each user's unique preferences (Interview: Ye, Hidaka, Huang).

Comprehensive Signal Collection: Swipe it collects a broad range, including likes, dislikes, add to cart, and save for later, capturing both positive and negative user preferences all being explicit signals. Both, the diversity of signals and the fact that they are explicit allow for better recommendations (Interview: Hidaka, Huang, Sabir).

Optimized for Long-Term CLV and Retention:

Gamified Shopping Experience: As scientifically proven, the swiping mechanism, akin to Tinder, transforms shopping into a gamified experience, increasing user engagement through dopamine-triggering interactions (Hronis, 2024).

Loyalty-Building Exploration Function: The app's exploration function is designed to foster long-term CLV by encouraging habitual use and enhancing customer loyalty, rather than focusing solely on short-term sales metrics.

5. Product *(Milsmann)*

Given that all team members come from a business background and have no prior experience in app development, we needed to consult extensively with industry experts. Over July to September 2024, we engaged in discussions with 16 engineers from leading companies such as Bumble, TikTok, Tinder, and Meta (see Table 2). With each conversation, we gained new insights, such as which programming languages to consider, and we validated these ideas in subsequent discussions, creating an ongoing iterative process. Throughout this period, we collaborated closely with Chris Grant and the team outlined in Chapter 6, utilizing further calls

and WhatsApp for questions and guidance, which led to the development of the key insights detailed below.

5.1 Guiding Principles

Three overarching principles guide us in developing the app and shaping our business model:

Hyper-Personalization: Our goal is to utilize data-driven algorithms to deliver clothing recommendations that are finely tuned to each user's preferences and interactions. By doing so, we aim to achieve a recommendation quality comparable to TikTok, where content feels uniquely tailored to individual users. This high level of personalization will enhance user satisfaction and engagement, making Swipe it a go-to platform for fashion. (Han, n.d.)

Fun and Addictive Experience Through Gamification: We aim to make shopping not just functional but also enjoyable and addictive. By integrating gamified elements like swiping, which adds an engaging, playful layer to the shopping experience, we can significantly boost user engagement (Hronis, 2024). We plan to continuously introduce and test new features that resonate with our target audience, such as streaks or rewards for consistent use and references to latest social media trends. These features will be designed to keep users coming back and staying longer on the app (Hronis, 2024).

Optimizing for Long-Term Customer Lifetime Value: Unlike many existing players who focus on optimizing short-term GMV (e.g. Zalando), such as through numerous filters and overloaded product pages (Interview: McKinsey Partner), we will prioritize long-term CLV. Our strategy involves increasing the time users spend on the app by, for example, allowing them to save liked products in a virtual closet that can be shared with friends. Users can revisit these items later, which not only fosters a deeper connection with the app but also creates better opportunities for upselling and cross-selling. By focusing on long-term CLV, we aim to build a more sustainable business model that will make us more competitive in the long run, ultimately leading to higher sales and stronger customer loyalty.

5.2 Frontend

The frontend is the user-facing component of the application, encompassing all visible and interactive elements such as layout, design, buttons, text, and images. Built using HTML, CSS, and JavaScript with frameworks like React Native, it ensures a seamless, responsive, and intuitive user experience across devices (Metwalli, 2022). The app's design adopts a sleek, minimalist approach inspired by Tinder, emphasizing clarity and simplicity to highlight essential features. For MVP development, features were prioritized systematically (see Appendix F):

A responsive design using React Native facilitates efficient cross-platform functionality and faster development compared to SWIFT (Interview: Grant, Padmanabhan, Kalidasan, Huang, Sabir, Nagasuga). Input from a website landing page (www.swipeit.shop) and user surveys (https://tally.so/r/wbrvWg, survey results in Appendix I), informed the product specification and Figma design screens, enabling effective collaboration with designers. The MVP includes 35 screens, detailed in Appendix C, with a sample home screen provided below.

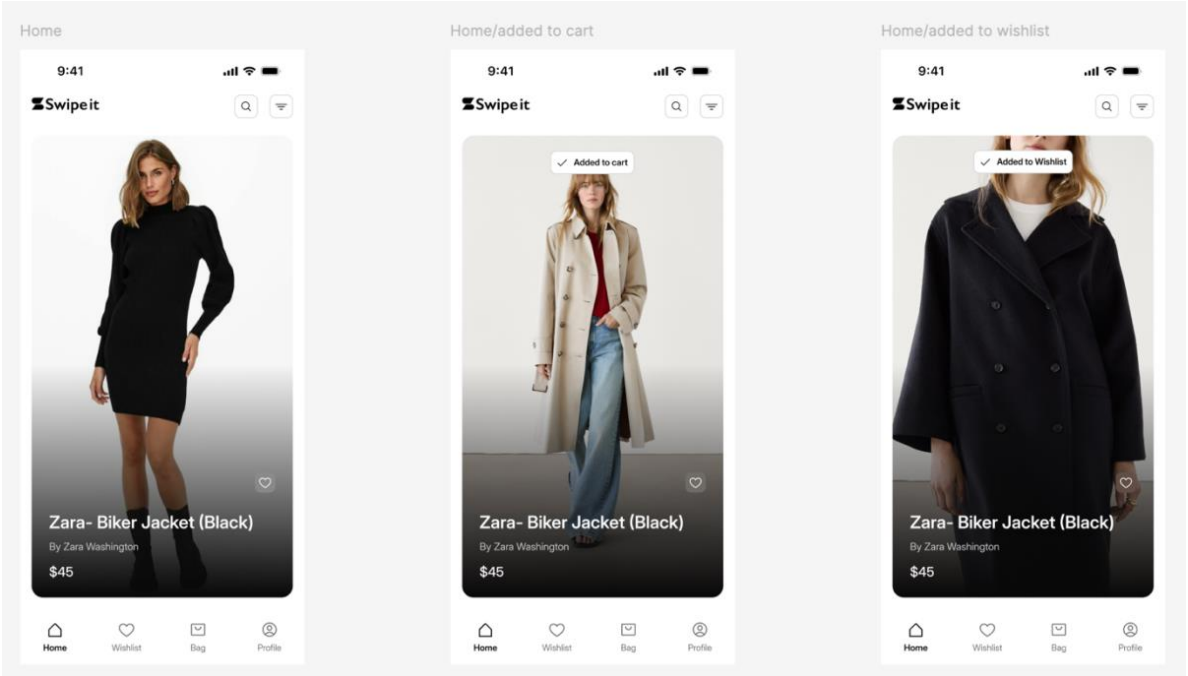

Figure 1: Home Screen App Design

5.3 Backend

The backend handles the server-side operations of the application, managing logic, database interactions, user authentication, and performance. It processes frontend requests, updates databases (e.g., MySQL, MongoDB), and ensures smooth functionality. Developed using languages like Python, Java, or Node.js, the backend powers the application, enabling the frontend's interface to function effectively (Gallardo, 2023).

Product Data and Legal Analysis

In the following, we will elaborate ways to provide supply of products. To ensure compliance with legal frameworks, Swipe it must meticulously examine several key areas of law: copyright, trademark, competition, contract, and data protection regulations (see Appendix A).

Web Scraping, Reuploading, and Background Ordering: Web scraping involves extracting data from websites, but its legality depends on the context. While not inherently illegal, it may violate terms of service or intellectual property rights. The Court of Justice of the European Union allows scraping if it does not bypass technical measures or breach terms and conditions (Case C-30/14, Ryanair Ltd v PR Aviation BV). However, reusing scraped images or product descriptions without permission typically infringes copyright laws, as protected under Sections 2 and 16 of the German Copyright Act (UrhG). Additionally, ordering products on behalf of customers from brand websites can be legally problematic. For instance, terms and conditions of AboutYou and Zalando prohibit such practices, though Breuniger permits them. These actions also raise data protection concerns, particularly if personal data handling lacks transparency. Therefore, practices like re-uploading scraped content or background ordering, as done by Styl, are legally impermissible.

Own Content: Creating original product descriptions and images avoids web scraping's legal risks and ensures copyright compliance while establishing a unique brand identity. However, this approach is resource-intensive, demanding significant time and effort. Additionally,

ordering products in the background from brand websites may still breach their terms of service, even with original content.

Affiliate Programs: Affiliate programs offer a legal partnership model for promoting brands and retailers. By participating, Swipe it can earn commissions on sales while gaining rights to use product images and descriptions, ensuring copyright compliance. Key networks for fashion include AWIN, Rakuten, and CJ, with commissions typically ranging from 1% to 15% (e.g., AboutYou offers 10% via AWIN). While affiliate links usually redirect customers to the retailer's checkout, handling the process internally via affiliate links is feasible but limited to smaller scales. However, low commission rates present challenges for achieving sustainable unit economics.

Partnerships: Establishing direct partnerships with brands and marketplaces offers a strategic solution for Swipe it to ensure legal use of product images and descriptions, avoiding copyright concerns. Such partnerships can enhance brand credibility, appeal to consumers, and provide access to APIs that streamline product listings, inventory management, and order processing. However, interviews with the founders of ARCHIVIST and Arrive highlighted significant challenges. Forming partnerships is often complex and time-consuming, requiring extensive negotiations and legal agreements (Interviews: Reeker, Maier). Additionally, varying data structures across brands increase the technical complexity of API integration, data storage, and recommendation engine development (Interviews: Exner, Hidaka, Hagasuga). While beneficial in the long term, this approach is not practical for early-stage ventures due to its high resource demands.

Middleware Providers and API Access: As a result, we investigated other options and identified two middleware providers, Tradebyte (owned by Zalando) and Scayle (owned by AboutYou), as the most viable alternatives. Partnering with an external provider offers the advantage of rapidly integrating multiple brands. Moreover, connecting through an API ensures

high data quality and consistent updates (Interview: Exner). As we expand, we may consider forming direct partnerships with brands, potentially reducing reliance on the middleware provider. Given that Zalando's brand portfolio is more closely aligned with our target user group (as discussed in Chapter 8), Tradebyte is our preferred choice. During discussions with Tradebyte, we learned that the collaboration would involve a connection fee of €30,000 to integrate with their API and ongoing monthly fees of €2,000 for support services (Interview: Exner). However, they offer support in securing brand access and enable commissions between 15% and 25%, which is significantly higher than any other option.

Development of a smart search engine

Our search functionality is designed to deliver intelligent and intuitive results. For instance, a search for "spring dress" includes dresses fitting the concept, such as floral patterns or bright colors, rather than being limited to explicit labels. Traditional search algorithms often struggle here, but recent AI advancements make sophisticated search experiences feasible (Interview: Hidaka, Grant, Nagasuga, Huang). To focus on developing our recommendation engine while offering advanced search capabilities, we opted for an external provider during the initial phase. After thorough research, the leading options are:

Algolia: A highly regarded search-as-a-service platform known for speed, reliability, and AI-powered features. It offers a free tier with up to 10,000 search requests per month and 1 million records, making it ideal for initial implementation. Supported by Grant, Sabir, and Hidaka, Algolia provides immediate, advanced capabilities without upfront costs.

Objective: Used by companies like Styl., Objective delivers tailored search algorithms for fashion businesses. Huang highlights its strong performance and ability to understand user intent, though pricing details remain unavailable.

Tantivy: An open-source, high-performance library offering customization and scalability. While suitable for long-term integration, experts, including Huang, recommend starting with Algolia or Objective for faster implementation.

Based on the expert recommendations, we plan to implement Algolia to deliver a responsive, AI-enhanced search experience that complements our recommendation engine. As we scale, we will reassess options to ensure our search remains advanced and aligned with product strategy.

Recommandation Engine

The literature predominantly categorizes recommendation systems into three types: hybrid, collaborative, and content-based (Afoudi et al., 2021a; Shankar et al., 2024; Vullam et al., 2023; Xu et al., 2024).

Collaborative Filtering (CF): Collaborative Filtering predicts a user's interests by identifying patterns among a large group of users. The system recommends products that users with similar preferences have liked or purchased in the past. For instance, if User A and User B have purchased similar items before, the system might recommend to User A the items that User B has recently bought, assuming that User A might also be interested in those products (Vullam et al., 2023). A key challenge of collaborative filtering is the "cold start" problem. This issue arises when there isn't enough data on new users or products, making it difficult to generate recommendations (Yuan & Hernandez, 2023).

Content-Based Filtering (CBF): Content-Based Filtering, on the other hand, focuses on the attributes of the items themselves rather than the users' behavior. This method recommends products based on the characteristics of items that a user has shown interest in previously. For example, if a user has consistently purchased products categorized as "romantic," the system will recommend other products in the "romantic" category. The advantage of content-based filtering is its ability to make recommendations without requiring data from other users, thus avoiding the cold start problem that affects collaborative filtering (Vullam et al., 2023). One

major issue with content-based filtering is the problem of over-specialization, where the system only suggests items similar to past interactions, limiting the user's exposure to diverse recommendations (Stitini et al., 2022).

Hybrid Recommendation Systems: Hybrid Recommendation Systems combine multiple recommendation techniques, such as collaborative filtering and content-based filtering, to improve the accuracy and robustness of the recommendations. These systems take advantage of the strengths of each method while compensating for their weaknesses. For example, a hybrid system might first use collaborative filtering to identify potential items of interest based on similar users and then apply content-based filtering to refine these recommendations based on the user's specific preferences and behaviors. The integration of different algorithms helps in reducing the limitations associated with individual methods, such as the cold start problem in collaborative filtering and the over-specialization in content-based filtering (Afoudi et al., 2021b; Parthasarathy & Sathiya Devi, 2023, 2023).

Recommendation Engine of Swipe it: Shankar et al. (2024) highlight key shortcomings in current e-commerce recommendation systems, such as irrelevant suggestions and poor performance with new products. They argue that reliance on purchase history alone limits accuracy and emphasize the need to incorporate broader user signals, including browsing history, wish lists, and ratings. Building on these insights, we aim to integrate more diverse and effective signals to enhance our recommendation engine, which forms the core of our product. To achieve recommendation quality comparable to TikTok, we analyzed the TikTok recommendation engine based on insights from Damien Benveniste, former Machine Learning Tech Lead at Meta. Benveniste explains TikTok's recommendation mechanisms (Benveniste, n.d.-b), strategies for building recommender systems (Benveniste, n.d.-a), and relevant ranking metrics (Benveniste, 2024). These insights inform our exploration of an optimized recommendation engine tailored to Swipe it’s e-commerce context. By letting users respond to

every product suggestion, we collect significantly more signals than other providers, enabling us to deliver superior recommendations (Interview: Huang, Hidaka, Durai, Sabir). Experts, including Huang, Grant, Hidaka, Sabir, and Ye, emphasize that starting with a content-based algorithm is the most practical approach for an MVP: "For the MVP, a content-based algorithm will suffice; we won't have the user data for anything more advanced at this stage" (Hidaka). Unlike dating apps, e-commerce platforms benefit from rich metadata—such as brand, price, and product descriptions—that can be combined with product images to enhance recommendation accuracy. However, effectively analyzing product images to categorize them by style remains a significant challenge (Interviews: Ye, Hidaka). Hidaka and Sabir recommend leveraging advanced techniques like Natural Language Processing (NLP) to analyze textual data, including product descriptions and user reviews, to identify relevant item characteristics. Additionally, vision models, such as those powered by GPT Vision, can analyze visual content to extract meaningful features from images. Ye demonstrated a proof-of-concept by uploading product images to GPT Vision, which generated up to 4,000 labels per product (code available upon request). Huang, however, suggests an alternative approach, arguing that GPT Vision may not be necessary. Instead, a custom model can be trained using pre-labeled data from publicly available databases, such as DeepFashion. This approach, she explains, is both efficient and effective, as the model can be trained within a matter of days and applied to existing product images to generate accurate labels. Further, Huang notes that integrating user-generated data into recommendation systems requires detailed behavioral signals from at least 1,000 users, with 5,000 or more being the ideal threshold. Collaborative filtering, a method for generating user embeddings—hidden insights into user preferences—is particularly effective in scenarios where user interactions with products are sparse.

Modern recommendation systems typically combine collaborative filtering with content-based algorithms to overcome the limitations of each method. This hybrid approach improves

recommendation accuracy, enhances click-through rates, and ensures greater user engagement. Combining multiple techniques ensures that recommendation systems are robust, scalable, and adaptable as data availability grows and algorithms are refined (Interviews: Huang, Hidaka)

Moroever, initial tests and discussions with Huang and Ye revealed that balancing personalization with product diversity is critical. Early MVP tests, as conducted by Ye, showed an over-reliance on a single "like" signal, resulting in overly narrow recommendations—for instance, ten nearly identical crop tops in different colors after liking just one. This highlighted the need for randomization to prevent over-personalization. Huang emphasized that recommendations should not be “100% personalized.” Instead, effective algorithms should combine items similar to previous likes with products that complement items in the cart, align with current trends, or introduce new, unseen options. This approach encourages user discovery, reduces repetitiveness, and enhances diversity in the feed. Huang further noted that existing solutions, such as Algolia or Dressipi, primarily focus on recommending related products. While effective for marketplaces or e-commerce stores, such systems fall short in creating engaging experiences where users are introduced to entirely new, yet relevant, products. Balancing similarity and novelty is essential to ensure a dynamic and engaging recommendation system.

6. Team *(Milsmann)*

The development of the app demands both business acumen and advanced technical expertise, particularly in machine learning, recommendation systems, and app development. As the core project team consists of three business students, the need for specialized technical skills was clear from the outset. While Greta Haas and Ferdinand Döttinger supported the concept, they will pursue different career paths post-graduation and are therefore not part of the team. To build a strong technical foundation, over 500 developers and machine learning engineers from

companies like Meta, TikTok, Tinder, Raya, and Bumble were contacted using Phantombuster. The rationale was to recruit individuals with deep expertise in recommendation systems and familiarity with user experiences typical of dating apps, aligning with the app's core functionality. Following this outreach, in-depth discussions were held with 30 candidates throughout August and September 2024. Candidates were rigorously evaluated based on technical proficiency, commercial awareness, and team compatibility. These interactions also provided valuable technical insights, such as decisions on the tech stack and recommendation algorithms.

The current team responsible for the app's development includes:

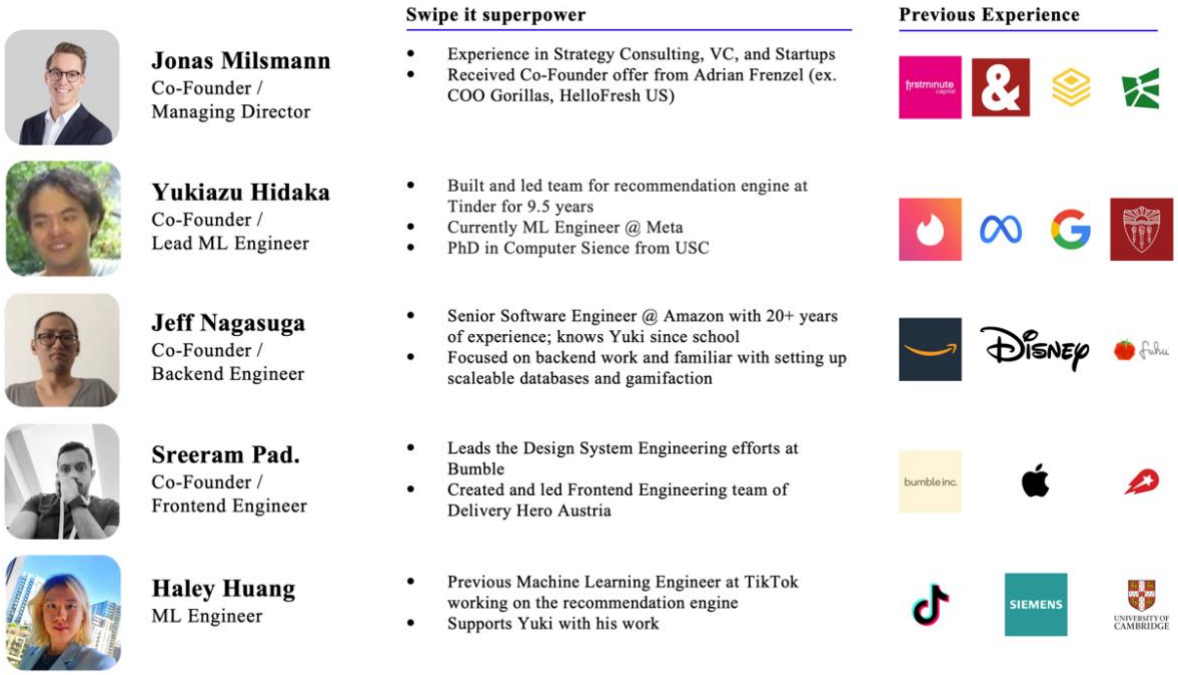

Figure 2: Founding Team

We believe that the complementary skillsets and diverse professional backgrounds of the team position us well to build a revolutionary shopping experience. The combination of experience in high-profile companies such as Meta, Amazon, Tinder, and TikTok, alongside our business-oriented leadership, will allow us to create an app that fundamentally changes how people shop.

7. Why now? *(Haas)*

In today's rapidly evolving retail landscape, several compelling factors make this the ideal moment to launch Swipe it. First, the online-shopping market shows a significant demand for AI, with 60% of shoppers interested in AI-driven experiences (IBM, 2024). This demand is growing alongside advancements in AI, making it an ideal time to introduce innovative AI solutions in retail.

Second, consumer preferences are shifting towards multi brand marketplaces. Data shows 55% of shoppers prefer this model, with even higher preferences among Gen-Z (62%) and Millennials (64%) (IBM, 2024). This trend highlights the need for a comprehensive platform that enhances convenience and variety.

Third, the clothing e-commerce market is on a consistent growth trajectory in Germany, expected to continue until at least 2029 (Statista, 2024a). With 50% of clothes being bought online in 2024 – 41% in 2022 – clothing remains the most purchased online product category (Statista, 2024g). This growth underscores the expanding opportunity within the online clothing market.

Lastly, entering the market now offers a strategic first mover advantage. By launching early, we can gather superior data to refine our algorithm and enhance the shopping experience, attracting more users and building strong brand recognition. Competitors like “Styl.” and “YaySay” successfully launched similar products in the US market, so it is crucial to launch our app soon to capture market interest in Germany/ Europe before other competitors join this geographic region. In the past, other companies such as “Amaze” entered the German market in 2016 with a similar product. After a funding of half a million euros, Amaze was bought by Zalando and discontinued (Hofmann, 2016). Like Amaze, “The Yes” launched an app with a similar concept in the US in 2019, raised $30 million among others from Forerunner Ventures and True Ventures and was bought by Pinterest in 2022 (McDowell, 2024). So far, the features of The Yes have

not been incorporated in Pinterest. The interest of Zalando and Pinterest in such apps shows that the big players are aware of the potential threats such apps could pose. Another reason for discontinuing these applications could be lack of development in AI technologies at that time and therefore poor algorithm. With the great progress made in the last two years in this area, it is now possible to develop excellent products that meet expectations. It is therefore important to utilize and leverage these technological developments now. Given these factors, we are convinced that this is the right time for Swipe it to launch and achieve sustainable success.

8. Target User Group *(Haas)*

8.1 Target Market

Overall, Swipe it will focus on the German market first, as the business founder has the most knowledge about this geographic region, the geographic proximity and cultural connectedness. Swipe it will focus on premium fashion brands, offering high-quality, stylish apparel to attract customers who value superior design but do not want to pay for luxury brands (see Figure 2). By avoiding fast fashion and mass market collaborations, Swipe it ensures a curated selection that meets the quality expectations of its target audience.

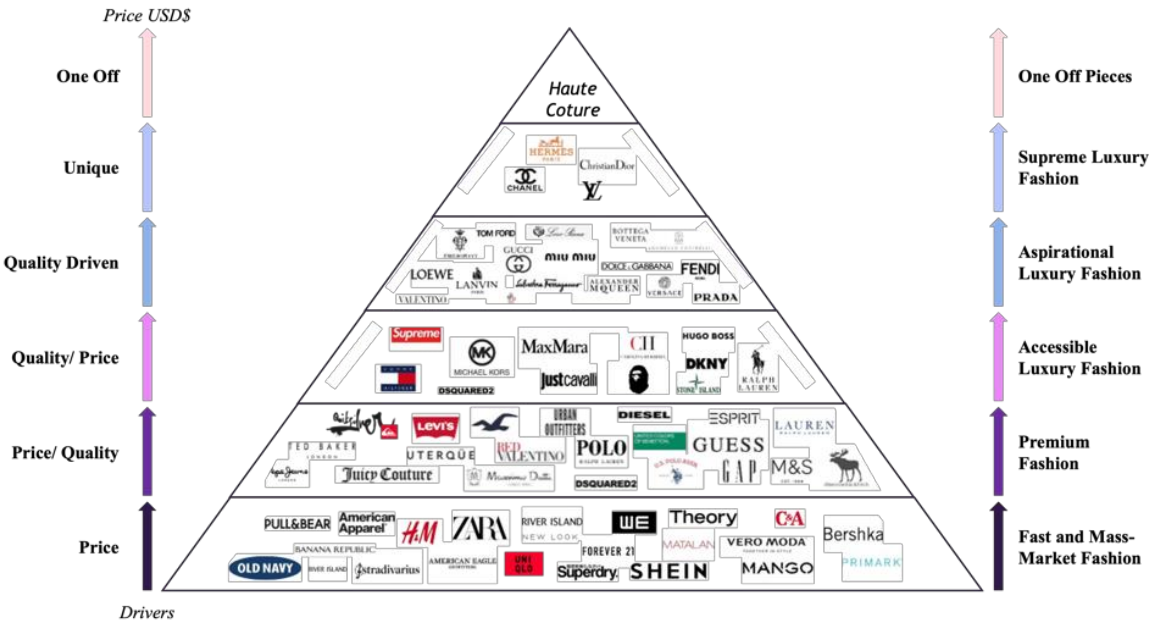

Figure 3: Pyramid of Brands

8.2 Target Audience

The goal of the market segmentation is to identify a key target audience for which Swipe it matches their unfulfilled needs with our unique value offering. Our unique value offering is the high personalization, improved shopping experience by decluttering the offerings and giving people the opportunity to explore new clothes.

Method

Following, we segmented the ecommerce fashion customers based on demographic segmentation criteria as this gives us a large, identifiable, and distinctive target audience for our first outreach. After collecting more customer data, behavioral and psychographic segmentation will become more relevant and will therefore also be described shortly.

Demographic segmentation

This considers factors such as age, gender, income, education, and family size (Wedel & Kamakura, 2000). The segmentation based on these criteria lead to a target audience of females, between the age of 18 to 34 years with a middle to high income and mostly with an educational background of a bachelor's degree or higher. The reasons for this target are their characteristics aligning with Swipe it's mission.

Gender: First and foremost, women account for a significant portion of fashion e-commerce sales. In the Europe, women's apparel dominates the e-commerce clothing market, making up 63% of all e-commerce clothing revenue (Statista, 2024i). Additionally, women are more likely to shop for clothing online compared to men. Approximately 53% of mobile clothing shoppers in the Germany are women (Comarch, n.d.). This gives Swipe it many potential customers. Secondly, they are significantly influenced by media, leading them to follow fashion trends and make purchases based on online content, particularly through non-traditional retail channels like online and mobile apps (Shephard et al., 2016). Thirdly, they show a strong preference for the convenience of online shopping, often using mobile devices to browse and purchase fashion

items, with many engaging in impulse buying, especially in the fashion category (Capital One Shopping, 2024).

Age: Furthermore, Swipe it focuses on the specific age group of 18- to 34-year-olds within the gender of females. The above-mentioned characteristics are also more prominent when looking at the individual age groups and educational backgrounds.

Females between 18-24: This age group rapidly embraces new fashion trends, influenced by peers and social media, and is crucial for generating market buzz as early adopters. They spend significant time online, aligning with their tendency to purchase fashion items through e-commerce platforms (Greenbook, n.d.). All this combined makes them a viable customer group which would align with Swipe it's values of being a highly engaging online shopping app, offering personalized and up-to-date fashion trends based. Their high influence of social media offers Swipe it to reach this target group through channels like Instagram and TikTok.

Females between 25 and 34: Young professionals in this age group, as they advance in their careers and experience rising disposable incomes, are increasingly investing in premium fashion items that reflect their status and aspirations (Lashbrook, 2020). The importance of maintaining a stylish and professional wardrobe grows as they progress in the workforce, recognizing that their appearance plays a crucial role in enhancing their professional image (Greenbook, n.d.). While they remain engaged with current fashion trends, their preferences are shifting toward quality and premium brands that offer greater value (Lashbrook, 2020). These characteristics mainly align with Swipe it's product offerings in the premium fashion segment and aim to generate frequent purchases.

Educational Background: Instead of age, one can also divide the segment of females further based on educational background. The characteristics of educational backgrounds correlate with age and will therefore only be explored briefly.

College students: Similar to the age group of 18- to 24-year-old females, college students are early adopters of fashion trends, heavily influenced by social media and peers, and frequently update their wardrobes (Shephard et al., 2016). Despite limited disposable income, one should view them as future customers once they begin their careers. Especially business students spend a significant portion of their disposable income on fashion, often using their parents' money, with 63% reporting this behavior (Shephard et al., 2016). Their tight-knit clusters and similar styles create opportunities for targeted online and offline marketing efforts, including social media campaigns and in-class promotions (Shephard et al., 2016).

Young professionals: Aligned to the age group of 25- to 35-year-old females, young professionals have an increased disposable income and prioritize to prioritize quality and brand reputation in their fashion choices, making them ideal customers for premium fashion items (Capital One Shopping, 2024).

Psychographic segmentation

Psychographic segmentation helps us to further segment our target group. This criterion differentiates customers based on lifestyle or personality traits. This approach provides deeper insights into consumer motivations and preferences, enabling more targeted marketing strategies (Wedel & Kamakura, 2000).

For Swipe it's market profiling, we utilize the methodology by Sproles and Kendall (1986), which identifies eight fundamental characteristics of consumers' decision-making styles. This methodology has been extensively applied and validated in numerous consumer research studies, proving its effectiveness in understanding and segmenting consumer behavior.

The eight characteristics identified by Sproles and Kendall include:

1. **Perfectionism**: Seeking high-quality products.
2. **Brand Consciousness**: Preference for expensive, well-known brands.
3. **Novelty-Fashion Consciousness**: Desire for fashionable and new products.

4. **Recreational, Hedonistic Shopping Consciousness**: Shopping for fun and relaxation.
5. **Price Consciousness**: Looking for sales, discounts, and the best deals.
6. **Impulsiveness**: Making unplanned purchases.
7. **Confusion from Overchoice**: Feeling overwhelmed by product options.
8. **Habitual, Brand-Loyal Orientation**: Sticking to familiar brands and stores.

By offering premium fashion brands with high quality, Swipe it addresses categories 1 and 2. Furthermore, with our constantly updated product offerings and decluttered interface we satisfy the needs of category 3 and 7 as well. By pointing out these features in our marketing outreach, we could acquire these segments.

Geographic segmentation

To reach our target audience offline, it is important to segment them in geographic locations. This approach divides the market based on geographic boundaries such as countries, regions, cities, or neighborhoods, taking into account cultural and regional differences that impact consumer preferences. (Wedel & Kamakura, 2000)

Focusing on users in urban areas within the DACH region, particularly in cities like Munich, Berlin, and Hamburg, is strategically sensible. These cities are known for their vibrant fashion scenes and high concentration of potential customers who fit Swipe it's profile (e.g., Berlin Mitte, Maxvorstadt in Munich, Eppendorf in Hamburg). After starting in the initial neighborhoods, the expansion will continue to other neighborhoods in the three cities, followed by expansion to Frankfurt and Stuttgart. Subsequently, the same approach will be applied in Austria and Switzerland.

Behavioral segmentation

Another possible way to segment and describe Swipe it’s target audience is through behavioral segmentation. Behavioral segmentation is founded on consumer knowledge, attitudes, uses, or responses to a product. Key factors include usage rate, brand loyalty, and the benefits sought

by consumers (Wedel & Kamakura, 2000). By considering their existing behavior of our future customers, we can try to predict their future behavior on our app and how we can reach out to them the best. A limitation to this segmentation criteria is that it is difficult to implement, since behavioral patterns are difficult to identify and require a large amount of data. Nevertheless, based on the previously done segmentations and in alignment with our product, we know that Swipe it's target audience exhibits frequent shopping behaviors, making purchases on a weekly or monthly basis. They shop seasonally to update their wardrobes in line with the latest fashion trends and for specific occasions such as holidays and events. This customer also engages heavily with fashion content on social media, actively seeking inspiration from influencers and fashion communities, making them responsive to targeted marketing strategies (Mandarić et al., 2022; Shephard et al., 2016).

Validation of target group

To see if our defined and the actual target group match, we sent out our survey and a link to our waiting list to potential customers (https://tally.so/r/wooeje). Overall, the response was positive, and we could gather over 95 sign-ups on our waiting list showing that our defined target group is interested in the idea. Additionally, we generated first insights into the characteristics of our target group underlining our definition – e.g., we figured out which styles are most preferred which helps us to select first brands and clothing items for our app (results in appendix I).

9. Marketing & Outreach *(Haas)*

9.1 Positioning

We want to position ourselves as a young and new start-up that makes online shopping simple, personal, and fun to appeal to our target audience.

Simple: We want to be the contrary of big online retailers and put the decluttered and simple shopping experience in the spotlight. This especially addresses customers, that feel overwhelmed by the choices of current online shopping websites.

Personal: Like no-other fashion company before, we catch the customer with truly personalized recommendations which become better the more the customer engages with Swipe it. Personal recommendations will address young females who want to stay up to date on the latest trends and regularly update their wardrobe.

Fun: By adapting the swipe-mechanism of dating apps, we offer customers a well-known interface which is engaging, addicting and fun to use, just like a game. A fun customer experience locks in our target audience with a high engagement in fashion.

These positioning values/ principles will help us to set us apart from the competition and should be reoccurring topics when reaching out to our target audience.

9.2 Marketing Outreach Plan B2C

As an entirely new company, it is key for us to focus on raising brand awareness in our target audience of young females with a professional background. This goes in hand with customer acquisition. In the middle to long-term, customer retention becomes important. Following, we list different initiatives we plan to launch, to market Swipe it.

Increasing Brand Awareness

Objective: Increase website-traffic and increase social media impressions.

Offline Marketing*:* To reach our target audience and increase website traffic, we will focus on both active and passive outreach in trendy neighborhoods populated by young professionals and students. Example activities:

Approach universities: Actively position at student fairs, selected lectures, or lunch breaks at relevant universities to hand out flyers and promote app.

Position at relevant stores: Hand out branded water bottles in front of fashion stores such as Zara, Cos or Arket in relevant neighborhoods with a QR-Code to our website. Impressions of our first campaign in one of Lisbon's busiest shopping street:

Figure 4: First Marketing Campaign and Poster

Hang up posters: Raise awareness passively by hanging up flyers and posters in the mentioned relevant neighborhoods in Munich, Hamburg, and Berlin.

Figure 5: Example Posters and Flyers

Results of the marketing campaign: Especially when handing out the water bottles and explaining to people the idea of Swipe it, we received very positive feedback. Almost everyone stated that they would be willing to test the app and can imagine that this could become their preferred way of shopping if the recommendations are well enough. After both initiatives, which took place at the same time (early September), we were able to identify 18 additional sign-ups on our waiting list/survey in the following period. Unfortunately, we cannot say with certainty whether these sign-ups are solely attributable to the marketing campaigns. However, during this period, we did not further promote Swipe it, except for handing out 15 bottles and leaving the poster hanging on the balcony for one week.

Online Marketing: To effectively reach our target audience, we will focus on online marketing through social media collaboration and utilise the strong influence of peers and social media on our target audience to increase the number of impressions on social media. Example activities:

Create own social media presence: We will create Instagram and TikTok accounts to post authentic content regularly, aiming for viral engagement (McKinsey & Company, 2024). Inspired by competitor Styl.'s success with simple, founder-filmed videos, we'll test a mix of styles to find what works best, e.g., introductionns of the app or interactive content our community can engage in. This approach will help us connect with our audience and boost visibility.

Collaborate with micro-influencers: In the initial phase, we will collaborate with micro-influencers (1–5k followers) due to budget constraints. They are cost-effective, often willing to work for discounts or complimentary products, and many are already part of our network. Micro-influencers also have higher engagement rates, and their followers are more influenced by their recommendations, ensuring a better return on investment. (Modash, 2023)

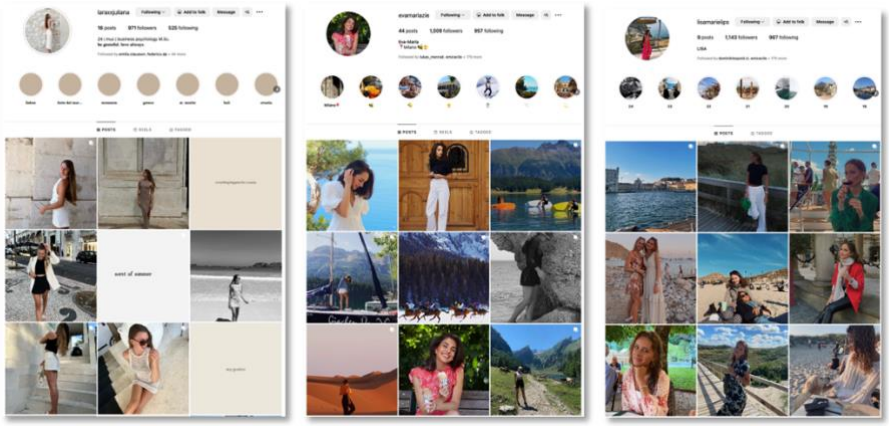

Figure 6: Examples Micro Influencers

Collaborations with larger influencers: In the long term, we plan to collaborate with larger influencers to leverage their reach. Rather than costly short-term deals, we aim to build authentic, long-term partnerships aligned with our brand values. According to a McKinsey report (2024), 68% of consumers feel overwhelmed by sponsored content and seek authenticity,

entertainment, and relatability. Following examples like the shoe brand "On" and Roger Federer, we will focus on meaningful collaborations that foster trust and engagement over time (On, n.d.).

Acquiring customers

Objective: Increase app-downloads and active users per day.

Offline Marketing: Engage with target audience in their geographic regions by actively approaching them and incentivise them to download the app. Example activities:

Active outreach at universities: Instead of just passively promoting the app through handing out flyers and hanging up posters, we will position ourselves at NOVA SBE – or other universities – in the lunch break and offer small snacks to people who download our app.

Active outreach relevant cities: In relevant cities, we can directly approach potential users and introduce them to our app. Ideal locations include trendy cafés or bars where we can engage with young, fashion-conscious women.

Online Marketing: Promote campaigns online that activate customers to download and use the app. Example activities:

Referral program: Via a pop-up on the app, we offer discounts for inviting a friend.

Fashion week: Introduce a “fashion week” on the app, where one week we offer discounts on everything (similar to a Black Friday).

Inorganic ads: To reach customers in the search phase of purchasing, we will run paid Google ads. Using AI tools like CampaignOne, we can tailor ads to our target audience and optimize performance. This strategy will drive traffic to our app and provide valuable insights into our customer base.

Increasing customer retention

Objective: Increase number of purchases per month per user.

In the long-term we would also need to consider customer retention. There are chances that customers get tired of swiping and leave the app after a couple of months. By regularly introducing new features, seasonal promotions or eventually a membership, we aim to increase customer retention.

9.3 Approaching Brand Partners B2B

Since we aim to work with middleware providers such as Tradebyte, we would be able to leverage their existing brand network. This helps us to partner with larger brands right from the beginning (Interview: Exner). We will approach the brands within the network directly and seek a partnership. To do so, we put our unique value proposition and the benefits for the brands in focus. As stated above our unique value proposition is as follows: *With Swipe it young, fashion-conscious females can discover fashion that fits their style with our swipe-to-match algorithm, offering them personalized, clutter-free recommendations for a fun and effortless shopping experience.*

Benefits for brands:

- **Increased brand exposure:** Our app offers brands increased brand exposure to our target audience – tech-savvy, fashion-forward women aged 18 to 34, with a middle to high income and a strong influence from social media, seeking personalized, trend-conscious shopping experiences.
- **Data driven insights:** By gathering more and clearer customer signals compared to other multi-brand retailers, we provide brands with more precise, data-driven insights into customer preferences. This enables brands to better understand their audience and tailor their product offerings to meet specific demands effectively.
- **Ease of integration:** By using Tradebyte as a middleware provider, we ensure an easy integration for all parties (Interview: Exner).

- **Low risk, high reward:** Thanks to our partnership with Tradebyte, brands can be featured on our platform without needing to make any upfront investment. Instead, they simply pay a 15-25% commission on sales, minimizing their risk while offering the potential for significant rewards if their products perform well (Interview: Exner)
- **Direct marketing channels:** With Swipe it, brands gain a direct marketing channel to engage fashion-conscious users by promoting exclusive sales and launching limited-edition items. Additionally, they can test new products easily and by collecting clear "Yes-or-No" signals, the brand gets quick feedback on the popularity of the piece.

Selection of relevant brands: Brand selection is guided by customer preferences. Survey results (Appendix I) indicate that preferred brands include Arket, Aritzia, Closed, Cos, Daria Deh, Hartford, Levi's, Massimo Dutti, Ralph Lauren, Reformation, Reiss, Sandro, Scotch & Soda, Sezane, Weekday, and &Other Stories. These premium brands align with the target group's style preferences—casual (63%), minimalistic (59%), and business chic (33%)—and appeal directly to our audience. Priority will be given to brands already within the Tradebyte network while ensuring alignment with these customer preferences and style trends.

Beyond the Tradebyte network, partnering with smaller brands that align with our portfolio provides an additional opportunity. Smaller brands benefit from increased visibility and are often more motivated to join multi-brand platforms, as they are less represented in major retail spaces. This strategy enhances the app's offering by introducing users to unique products and brands they might not have encountered otherwise, fostering discovery and differentiation.

To remain aligned with customer expectations and market trends, ongoing strategies include gathering customer feedback on desired brands and continuously monitoring the app for emerging fashion trends.

10. Market Potential *(Döttinger)*

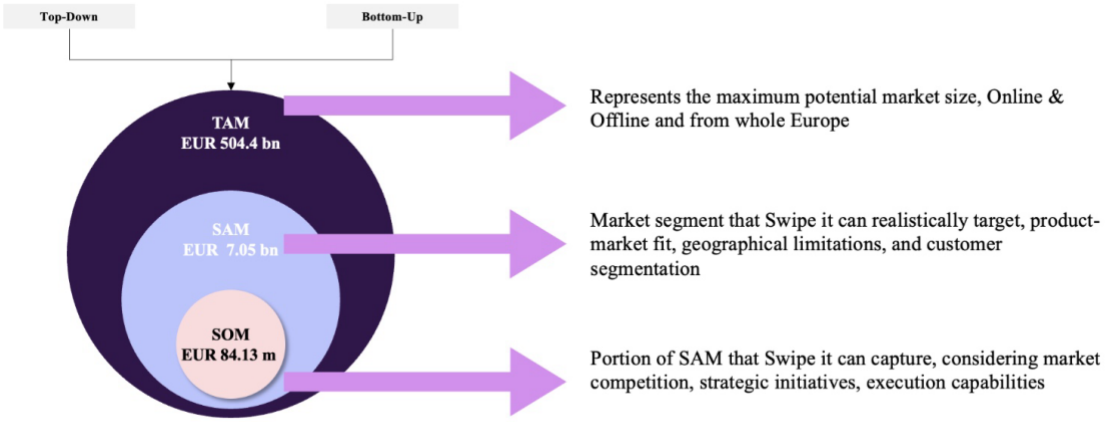

Figure 7: Top-Down and Bottom-Up Market Sizes and Assumptions

10.1 Top-Down Market Potential Calculation

TAM: The Total Addressable Market (TAM) represents the maximum potential market for Swipe it across the entire European fashion industry. This includes apparel, footwear, accessories, and luxury fashion items, accounting for both online and offline retail. As of 2024, the total European fashion market is valued at approximately €412 billion (European Commission, 2020; McKinsey & Company, 2024). The TAM encompasses all consumer segments across Europe, including various demographics, preferences, and purchasing behaviors. With a compound annual growth rate (CAGR) of 9% through 2027 (BCG, 2023), this market is highly dynamic, driven by factors such as sustainability, online retail expansion, and shifting consumer preferences toward personalized shopping experiences. Notably, women's fashion accounts for more than half of the total market, reflecting a consistent demand for diverse product offerings within the sector (European Commission, 2020). Given these figures, it is clear that the European fashion market offers substantial opportunities for new entrants like Swipe it, especially given the increasing penetration of e-commerce in the fashion sector (Utku, 2023).

SAM: While the TAM provides a broad overview of the market potential, the Serviceable Available Market (SAM) narrows the focus to a specific geographic and demographic segment that Swipe it is likely to target. Swipe it's target customers are women aged 18 to 34 in Germany, focusing solely on online fashion sales. Germany's fashion market is one of the largest in Europe, with an estimated total value of €73.6 billion (Statista, 2024d). Women's fashion comprises approximately 57% of this market, amounting to €41.1 billion (Statista, 2024b). However, for the purposes of Swipe it's business model, which is focused on digital commerce, we only consider the online segment of this market. As of recent reports, approximately 40% of fashion retail in Germany occurs online (Statista h, 2024). This implies that the online women's fashion segment would account for around €16.44 billion of the total women's fashion market. Further refinement of this market involves isolating the segment of women aged 18 to 34. This age group represents about 25% of the female population in Germany (Statitisches Bundesamt, 2023). By applying this percentage to the online women's fashion market, the SAM is estimated to be around €4.11 billion (i.e., 25% of €16.44 billion). Women in this age group are key consumers of fashion and are more likely to engage with digital platforms for shopping, making them a crucial demographic for Swipe it's digital-first business model (European Commission, 2020).

SOM: The Serviceable Obtainable Market (SOM) is a critical metric that defines the portion of the SAM that a company, such as Swipe it, can realistically capture. This estimation is based on the company's operational capabilities, competitive landscape, and marketing efficacy. According to Guinebault (Guinebault, 2022), Zalando holds an 11.7% market share in the European online fashion market. A similar penetration rate is projected for Swipe it within its target segment of women aged 18 to 34, assuming the successful implementation of its business strategy. Using the assumption of an 11.7% market penetration and a 20% commission fee applied to a SAM valued at €4.11 billion, the SOM is calculated to be approximately €96.2

million. This projection represents the potential annual revenue that Swipe it could achieve within its specified demographic in Germany. Realizing this SOM would require the company to deploy effective marketing campaigns, offer compelling products, and maintain a seamless and user-friendly digital platform to attract and retain its target audience.

10.2 Bottom-Up Market Potential Calculation

A bottom-up market analysis evaluates market potential based on granular data specific to the business model, target customers, pricing strategy, and operational reach. The following calculation estimates the revenue potential of Swipe it.

Assumption

Target Customer Segments: Swipe it's primary target audience consists of young women aged 18-34 in Germany. This group includes students and young professionals, a demographic known for high engagement with digital platforms and a preference for personalized, convenient shopping experiences. As online shopping continues to grow, this group represents a key opportunity for Swipe it's e-commerce and affiliate-based business model.

Pricing Strategy and Revenue Model: Swipe it plans to generate revenue primarily through earning a commission between 15-25% on sales made through partnerships with fashion brands featured on its platform (Interview: Exner). For our model we used the average of 20% commission. This affiliate model ties revenue generation directly to the volume of transactions processed through Swipe it.

Estimating Target Customer Base: Swipe it aims to capture 11.7% of the total population of women aged 18-34 in Germany. According to recent demographic data, the total population in this age group in Germany is approximately 20.7 million, with women comprising about 50% of this demographic. Consequently, the target customer base for Swipe it is estimated to be 1.21 Million users. (Statitisches Bundesamt, 2023)

Revenue Projections: To estimate revenue, we assume the following:

Average commission per transaction: Based on revenue projections and similar platforms, Swipe it expects to generate €5 revenue per user monthly. This estimate reflects a combination of average monthly purchase sizes of €25 (Zalando, 2023a) as detailed in Chapter 13 and the 20% commission rate (Interview: Exner). Thus, monthly affiliate revenue can be calculated as: Monthly Revenue = 1.21 million users × €5.0 = €6.05 Million leading to an Annual Revenue of €72.06 million. This figure represents the estimated annual revenue that Swipe it expects to generate based on its target user base.

SOM: The SOM reflects the share of the market that Swipe it can realistically capture. Given its business model, user acquisition strategies, Swipe it aims to capture a portion of the market equivalent to €72.06 million annually. This SOM estimate depends on the company's ability to reach its target of 517,500 users through its growth initiatives.

SAM: The SAM narrows the focus to the portion of the market that Swipe it can realistically target, which in this case is young women aged 18-34 in Germany who shop online. To calculate the SAM:

- Total population aged 18-34 in Germany: Approximately 20 million people. (Statitisches Bundesamt, 2023)
- Proportion of women: About 50%, giving 10 million women in this demographic. (Statitisches Bundesamt, 2023)
- Average annual spend on fashion per user (online and offline): €1,000. This estimate is based on typical spending patterns of young women in Germany, particularly those engaged in fashion-related shopping. (Interview: McKinsey Partner).

Thus, the SAM for Swipe it is: SAM = 10 million women × €1,000 = €10 billion. This value represents the total market opportunity that Swipe it can realistically address within its target demographic in Germany, considering the online shopping preference of this group.

TAM: The TAM represents the entire potential market for Swipe it, assuming no competitive or operational constraints. This includes the entire European fashion sector, encompassing both men and women, across all age groups. The TAM is calculated as follows:

- Europe's population: Approximately 746 million.
- Average annual fashion spend per inhabitant: €800. (Eurostat, 2018)

Thus, the TAM for the European fashion sector is: TAM = 746 million people × €800 = €596.8 billion. This figure represents the maximum potential market size that Swipe it could theoretically capture across Europe in the fashion sector, assuming no competitive constraints. In summary, both the top-down and bottom-up approaches provide valuable insights into the market potential of Swipe it, each highlighting different aspects of the opportunity. The top-down approach, based on broad market figures for the European fashion industry, TAM of €412 billion, a SAM of €4.11 billion and a SOM of €96.2 million. The bottom-up approach, using specific customer data, revenue models and penetration strategies, yields a TAM of €596.8 billion, a SAM of €10 billion and a SOM of €72.06 million. By averaging these figures, we arrive at an average TAM of approximately €504.4 billion, a SAM of €7.05 billion and a SOM of €84.13 million. This combined perspective not only highlights the significant market potential of Swipe it, but also balances the ambitious scope of the entire European fashion industry with the more achievable results within the target demographic of women aged 18-34 in Germany. The results demonstrate a significant opportunity for Swipe it to grow and gain market share, provided it continues to implement effective user acquisition strategies and maintains strong partnerships with fashion brands.

10.3 Future Market Potential

In the future and with a well-developed product, Swipe it’s innovative swipe interface and algorithm have the potential to change industries where personalization is critical to enhancing customer satisfaction and driving purchases. Research shows that 76% of consumers expect

tailored shopping experiences, and 78% are more likely to repurchase or recommend brands that deliver personalized interactions (Arora et al., 2021). By enabling companies to collect detailed user insights, Swipe it's technology can significantly enhance their personalized marketing offering. A McKinsey study found out that these personalized offerings can increase the ROI in marketing by up to 40%, providing a clear financial incentive for adoption (Arora et al., 2021). Unlike developing similar solutions in-house, companies could license Swipe it's ready-to-use software and interface, benefiting from an already trained algorithm and proven functionality. This B2B model allows Swipe it to avoid direct market entry while enabling partners to improve their user experiences and competitiveness. With personalization increasingly driving consumer expectations, this offering could meet growing demand from businesses eager to tap into this potential. Therefore, Swipe it's applications go beyond fashion. Accessories and shoes, which represent a combined market size of €210bn in 2024, are natural extensions. The interior and furniture market (€165bn) and the home décor sector (€36bn) also provide opportunities, particularly for users seeking to discover styles that align with their preferences ("CSIL Report," 2024; Statista, n.d., 2024f, 2024h). Users could "swipe" through options for creating personalized home aesthetics or finding inspiration for interior design projects. By offering its technology across diverse sectors, Swipe it could redefine consumer engagement, turning swiping into an intuitive, data-driven process that enhances everyday decision-making. This is a rather long-term strategy and Swipe it would first need to ensure a ready to market algorithm which is proven to generate new and valuable customer insights. Only then, it would be possible to forecast its market potential, based on the licensing price and potential company partners, but it this case shows the expansion potential of the product.

11. Competition *(Haas)*

11.1 Competitive Landscape

The ecommerce fashion market in Germany is highly competitive and fragmented, with the top three online stores capturing around 28% of the market share in 2023 (ECDB, n.d.).

Our competitors fall into five different categories: single-brand stores, multi-brand retailers, start-ups with similar offerings and future competitors to consider. Next, we will examine the key competitors in each category relevant to Swipe it.

Single brands

Single brands relevant to Swipe it such as Polo Ralph Lauren or Arket pose a limited threat due to their relatively small product ranges, which hinders the effectiveness of a recommendation engine (Interview: Huang). While their strong brand reputation attracts customers directly to their sites, Swipe it can leverage this by promoting these specific brands within its platform.

Larger single-brand stores like H&M or Primark could have enough product offerings to create an effective recommendation engine. With their large active customer base, they would have the advantage of collecting a lot of data quickly. But since they primarily operate in a different price category and are not the preferred brands for our target audience, they would not be a direct competition.

Multi-brand-retailers

The Largest fashion retailers in Germany by revenue in 2022 are Zalando, Otto.de, amazon and AboutYou (Statista, 2023). Key competitors in the German market in terms of target group and price point are Zalando and AboutYou in the lower to middle price segment. These will be discussed below. Zalando is the leading ecommerce fashion platform in Germany and one of our largest competitors. In 2023 it generated a total revenue of over EUR 10 billion (Statista, 2024c). Their strengths are the large number of partnered brands and variety of products creating an “ecosystem for fashion” with large network effects. Additionally, Zalando has a

large brand awareness and traffic with over 51 million active users in Europe (Zalando, 2023b). One of Zalando's weaknesses is the lacking personalization and static and standardized shopping experience where Swipe it would have a competitive advantage in.

AboutYou is a German fashion online retailer operating in 26 European countries (Statista, 2024e). Similar to Zalando, their strengths lie in their over 700,000 products with over 4,000 brands available in their online shop (AboutYou a, n.d.). They are well known and have a high level of traffic. One of their USPs is that they are known for their exclusive collections with influencers and can attract customers with their unique offers. However, despite branding themselves as the 'leading provider of personalized shopping,' their website remains static, with most personalization limited to inserted suggestions within a standard search interface (Figure 11).

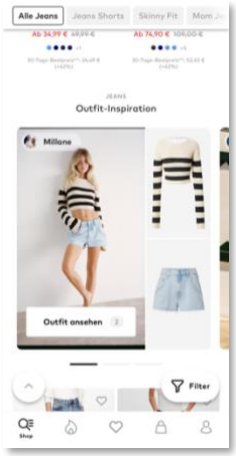

Figure 8: Personalization at AboutYou

Similar Start-ups

Similar start-ups are defined as companies that retail multi-brand clothes online, focus on a personalized shopping experience mostly with a comparable swipe-feature and use AI for better product recommendations.

Mada is a fashion ecommerce app founded in 2020 that focuses on selling complete outfits, including clothing and accessories, within the U.S. market. The app allows customers to swipe left or right on curated outfits and purchase an entire look with a single click. The outfits and recommendations are generated by AI in collaboration with designers, positioning Mada as a styling concierge for users who may struggle with styling their own outfits. (*Mada*, n.d.; Parisi, 2022) Mada's unique selling proposition lies in its ability to provide comprehensive outfit solutions, simplifying the shopping experience for users. However, this approach has a significant drawback: the app collects less detailed consumer data since the algorithm cannot discern which specific item caused a customer to dislike an outfit. This limitation may impact

the precision of Mada's recommendations over time. Currently, Mada operates exclusively in the U.S. and has not secured any external funding. As a result, Mada does not pose an immediate threat to Swipe it in the German market, but it could become a critical competitor if it expands into Europe. Due to the app's limited availability, we are unable to directly evaluate the quality of its recommendation engine, and there is insufficient reliable feedback to make an informed assessment at this time.

Styl., a fashion e-commerce app founded in 2023 by two Duke University students, is modelled closely on the concept of Swipe it, allowing users to swipe left or right to express preferences on individual fashion items (Yoo, 2024). Due to the strong similarities in their core functionalities, Styl. can be seen as a comparative benchmark for Swipe it. The app's major strength lies in its swift market traction in the U.S., which has allowed it to collect a significant amount of user data to refine its recommendation algorithm. With millions of impressions across social media platforms such as Instagram and TikTok, and over 100,000 downloads as reported by the founders, Styl. is steadily gaining momentum in both the U.S. and European markets (styl.app | Instagram, n.d.; styl.app | TikTok, n.d.). The overwhelmingly positive reception from users provides strong validation for the swipe-based shopping model and reinforces the potential of Swipe it. However, Styl. faces notable challenges. Users have reported bugs in the recommendation engine, including the repetitive appearance of the same items during extended sessions (Styl, 2024). Furthermore, the app has yet to secure direct partnerships with specific fashion brands, which limits its ability to appeal to a broader audience. At present, it appears Styl. sources its inventory from external retailers such as Zara and Bershka without formal agreements, raising potential legal and intellectual property concerns. Additionally, its focus on lower-priced brands that are highly sensitive to margins and typically prefer to sell through their own channels poses a monetization challenge. Despite these drawbacks, it is expected that these issues will be addressed as the app continues to develop.

Given its similar product offering and rapidly expanding user base, Styl. represents the most significant competitive threat to Swipe it. While Styl. remains focused on the U.S. market, Swipe it has the opportunity to capitalize on Styl.'s current geographic limitations by targeting European consumers to build a strong data foundation before Styl. attempts further expansion into Europe. To date, Styl. has not raised external funding.

YaySay is a U.S.-based ecommerce fashion app that offers selected luxury clothing items at significant discounts for a limited time each day, with products available for only 30 minutes. Users can browse and purchase these items using a swipe left or right feature. In 2023, YaySay secured $10.3 million in funding, led by Lightspeed Venture Partners (Forristal, 2023). YaySay's unique selling proposition lies in its significant discounts on designer clothing, the time-sensitive nature of its shopping experience and its daily-changing inventory. However, the app's model also has drawbacks. Users can only shop for a short window each day, which may limit its convenience. Customer feedback for YaySay is mainly positive, with a 4.9/5 rating on the App Store (N = 182, Aug. 2024) (*Yaysay*, 2024). Users frequently praise the app for its excellent deals, though some have mentioned a lack of personalization and the recurrence of the same recommendations, suggesting potential issues with the algorithm. However, this aspect cannot be fully assessed at this time. Given its specific shopping model with time-limited discounts on luxury fashion brands and the focus on the U.S. market, YaySay presents a moderate threat to Swipe it.

Future competitors

In the future, Swipe it could face potential competition from emerging start-ups with similar product offerings. While there is only limited information available on the following start-ups it became evident, that they are focusing on comparable business ideas.

Persona is a UK based start-up that aims to launch an app where one can swipe left and right on AI recommended clothing items (*Persona | Personalised Clothing*, n.d.). They are

diversifying themselves by introducing Personas the customer can create and share with friends acting as a fashion social media. An identifiable weakness is that their idea of personas is easy to replicate, and they are missing a competitive edge. Additionally, their name “Persona” is a common name connected to HR agencies and makes it difficult to find them online. So far, they did not receive any funding and the quality of their recommendation engine cannot be evaluated.

Swipe Sytle is a Germany based start-up that planned to launch a similar product to Swipe it in summer 2024 (Swipe Style, 2024). According to their website, they offer a finder to swipe products, style lists, search function, and profiles to share with friends which appear very alike to Swipe its features (Swipe Style, 2024). Not only the product features but also the name and geographic region are very close to Swipe it and could therefore present a potential competitive threat in the market. They did not receive any funding yet and the quality of their recommendation engine cannot be evaluated.

Swipe it must also anticipate competition from companies selling a swipe-algorithm as a service. For instance, Google has already introduced a swipe feature in the U.S. to enhance recommendation accuracy within Google Search (Altchek, 2024). By swiping on ten items, Google gathers user preferences and then provides recommendations in their usual Google Shop format (Altchek, 2024). Although the actual recommendations currently appear on a traditional, static webpage, it is likely only a matter of time before Google fully integrates a swipe-only feature into its search engine. Given Google's significant traffic and vast data resources, this could help Google to create a well-trained algorithm which then could be sold as a service to ecommerce fashion or other companies that could utilize such an algorithm. Other companies like Amazon could follow as well. A table with an overview of all competitors can be found in appendix D.

11.2 Moat Against Future Competitors

In order to build a sustainable and attractive business in the long run, we are committed to establishing a strong competitive moat from the outset. This will serve as a shield against future competitors and ensure that we remain leaders in the market. For building this moat, we must consider the different types of competitors and establish advantages respectively.

Single-Brands

We do not see competition from individual brands as a significant threat. Most brands have too few products, which limits the value of a recommendation engine that thrives on large datasets and user swiping patterns. As Haley Huang pointed out, "For swiping to truly work, you need a significant number of products and user signals. Brands just don't have that scale, and their focus isn't on developing technology like ours."

Moreover, most brands are not focused on technical development or building a robust app ecosystem. Their primary goal is product distribution and branding, which limits their capacity to develop the kind of personalized shopping experience we are offering. As a result, we do not foresee individual brands becoming direct competitors in the near future.

Multi-brand Retailers

The larger threat could come from existing multi-brand retailers like Zalando or About You, which already have massive customer bases and a large product offering. However, these retailers are deeply entrenched in their current shopping layouts, which are based on static product browsing and limited personalization. As Krishna Durai, one of our technical advisors from Meta, emphasized, “Any recommendation system becomes more effective when you have a greater number of signals.” Traditional e-commerce platforms typically only capture positive signals, such as clicks or purchases, but fail to collect rich negative signals, such as users swiping left to reject products.

In these static layouts, the user experience is often suboptimal, as both Haley and Yuki pointed out during internal discussions. "Current e-commerce platforms don't allow for explicit evaluation of whether a user likes something or not," Yuki mentioned. "And without that, the data quality is significantly lower." Furthermore, this layout limits the frequency of personalization, making it difficult for these platforms to pivot to a more dynamic and personalized shopping experience, like the one we are building.

Additionally, any attempt by these large retailers to fundamentally change their user experience would be risky. Their entire business model is optimized for short-term GMV and pivoting to a swiping-based interface would likely disrupt this, posing risks both operationally and from a shareholder perspective. As Behlool Sabir, an expert from Meta who works on long-term ad value and ranking systems, noted, "Shifting focus to long-term personalization is risky when your current model depends on maximizing short-term transactions."

Startups

The most likely competitors to emerge would be other startups with a similar focus on building swiping-based recommendation engines. However, we have already analyzed the competitive landscape and do not see any immediate threats from existing startups. Additionally, we strongly believe that our current team’s experience and technical expertise will allow us to build a superior product. When it comes to potential new startup entries, we will benefit from our first-mover advantage. By being early to market, we will have a head start in terms of customer awareness, data collection, and algorithm optimization. "The number of signals we can collect early on will be a key advantage for our recommendations," Krishna explained. This advantage will not only help us fine-tune our recommendation engine but will also create a barrier for new competitors who lack this historical data. Overall, we are confident that the combination of our first-mover advantage, unique swiping interface, and focus on collecting both positive and negative user signals will set us apart from any competition. Our team’s diverse skill set, with

experience from leading tech companies such as Meta, Tinder, and TikTok, gives us a significant edge in building a world-class recommendation engine. As Behlool summarized, "Our system is designed to learn from every user interaction – positive or negative – something that no current e-commerce platform can offer." With this strategy, we are positioning ourselves to not only succeed in the short term but also to build a business that will thrive in the long run, regardless of future competition.

12. Business Model *(Milsmann)*

Swipe it's business model is designed to generate revenue through multiple streams, focusing on scalability and leveraging the unique strengths of its app. The approach is divided into short-term and long-term strategies to ensure sustainable growth and profitability.

Short-Term Revenue Streams

Commission-Based Revenue: Initially, Swipe it will derive most of its revenue from affiliate commissions on sales generated through the app. Partnering with Tradebyte enables Swipe it to earn commissions between 15 and 25 percent per sale, though starting on the lower end of this range is expected due to limited bargaining power as a new platform. During this phase, brands and retailers will handle fulfillment, shipping, and returns using neutral packaging, allowing Swipe it to minimize operational complexity. The primary focus at this stage will be driving user engagement, refining the recommendation algorithm, and establishing proof of concept.

Long-Term Revenue Streams

Higher Commission Rates: As Swipe it scales and its recommendation algorithm improves, driving higher conversion rates for retail partners, the platform will gain bargaining power. This will enable Swipe it to negotiate higher commission rates and offer premium services, such as branded packaging for high-performing partners.

Data-Driven Advertising: Swipe it's ability to collect explicit user signals through swiping behaviors positions the platform to deliver highly targeted advertising opportunities. Brands and retailers can leverage this data to reach their desired audience effectively, providing Swipe it with an additional revenue stream as user engagement grows.

Product Testing for Brands: Swipe it will also offer brands the opportunity to test dummy products within the app before official launches. By collecting detailed user feedback, this service provides valuable market insights to brand partners while diversifying Swipe it's early revenue streams.

Expansion to other markets: As described in Chapter 10.3, future business potential lies in the expansion into other markets. As the swipe-to-match algorithm with sufficient data could also be implemented in other markets (e.g., accessories, hom decor and furniture), income could be generated through licencing the technology to other companies or margins in new markets.

13. Financials and Traction *(Döttinger)*

Swipe it operates a commission-based revenue model, generating revenue by taking a percentage of sales facilitated through its platform in partnership with fashion brands. As part of its strategic vision and as previously mentioned, the company intends to capitalise on its robust data collection capabilities to offer targeted advertising, thereby creating a secondary revenue stream in the future. However, the focus of this analysis is limited to the commission-based revenue model. The following section provides a detailed overview of the key findings and underlying assumptions of the comprehensive financial model developed for this analysis. The financial model, presented with screenshots in Appendix E and available upon request, serves as the basis for assessing Swipe it's revenue potential and growth trajectory.

13.1 Financial Projections

Swipe it's revenue projections are built on the foundation of its user base, which is influenced by multiple factors, including advertising spend, public relations campaigns, organic shares on social media, referrals from existing subscribers and Virality. In the base case scenario, the user base is projected to reach around 152,000 active users until break even in December 2029 and around 3,570,000 by the end of 2034, driven by consistent growth in customer acquisition through both paid and organic channels.

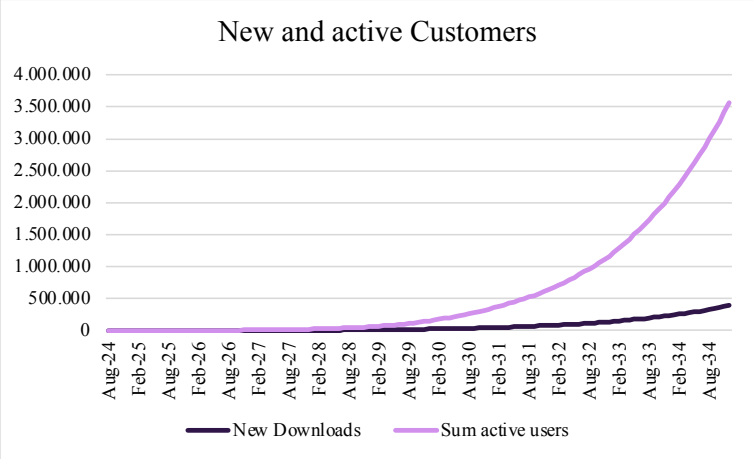

Figure 9: New and Active Customers

The company's average order value (AOV) is expected to be €25 per user per month, based on financial benchmarks set by industry leaders such as AboutYou and Zalando. According to recent reports, AboutYou achieves an average annual customer spend of €174, while Zalando reports figures as high as €295 annually, corresponding to monthly averages of €14.5 and €24.6 respectively (AboutYou, 2023; Zalando, 2023a). Swipe it expects to meet and exceed these benchmarks by leveraging its innovative customer engagement model to drive increased spending and greater loyalty among its user base. Through its partnership with Tradebyte, Swipe it is positioned to earn commission rates of 15% to 25% on revenues generated through its platform (Interview: Exner). A commission rate of 20% has been used for financial modelling purposes. Under these assumptions, the company estimates an average commission of €5 per user per month, with growth expectations aligned to increased user engagement. Based

on these projections, Swipe it expects to generate monthly revenues of approximately €750,000 to break even by December 2029. The company also forecasts annual revenues of €170 million in 2034. These estimates are based on continued user growth and the platform's continued success in driving regular transactions among its users.

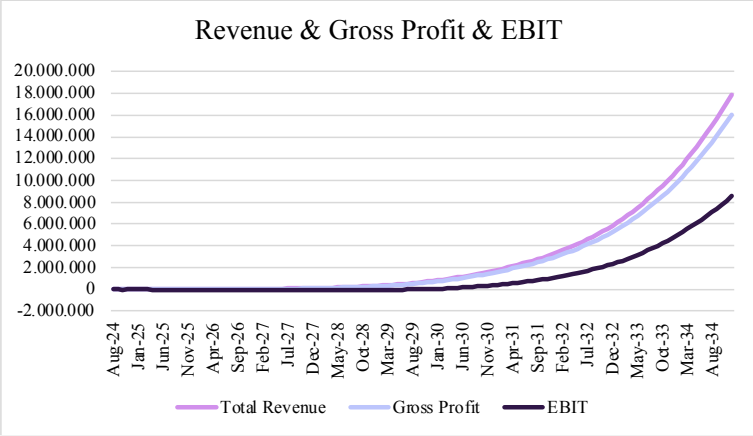

Figure 10: Revenue, Gross Profit and EBIT

As Swipe it scales, operating expenses, platform development, and general operations are anticipated to grow. However, the company plans to adopt a disciplined approach to expense management, ensuring that costs do not outpace revenue growth. This strategy, coupled with the increasing CLV ratio as user acquisition becomes more efficient, positions Swipe it to reach profitability by December 2029. The projected increase in gross profit and EBIT over this period reflects Swipe it's potential for sustainable financial success. By maintaining a focus on both revenue growth and expense control, Swipe it is poised to generate substantial profitability within its first four years of full-scale operation.

13.2 Marketing and R&D

Marketing and Research and Development (R&D) represent the largest expense categories for Swipe it, underscoring their strategic significance in fostering growth and innovation. Marketing expenditures are projected to increase steadily over time as the company emphasizes customer acquisition to expand its user base. The cost of acquiring a new paid subscriber is estimated to be approximately €40, based on insights from an industry expert interview with

Johannes Niemann. Niemann highlighted the high costs associated with customer acquisition in the fashion and e-commerce sectors, citing typical figures ranging from €30 to €60 per customer. In its early stages, Swipe it plans to manage marketing activities internally, with the founders taking primary responsibility. This approach delays the hiring of specialist staff, such as a search engine marketing manager or social media manager, until the company has gained greater traction. This strategy allows the company to minimise costs while maintaining flexibility in the early stages. As the company approaches profitability and its user base grows, Swipe it plans to expand its team and hire additional staff to meet the increasing demands of a larger audience and ensure sustainable growth.

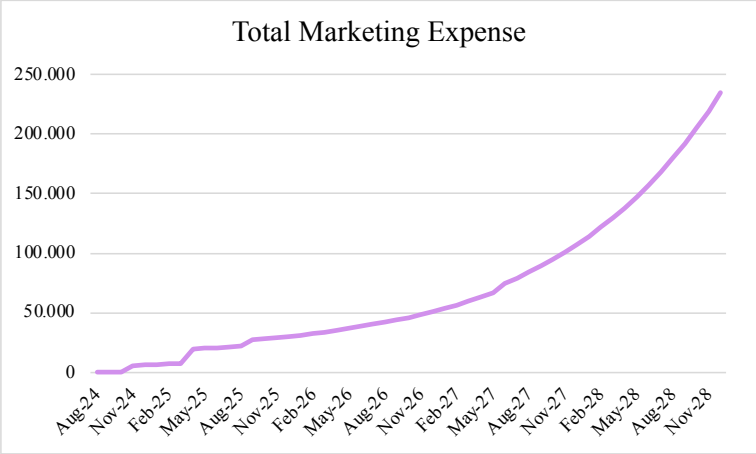

Figure 11: Total Marketing Expenses

Similar to marketing, the development of the product will be predominantly handled by the founders over the first few years, which includes designing and building the functionalities of the app (Interview: Hikada, Nagasuga, Huang). As the company grows, additional talent will be integrated into the team to handle the increasing workload and to ensure the scalability of the platform. This phased hiring approach will include bringing on experienced professionals such as a Senior Software Engineer specializing in React Nativ, a Senior Backend Engineer, an iOS Engineer, a Product Manager, and Data Scientists. Each of these roles will be filled progressively, in line with the company's development milestones and technical requirements.

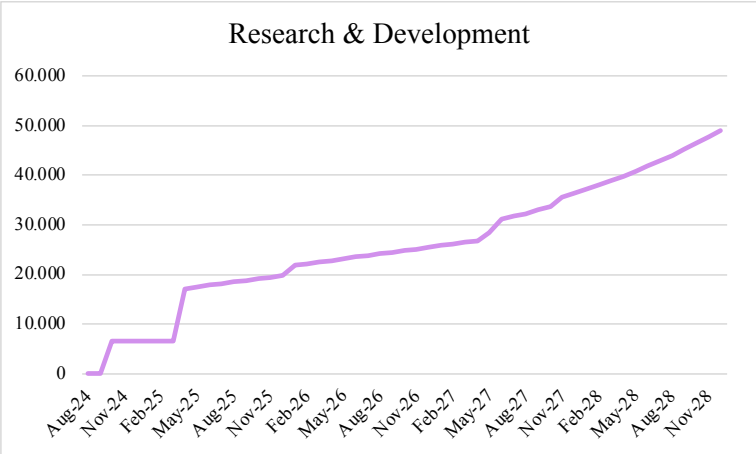

Figure 12: R&D Costs

This staggered hiring approach allows Swipe it to balance its development needs with cost management. In the first eight months, the founders will lay the groundwork for the product and marketing strategy, after which more specialized staff will be brought in to ensure that both customer acquisition and product development can scale effectively as the company grows. Through this approach, Swipe it aims to optimize its operational efficiency while maintaining a high degree of control over the product and marketing strategies during the crucial early stages. This strategy not only ensures the scalability of both the marketing and product development functions but also allows the company to adapt to growth in a cost-effective manner, keeping operational expenses aligned with user acquisition and platform development.

13.3 Unit Economics

In app-driven businesses, two critical financial metrics are CAC and CLV. These metrics play a key role in assessing the sustainability and profitability of customer relationships. At launch, Swipe it's initial CAC is expected to be approximately €38 per user. Over time, this cost is expected to decline steadily to €15 by the end of the forecast period. The reduction in CAC stems from the app's growing virality, boosting the share of organic users (see chapter 9) and lowering average acquisition costs. At the same time, Swipe it's CLV trajectory shows significant improvement. Initially, the CLV is estimated at -€55, reflecting the early-stage negative gross profit and retention before revenue generation stabilizes. However, as the

business scales and user engagement deepen, the CLV increases significantly, reaching €37 per user by the end of the forecasting period. This results in a final CLV ratio of 2.4:1, a widely recognized industry benchmark for a healthy balance between the cost of acquiring customers and the long-term revenue they generate (Donnelly, 2023). A ratio of around 3:1 is considered optimal, meaning that for every euro spent on customer acquisition, Swipe it earns three euros over the lifetime of the customer, supporting sustainable growth and profitability without leaving significant growth potential untapped. This improvement in both CAC and CLV reflects Swipe it's ability to scale efficiently while fostering long-term customer loyalty, driven by the app's personalized and engaging shopping experience.

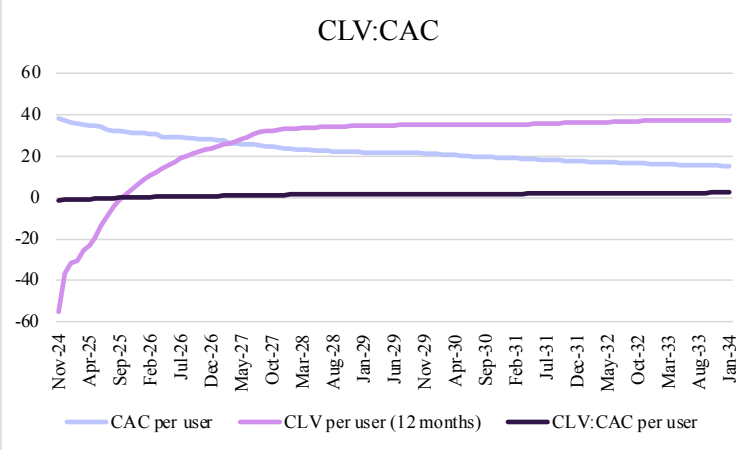

Figure 13: CLV and CAC

14. Investment Opportunity *(Döttinger)*

To successfully build and scale Swipe it, the company seeks pre-seed funding, ideally from either specialized angel investors within the fashion industry or venture capital (VC) funds. Each funding source has distinct advantages and drawbacks. For example, angel investors typically operate with greater speed and require smaller equity stakes, making them advantageous for startups seeking quick and less costly capital. However, they often have limited funds, which may pose challenges when additional rounds of financing are necessary. In contrast, VC funds offer more substantial financial resources for scaling, but they impose

stricter investment terms, tend to take more time during the negotiation process, and often require a larger equity stake in exchange for their funding. In our case, speed is very important which is why we would like to raise the first money from business angels. (Nanda et al., 2016) Swipe it has already identified a number of prominent angel investors in Europe who are active in the fashion and technology sectors and would be a good strategic fit for the company's vision. Notable figures include Jannet Furstenberg, Florian Heinemann, David Nothacker, and Lea-Sophie Cramer. Additionally, a list of 167 potential angel investors who specialize in the fashion and e-commerce space is included in the appendix G, highlighting the vast potential investor pool available to support Swipe it's growth. To initiate the development of Swipe it and launch its marketing efforts, the company is seeking an initial Angel investment of €300,000. In exchange, Swipe it is offering a convertible note with a 20% discount and a valuation cap of €3 million Pre Money. This financial instrument has been chosen for its efficiency, as convertible notes are generally faster and less expensive to set up than traditional equity rounds. Additionally, convertible notes are often preferred by angel investors, as they are familiar with the structure and the flexibility it offers. While VCs may be less concerned with the cap, some angel investors may view the €3 million valuation cap as high for an early-stage company, necessitating thoughtful negotiation to ensure both parties are satisfied (Nanda et al., 2016).

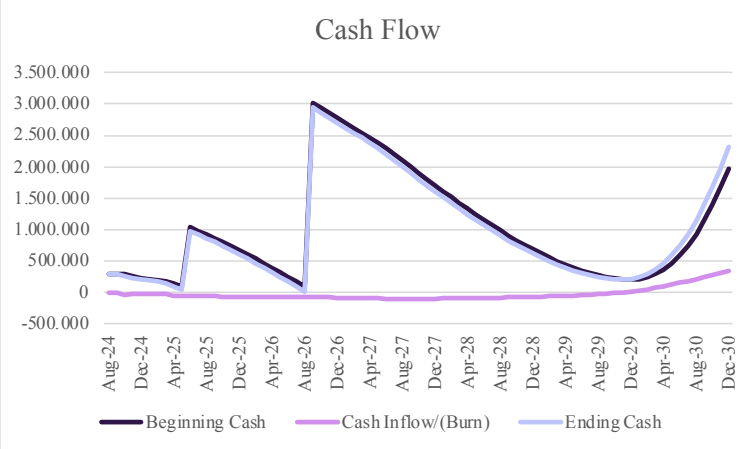

Figure 14: Cash Flow

The initial €300,000 investment is projected to provide sufficient runway until June 2025, allowing Swipe it to develop its product, prove its concept, and establish a foothold in the market. However, following this period, the company anticipates requiring an additional €1 million in a structured seed round and a €3 Million Series A round to finance operations and marketing until Swipe it reaches profitability. This multi-round financing approach has been carefully designed to minimize dilution for the founders, while also offering VCs better visibility into how funds are being utilized and the progress made. This staggered investment strategy ensures that Swipe it maintains flexibility in its growth trajectory while aligning investor incentives with the company's long-term success (Nanda, 2015).

Swipe it– Investment Memo (Investor Perspective) *(Group)*

1. Executive Summary

Swipe it is an early-stage start-up founded by a Master's degree student and a tech team of Engineers. The start-ups mission is to simplify and personalize the online shopping experience for young females with a swipe-to-match recommendation algorithm. The tech-focused team addresses the low level of customer satisfaction (only 14%) in the online fashion retail industry and the lack of personalized shopping experiences. The app shows customers one clothing item at a time in which the customer then evaluates with a "yes" or a "no" swipe. Through these clear signals – which traditional online retailers cannot collect through their grid layout – Swipe it collects insightful customer data based on which it can provide more personalized clothing recommendations. The algorithm behind this uses content-based filtering and NLP making it particularly accurate when working with pictures of clothing items. Swipe it focuses on generating revenue through a commission model with brand partners (15–20%) and the usage of data-driven customer insights. The collaboration with middleware providers like Tradebyte makes it easy to acquire brand partners, keep the business asset light and has low upfront investment. The company is raising €300,000 in a convertible loan with 20% discount and a €3 Million Pre Money valuation cap. Building on the take-off of a similar start-up in the U.S. as a proof of concept, Swipe it projects a steep growth in the DACH region with €170 Million projected revenue in 2034 and €80 Million in EBIT.

2. Problem & Solution

Problem: Swipe it sees large potential in the improvement and personalization of the online fashion retail industry. Only 14% of customers report being satisfied with the traditional online shopping experience (IBM, 2024). This dissatisfaction stems from information overload, which

reduces online spending (Appiah Kusi et al., 2022). Additionally, the lack of personalization frustrates shoppers. Traditional static website layouts limit retailers' ability to gather data insights, as the real decision-making happens in the customer's mind, resulting in ineffective personalization. Finally, many platforms are not optimized to foster long-term customer loyalty, constraining the potential for a high CLV.

Solution: Swipe it is a mobile application designed to transform the online shopping experience for younger, fashion-conscious consumers by incorporating a Tinder-inspired swipe-to-match interface. Developed using React Native, the application ensures a seamless experience across both iOS and Android platforms, thereby accelerating development and reducing costs. On the backend, Swipe it integrates with Tradebyte, enabling rapid onboarding of brands by accessing high-quality data and updates without the complexities of direct integrations. The platform incorporates Algolia's AI-powered search capabilities and employs a recommendation engine that initially utilizes content-based filtering, with plans to incorporate collaborative and hybrid systems. The use of advanced techniques such as NLP and vision models enhances recommendation accuracy while avoiding over-personalization.

The strengths of Swipe it lie in its user-centric design and technological innovations. The intuitive swipe interface engages users by emphasizing interaction over immediate sales. According to investors such as Paula Weber, Dennis Ahrling, and Johannes Niemann, this swipe-based exploration encourages user engagement and could boost retention. Max Reeker emphasized the emotional aspect of shopping that drives consumer decisions, suggesting that Swipe it's approach aligns well with modern shopping habits. The use of React Native ensures a consistent user experience across platforms while minimizing costs and supporting agile development. As noted by Dennis Ahrling, this agility offers Swipe it an advantage over larger competitors in maintaining innovative engagement features. Efficient brand integration through Tradebyte reduces the complexities of direct brand onboarding, allowing the platform to scale

its product offering quickly. Additionally, its proactive legal compliance using affiliate programs fosters brand trust while avoiding copyright issues. Moreover, the integration of Swipe it with Algolia enhances the search experience for users by providing intelligent search results. The recommendation engine, which combines content-based and hybrid filtering models, ensures adaptability as user data grows, improving recommendation relevance and diversity.

Despite these strengths, Swipe it faces significant challenges, particularly in establishing partnerships with brands. Experts have pointed out the difficulty of getting brands to collaborate with newer platforms. Paula Weber highlighted that many brands are selective about where their products are sold and how they are presented, making it challenging for emerging marketplaces to gain their trust. Johannes Niemann further explained that securing partnerships with top-tier brands can be a lengthy process, often taking years to build the necessary relationships. When it comes to luxury brands, these challenges are even more pronounced. Simon Meier emphasized that working with premium brands requires substantial time and patience, as they prioritize quality and brand image over quick sales. Max Reeker echoed this sentiment, noting that the long sales cycles and complexities of obtaining selling rights with high-end brands make the process particularly demanding. Although Tradebyte facilitates brand partnerships, even Dennis Exner from Tradebyte noted that while connecting to suppliers through TB.market is straightforward, accessing top-tier brands through Tradebyte remains difficult. He recommended targeting retailers like Breuninger or Engelhorn, which are easier to onboard, rather than individual brands. However, reliance on middleware providers like Tradebyte or partnerships with a small number of retailers introduces risks related to service disruptions or changing partnership terms. Furthermore, the technical complexity of the recommendation engine presents challenges, requiring continuous optimization and investment in computational

resources. External services like Algolia, while beneficial, introduce scalability and cost risks as the platform expands.

Swipe it offers an innovative approach to online shopping, combining a swipe interface with advanced technology. However, challenges around scalability, middleware dependency, customer trust, and managing advanced recommendation systems must be tackled. Johannes Niemann concludes that success will depend heavily on execution, particularly in efficiently managing brand relationships and customer acquisition alongside a solid technological foundation.

3. Market and Competitive Landscape

Market: Swipe it targets young females between the age of 18–34 such as college students or young professionals with a strong sense of fashion and tech-affinity in the German speaking area. this is a highly sought-after target group with many competitors.

The German e-commerce fashion market has an estimated revenue in 2024 of €13 billion with an expected growth until 2029 to reach €27 billion (Statista, 2024a). Over 70% of sub 34-year-old's regularly purchase products online with 50% being fashion items (Davies, 2024; Statista, 2024g). However, the post-pandemic recession is still moderating consumption with consumers in Europe planning to reduce apparel spending by 29% in 2024 (McKinsey & Company, 2024). Swipe it has the opportunity to expand in European markets easily and – as soon as the technology is advanced enough – license their swipe-algorithm and technology to other existing retailers with a large market share.

Competition: The fashion e-commerce market is fiercely competitive, with low entry barriers and many international players like Shein intensifying competition (McKinsey & Company, 2024). The top three e-commerce retailers in fashion hold a combined 28% market share, while

the non-luxury sector faces challenges like low margins, high costs, and frequent seasonal changes (ECDB, n.d.; McKinsey & Company, 2024).

Key Competitors: Swipe it will need to differentiate itself in a highly competitive market, competing with both smaller and larger players, to offer a unique value proposition.

- *Large-scale retailers:* Large-scale retailers like Zalando and AboutYou are Swipe it's traditional competitors. Zalando is the market leader of the German ecommerce fashion industry and generated over €10 billion in revenue in 2023 (Zalando, 2023a). Both players dominate the market through their large product variety and brand awareness. Their strengths lie in their strong brand partnerships and existing traffic on their websites – Zalando had 51 million active users in 2023 (Zalando, 2023a) – though the online retailers lack in personalization due to a static website which offers a competitive opportunity for Swipe it.
- *Small, direct rivals*: Companies with a similar idea to Swipe it are mostly smaller start-ups that are present only in the U.S. markets for now. Despite the geographical boarders they are potential competitors to Swipe it.

  Styl., a 2023 fashion app, closely mirrors Swipe it, using a swipe-based model for clothing selection. It is already well established in the US and claims to have over 100,000 downloads. Its rapid growth highlights the appeal of the idea. While currently focused on the U.S., Styl. poses a significant threat to Swipe it if it expands to Europe, where Swipe it can capitalize on its geographic advantage.

  The Mada app was founded in 2020 and offers users – contrary to Swipe it– complete outfits with a swipe-to-purchase feature. Users judge a whole outfit and does not capture specific item preferences which limits personalized data collection, potentially affecting long-term recommendations.

YaySay, a U.S.-based fashion app, offers luxury clothing at significant discounts for 30 minutes daily, using a swipe feature for shopping. The element of scarcity with only a short period of time to purchase the items highly engages the customer and motivates one to continuously return to the app, since one never knows which deals awaits one. Like Swipe it, the recommendations are personalized and evaluated through a swipe mechanism. The focus on discounted luxury brands and just a short shopping period differentiates YaySay to its competitors, however, still presents a moderate threat contrary to Swipe it as they address a similar target group.

- *Future rivals*: Other start-ups like Persona or Swipe Style plan to enter the German and European market soon and pose a future thread. As far as one can derive from the information available, both start-ups follow a similar idea and could become direct competitors which makes it more difficult for Swipe it to develop a competitive edge in the market.

Swipe it benefits from superior data collection, enabling more personalized recommendations compared to larger retailers. However, VC investors questioned the competitive edge and raised concerns about large retailers like Zalando easily replicating the idea (Interview: Lina Wenner, Dennis Ahrling). With their financial resources, they could quickly develop or license similar algorithms, leveraging their existing user base for rapid data collection, which would diminish Swipe it's competitive edge. Additionally, the ease with which other start-ups are launching similar concepts highlights the risk of imitation. Without a sustainable advantage, Swipe it would need to heavily invest in marketing to compete, impacting profitability.

4. Context

In 2023, Germany's start-up scene hit a low point, but 2024 has marked a turnaround. EY reports a 12% rise in total investments in the first half of 2024, showing renewed optimism (Ernst &

Young, 2024a, 2024b). This positive trend is further supported by the ECB's September 2024 interest rate cut and the German government's pledge of €12 billion to boost start-ups and VCs by 2030 (Martinez, 2024). However, the risk of a potential recession continues to create uncertainty in the investment environment, moderating optimism (European Commission, n.d.). More specifically, the fashion industry, especially the non-luxury segment, struggles to attract investment due to inconsistent performance, increasing polarization and "fashion risk". The latter describes the risk of volatile valuations for brands that rely on actively shaping or getting fashion trends right. One can see the challenges of the industries reflected in stagnating Private Equity (PE) deal volume over the past decade, with limited exit opportunities restricting liquidity. Additionally, newly listed Apparel, Fashion, and Luxury companies have seen stock prices drop 40% on average within a year post-IPO since 2018. Investors are also cautious about third-party retailers, both online and offline, due to narrow profit margins and economic uncertainties, with third-party online retail representing just 12% of PE assets. (McKinsey & Company, 2024)

VC analysts underline these observations, mentioning the lack of interest in fashion B2C products of VCs due to the highly competitive market and the reliance of a "hype for growth" (Interview: Paula Weber, Lina Wenner). Despite the tense situation, similar start-ups have been acquired in the past, which confirms the interest in this idea. The company "Amaze" was bought by Zalando back in 2016 and "The Yes" was bought by Pinterest in 2022 after a $30 million funding round (Hofman, 2016; McDowell, 2024).

5. Team

The technical strength of the team represents a key asset, particularly due to the leadership of Yukiazu Hidaka in machine learning development, supported by his 9.5 years of experience at Tinder and 2 years at Meta. This extensive expertise positions the team to create highly

sophisticated recommendation systems, a capability further enhanced by Haley Huang's background at TikTok, where she specialized in ML-powered recommendations, directly aligning with the product focus of Swipe it. The team also benefits from a diverse and experienced composition. Jonas Milsmann's background in strategy consulting, VC, and startups provides a robust foundation for the business aspects of the project, while Sreeram Pad's experience at Bumble enhances the design and frontend capabilities, ensuring an engaging and effective UI for the app. Additionally, the team has been deliberately assembled with a focus on both technical skill and interpersonal compatibility, ensuring strong collaboration and resilience in addressing challenges.

However, there is a notable reliance on Hidaka and Huang for machine learning expertise. Any loss or diminished involvement of these key members could significantly hinder project progress, suggesting a need for additional technical support or redundancy within the team. Furthermore, while the team excels in technical areas, it lacks experience in the fashion retail sector. This gap in industry-specific knowledge could impact the team's ability to fully align the product with evolving market demands in the fashion industry.

Swipe it has a clear advantage in technical strength over many of its direct competitors:

- **Zalando and About You**: These large multi-brand retailers have bigger teams, with experienced professionals in both data science and commercialization. However, Swipe it's technical team, particularly Hidaka, stands out in machine learning, where their competitors' expertise is not as specialized. That said, Zalando and About You excel in fashion market experience and proven commercialization, which Swipe it lacks.
- **Mada**: Mada's technical team is not as advanced, lacking the deep machine learning expertise Swipe it possesses. Founder Madison Semarjian also lacks relevant industry experience, which puts Mada at a disadvantage in both execution and strategy compared to Swipe it.

- **Styl.**: Styl.'s founders, while impressive as students, lack the tech experience required to build robust ML models. They are also missing a business leader, which Swipe it has with Jonas Milsmann. Styl.'s reliance on scraping products without a clear revenue model poses additional legal risks, making them less competitive.
- **YaySay**: YaySay has a strong commercial team led by experienced entrepreneurs, but their technical team is less equipped to handle the kind of advanced machine learning that Swipe it's product requires. While YaySay excels in commercialization, Swipe it's edge is in technical execution, particularly in recommendation systems.

Swipe it's team is exceptionally strong in technical expertise, especially in machine learning and user engagement mechanisms. This is also confirmed by Lina Wenner, who acknowledged that the founding team appears very strong. However, the lack of experience in fashion retail and startup growth slightly limits its overall potential, though these weaknesses could be mitigated by strategic hires in the future.

6. Business Model

Swipe it's business model focuses on generating revenue through high affiliate commissions (15–25%) via partnerships such as Tradebyte, data-driven advertising based on explicit user preferences collected through its swipe interface, and offering product testing services to brands. A key strength of the model is its operational scalability. By outsourcing fulfillment and logistics to brand partners – something that companies like Zalando and About You have struggled to do profitably – Swipe it is able to concentrate its resources on enhancing the user experience and acquiring customers. Paula Weber warned that building a new marketplace involves high CAC, which are "insane" in the e-commerce space. Johannes Niemann supported this view, explaining that customer acquisition in the fashion and e-commerce space is expensive, citing figures like €30-60 per customer for companies like Zalando. Max Reeker

further emphasized that CAC in fashion can be very high, sometimes ranging from €40 to €120 per customer, depending on the targeting and region. Additionally, Dennis Ahrling stresses the importance of finding unique customer acquisition channels to differentiate from competitors, warning that relying solely on traditional paid marketing would be cost-prohibitive. He advocates for leveraging social media platforms like TikTok to attract users organically.

Swipe it currently estimates a paid acquisition CAC of €40, which appears overly optimistic given the competitive landscape. The company also relies heavily on virality, expecting 7% of its growth to come from referrals which reduces the overall CAC to €15, but Simon Meier cautions that without a strategy to secure repeat purchases, high CAC could undermine the platform's long-term viability. With a CLV of €37, any significant increase in acquisition costs would severely jeopardize profitability, leaving little room for error. The fashion industry's challenging unit economics further exacerbate these issues. High return rates, typically between 25% and 40%, erode net revenues, while intense competition and price sensitivity compress already thin margins. Dennis Ahrling underscores that Swipe it's success hinges on acquiring customers more efficiently than competitors or retaining them for longer periods. Without a proven strategy for customer retention, achieving a favourable CLV-to-CAC ratio is a substantial hurdle. Despite its current reliance on a commission-based model, data-driven advertising and the sale of customer preference data represent far more promising and scalable opportunities. The ability to sell customer preference data is a significant strength, as brands increasingly depend on such insights to drive personalized shopping experiences. According to McKinsey (2021), companies that implement personalized strategies report higher conversion rates and stronger customer loyalty, making this data an invaluable asset. Besides that, Paula Weber suggested exploring a B2B or embedded model, licensing the technology to existing marketplaces like Zalando or About You to leverage the swiping feature without building a marketplace from scratch.

In conclusion, Swipe it's business model offers potential but also faces substantial challenges related to the sustainability of its revenue streams, user privacy concerns, and the inherent difficulties of the fashion industry.

7. Traction and Financials

The financial projections are highly dependent on the CLV and CAC metrics, which serve as critical benchmarks for sustainable growth. If these metrics are maintained at these levels, Swipe it is positioned to unlock significant growth potential. The ambitious target of reaching approximately 3.5 Million users by the end of 2034 appears achievable based on the user growth trajectory shown in the financial model. However, achieving this target is dependent on strong user acquisition, with a particular focus on organic growth through virality. Nevertheless, this presents a drawback when it comes to raising funds, as VC firms are cautious about investing in companies that rely heavily on word-of-mouth and hype for growth (Interview: Lina Wenner). With the user base expected to grow by a factor of 191% between 2029 and 2028, the use of viral marketing strategies will be essential to optimize user acquisition costs and grow the user base efficiently. The projections, particularly in terms of revenue scaling from €2,000 in 2024 to over €170 Million in 2034, underscore the importance of user acquisition strategies and effective management of marketing costs, which increase significantly over time. Swipe it's success will depend heavily on maximizing the efficiency of these acquisition channels while maintaining a strong CLV to CAC ratio.

From a cost perspective, Swipe it is strategically structured to optimize financial efficiency, particularly in its early stages. The founding team plays a pivotal role in minimizing initial expenses, as they are not drawing salaries until mid-2025. This approach significantly reduces the financial burden during the early stages, allowing for a more judicious allocation of resources. Moreover, the lean structure of the team further contributes to cost savings, ensuring

that investor funds are utilized effectively and conservatively. This prudent financial management not only enhances operational efficiency but also helps to extend the runway, enabling the company to focus on critical areas such as product development and user acquisition without the immediate pressure of high overhead costs.

In conclusion, while the financial outlook for Swipe it presents an attractive opportunity, it also carries significant risks. The reliance on viral growth, coupled with the potential challenges in securing follow-on funding, suggests that the company may need to reassess its financial forecasts and prepare for the possibility of requiring additional capital sooner than expected.

8. Deal: Funding and Investment

Swipe it is currently seeking an investment of €300,000 through a convertible loan, offered at a 20% discount and subject to a pre-money valuation cap of €3 million. The purpose of this analysis is to evaluate the viability of the proposed investment by exploring potential exit strategies and forecasting future financial performance. Forecasting financial results for early-stage start-ups is inherently challenging due to significant uncertainties. Insights from an interview with a representative of Global Founders Capital emphasize the diverse valuation methods employed by VCs at different stages of a start-up's lifecycle. At the pre-seed stage, valuations are primarily market-driven, influenced by competition among investors and the estimated potential market size of the company. This stage often involves convertible loans, with formal valuations deferred to subsequent funding rounds. In later stages, methodologies such as comparable company analysis and discounted cash flow (DCF) analysis become more relevant. Despite the speculative nature of the financial projections outlined in Swipe it's business plan, both the VC method and the DCF approach will be applied to estimate the company's potential value.

DCF Model: To address the uncertainties associated with cash flow projections, a simplified three-stage DCF valuation model based on Sahlman (2013) is utilized. This model segments the growth trajectory of a company into three distinct phases: a high-growth period (e.g., years 1–5), a transition phase (e.g., years 6–10), and a steady-state phase characterized by perpetual growth. The model calculates annual Free Cash Flow (FCF) by subtracting investments in net operating assets from after-tax operating profits (EBIAT). Each year's FCF is then discounted to its present value using an appropriate discount rate. The total valuation is determined by summing the discounted cash flows and the terminal value. This method simplifies forecasting by focusing on key drivers such as sales growth, profitability, and asset intensity across these phases, enabling a clear assessment of value sensitivity to core assumptions.

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Sales	0,0	0,1	0,2	0,7	2,3	6,2	14,6	29,5	54,4	97,9	170,2	185,5	202,2
g		2865%	267%	213%	212%	166%	137%	101%	85%	80%	74%	9%	9%
p	-3992%	-931%	-380%	-147%	-43%	-7%	14%	28%	37%	43%	47%	30%	30%
a	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
EBIT	-0,1	-0,6	-0,9	-1,1	-1,0	-0,4	2,1	8,3	20,1	42,2	79,7	55,6	60,6
EBIAT	-0,1	-0,6	-0,9	-1,1	-1,0	-0,4	1,5	5,8	14,1	29,6	55,8	39,0	42,5
NOA	0,0	0,0	0,0	0,0	0,1	0,2	0,4	0,9	1,6	2,9	5,1	5,6	6,1
FCF		-0,6	-0,9	-1,1	-1,0	-0,5	1,2	5,4	13,4	28,3	53,7	38,5	42,0
Cum. FCF		-0,6	-1,5	-2,6	-3,7	-4,2	-3,0	2,4	15,8	44,1	97,7	136,3	178,3
EV	317,3	359,1	406,5	460,3	521,1	589,2	664,3	745,1	828,4	907,5	971,5	1.059,0	1.154,3
EV/EBIAT		-525,6	-397,8	-371,5	-463,5	-1.279,4	278,9	79,9	37,0	19,6	11,4	17,5	17,5
EV/Sales		4.892,9	1.510,5	545,8	198,4	84,3	40,2	22,5	13,7	8,5	5,3	5,2	5,2

Figure 15: Simple three stage DCF Model

For Swipe it, the growth and profitability assumptions are derived from the company's financial business plan, projected until 2034. Germany's corporate tax rate of 30% is applied to EBIT to calculate EBIAT (Bundesfinanzministerium, 2024). The perpetuity growth rate is based on the CAGR of the fashion industry, estimated at 9% (BCG, 2023). Asset intensity is assumed to be 3%, aligning with typical asset intensity levels for tech start-ups in the application industry, which range from 1–5% (Ahern, 2023).

Since Swipe it has no debt, the discount rate is equivalent to the cost of equity, calculated using the Capital Asset Pricing Model (CAPM). The formula is as follows:

$k(E) = RF + \beta(E)$ x RPM

Where:

- $k(\mathrm{E})$: Cost of equity
- RF: Risk-free rate, 10 Year German Government Bond
- $\beta(E)$: Equity beta, which measures the stock's sensitivity to market movements
- RPM: Risk premium for the market, representing the expected return of the market above the risk-free rate

In November 2024, the risk-free rate for the 10-year German government bond was 2.37% (Investing.com, 2024). The average equity beta of comparable companies such as Mytheresa, Zalando, About You, and Stitch Fix is 1.57 (Infront Analytics, 2024). Germany's market risk premium is 6.75% (KPMG, 2024), resulting in a cost of equity of 12.97%.

Based on these parameters, the discounted enterprise value of Swipe it is estimated at €317 million and a NPV for the terminal Value of €277 million. However, this analysis does not account for the high risks associated with VC or angel investments in early-stage start-ups. The probability of failure is relatively high at this stage, and discount factors ranging from 50–70% are commonly applied when valuing start-ups.

The DCF model outlined here serves several purposes in a VC context. It can estimate the potential market value in a success scenario by projecting the justified value of the company based on its business model and growth prospects in 10 years. This estimate can then be fed into the VC model and discounted back at a high rate to account for different potential outcomes. The DCF model effectively captures the unique characteristics of the company's business model at a future point in time, providing a robust framework for valuation.

Venture Capital Formula: The venture capital formula is an important tool used in entrepreneurial finance to determine the equity stake that a VC must acquire in order to achieve his target return on investment, taking into account the risk associated with the venture. The formula calculates the required equity stake by dividing the future value of the VC's investment, considering the desired internal rate of return (IRR), by the company's projected future value,

which is typically based on a multiple of expected earnings. This approach also facilitates the calculation of pre- and post-money valuations, share pricing and the issuance of new equity, while allowing for potential dilution from future rounds of financing. By integrating financial targets, valuation metrics and risk-adjusted returns, the formula provides a structured and analytical basis for structuring investment agreements between VCs and startups. (W. A. Sahlman & Wills, 2003)

Swipe it's projected future company value can be estimated through multiple methodologies. One approach involves calculating the Enterprise Value using a DCF model. Alternatively, valuation can be based on Enterprise Value multiples of comparable public companies, which is the method applied in this analysis.

in m€	Founding Year	Year of: IPO or Sale	Years till IPO or Sale	Valuation at IPO or Sale	Revenue at IPO or Sale	Revenue Multiple
Mytheresa	2006	2021	16	2.020 €	449 €	4,50
Zalando	2008	2014	7	5.300 €	2.210 €	2,40
About You	2014	2021	8	3.920 €	1.170 €	3,35
Poshmark	2011	2022	12	3.000 €	262 €	11,45
Stitch Fix	2011	2017	7	1.600 €	730 €	2,19
Rent the Runway	2009	2021	13	1.320 €	157 €	8,41
Average			11	2.860 €	830 €	5,38

Without the outlires

in m€	Founding Year	Year of: IPO or Sale	Years till IPO or Sale	Valuation at IPO or Sale	Revenue at IPO or Sale	Revenue Multiple
Mytheresa	2006	2021	16	2.020 €	449 €	4,50
Zalando	2008	2014	7	5.300 €	2.210 €	2,40
About You	2014	2021	8	3.920 €	1.170 €	3,35
Stitch Fix	2011	2017	7	1.600 €	730 €	2,19
Average			10	3.210 €	1.140 €	3,11

Figure 16: Revenue Multiple calculation (Capital IQ, n.d.; Finanzen.net, 2024; Mergermarket, 2024)

The revenue multiple method was chosen because it allows for a robust comparison between companies of different sizes and stages of development. These companies were selected based on their relevance to the online fashion sector and the relevance in the German market, placing Swipe it within the competitive landscape. To enhance accuracy, outliers such as Poshmark and Rent the Runway were excluded from the calculation, as their sales multiples are significantly

different from the industry norm. This adjustment yields an average revenue multiple of 3.11 at IPO.

Swipe it Revenue Growth

Year in m€	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue	0,0 €	0,1 €	0,2 €	0,7 €	2,3 €	6,2 €	14,6 €	29,5 €	54,4 €	97,9 €	170,2 €
Revenue growth		2865%	267%	213%	212%	166%	137%	101%	85%	80%	74%

Potential Valuation of Swipe it in 10 Years	
Revenue in 2034	170,2 €
Revenue Multiple	3,11
Enterprise Value at Exit	529,2 €

Angel Investment	0,3 €	VC Investment Seed	1,0 €	VC Investment Series A	3,0 €
Required IRR	60%	Required IRR	50%	Required IRR	40%
Years until IPO	10	Years until IPO	9	Years until IPO	8
Required future value	33,0 €	Required future value	38,4 €	Required future value	44,3 €

Cap Table with €3 Million pre Money Cap

	Pre-Seed Round			Seed Round			Series A Round			IPO		
	Shares	Ownership	Value	Shares	Ownership	Value	Shares	Ownership	Value	Shares	Ownership	Value
Founders	25.000	90,9%	3,0 €	25.000	76,7%	10,6 €	25.000	76,7%	27,5 €	25.000	76,7%	405,9 €
Business Angel	2.500	9,1%	0,3 €	2.500	8,4%	1,1 €	2.500	7,7%	2,8 €	2.500	7,7%	40,6 €
Venture Capital Seed				2.368	7,9%	1,0 €	2.368	7,3%	2,6 €	2.368	7,3%	38,4 €
Venture Capital Series A							2.727	8,4%	3,0 €	2.727	8,4%	44,3 €
Total	27.500	100%	3,3 €	29.868	93%	12,6 €	32.595	100%	35,9 €	32.595	92%	529,2 €

Figure 17: Cap Table

To effectively value Swipe it, revenue needs to be forecasted over the next 10 years, based on the average time to IPO observed for the four benchmark companies. The revenue projections are derived from the financial business plan of Swipe it. In 2034, Swipe it is expected to generate revenues of €170.2 million. Applying a revenue multiple of 3.11 gives an Enterprise Value of €529.2 Million at the end of the forecast period. Which is more conservative compared to the DCF model's projection of €971.5 million in the same period. VCs typically apply discount rates that significantly exceed historical returns on common stocks and financial assets, accounting for the high-risk nature of venture investing. These elevated rates, ranging from 30% to 70%, depending on the company stage, account for the probability of project failure and the absence of net cash inflows from many ventures. During the seed phase, discount rates generally range from 40% to 60%, while Series A rounds reflect a range of 30% to 50%, capturing the inherent uncertainties of early-stage investments. (Bhagat, 2014)

For this analysis a seed investors required IRR is estimated at 50% over a 9-year investment horizon. Under this assumption, the seed investor would need to hold 7.3% equity in the

company, which corresponds to an IPO valuation of €38.4 million. This calculation ensures that the investor's required return aligns with the projected company growth and risk profile. Similarly, for a Series A investor targeting an IRR of 40% over an 8-year period, a €3 million investment would necessitate an equity stake of 7.3%. This stake corresponds to an exit valuation of €44.3 million at the IPO stage. To account for dilution caused by future funding rounds, the seed investor's equity requirement increases from 7.3% to 7.9%. With a seed-stage investment of €1 million, this corresponds to a post-money valuation of €12.6 million. This adjustment reflects the impact of subsequent funding rounds and the importance of maintaining proportional equity ownership to achieve the targeted IRR. Under a proposed convertible loan structure (a €3 million cap or a 20% discount), a business angel investing €300,000 would select the valuation cap, as it is more favourable, resulting in a 9.1% equity stake. After subsequent funding rounds, this stake dilutes to 7.7% by the IPO stage. With this arrangement, the business angel's exit proceeds would total €40.6 million, exceeding the required €33 million for a 60% IRR. This analysis underscores that the proposed convertible loan structure and financial projections render Swipe it a potentially attractive investment, contingent upon achieving forecasted revenue growth and maintaining favourable valuation multiples. Both business angels and VC investors are positioned for significant returns, provided Swipe it meets its milestones. However, discussions with various VCs have highlighted that funding has been particularly difficult for startups in this niche (Interview: Lina Wenner), and consumer products are generally not the focus for VCs at the moment (Interview: Paula Weber). Consequently, Swipe it may face difficulties in securing subsequent funding rounds. Ultimately, neither the Free Cash Flow valuation model nor the venture capital formula can eliminate the inherent uncertainty of investment decisions. Instead, these frameworks provide complementary methodologies for informed decision-making in a dynamic and uncertain environment.

9. Investment Summary

Swipe it offers an innovative solution to improve online shopping through its swipe-to-match algorithm, addressing the need for better clothing recommendations. We believe this approach has potential, as it encourages habit-building, driving users to engage frequently with the app. While the competitive landscape is strong, the large market provides ample opportunity, provided Swipe it can establish a clear competitive moat. However, the business model heavily relies on CAC. The founders must demonstrate that they can scale customer acquisition efficiently, maintaining lower CAC than competitors, ensuring viable unit economics. Moroever, they have to proof that they are able to build up strong brand partnerships. The founding team is exceptionally strong, bringing relevant expertise and passion to the project. However, the current funding environment is challenging for businesses in this space, which could pose hurdles. Swipe it has not yet shown significant traction, and the founders need to show that the product resonates with users and that CAC can be reduced. From an investor’s perspective, the proposed deal is fair if traction is demonstrated. We seek further validation on the founders' ability to use angel funding effectively. Should they present strong traction and validate lower CAC, we would consider investing.

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Appendix

A. German Laws – Overview

Copyright Law (**Urheberrecht):** Copyright law is crucial for the protection of product images and descriptions used on the Swipe it platform. These elements are typically protected under copyright, and any unauthorized copying or use without explicit permission from the copyright holder is a violation. Specifically, §§ 2 and 16 of the German Copyright Act (UrhG) protect works of photography and written text, prohibiting their reproduction without authorization.

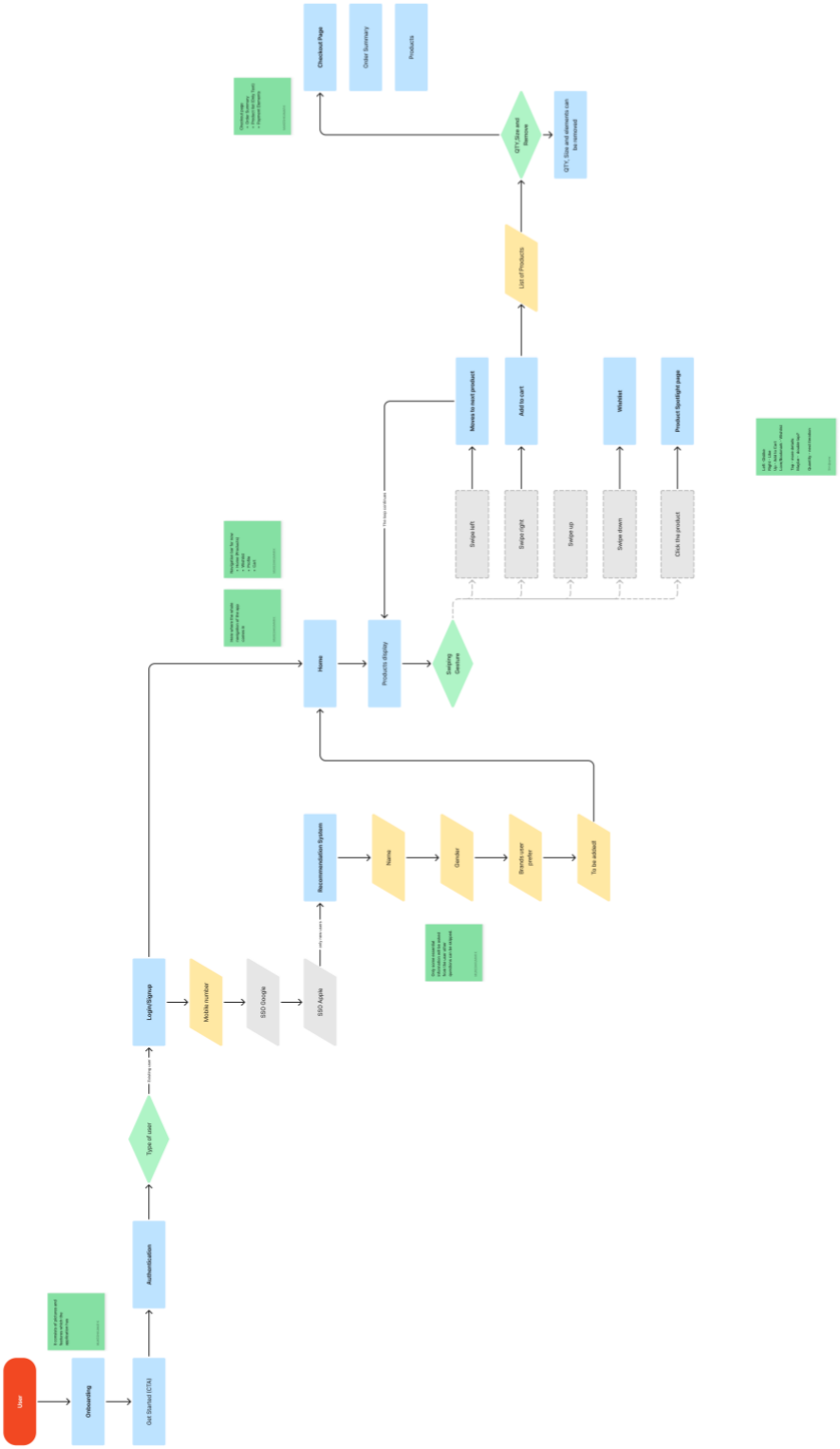
Trademark Law (Markenrecht): Trademark law governs the use of brands and logos on the Swipe it platform. Offering products that feature the trademarks of other companies can lead to trademark infringement, particularly if the use of these trademarks suggests that the products are affiliated with or produced by Swipe it. According to § 14 of the German Trademark Act (MarkenG), the unauthorized use of trademarks in a manner that causes confusion about the origin of goods or services is prohibited.

Competition Law (Wettbewerbsrecht): Competition law addresses issues of fair market practices. Utilizing a competitor's images and descriptions without proper attribution can be considered an act of unfair competition. This is especially significant when such use misleads consumers about the origin of the products. The German Act Against Unfair Competition (UWG), specifically §§ 3 and 4, outlines practices deemed unfair, including misleading advertising and business practices.

Contract Law (Vertragsrecht): Contract law is relevant when Swipe it sells products on behalf of another provider and processes orders through the original provider's website. This practice may violate the terms of service of the original website, which often include clauses prohibiting data scraping and unauthorized use of content. Breach of these terms can result in legal action based on violation of contractual agreements.

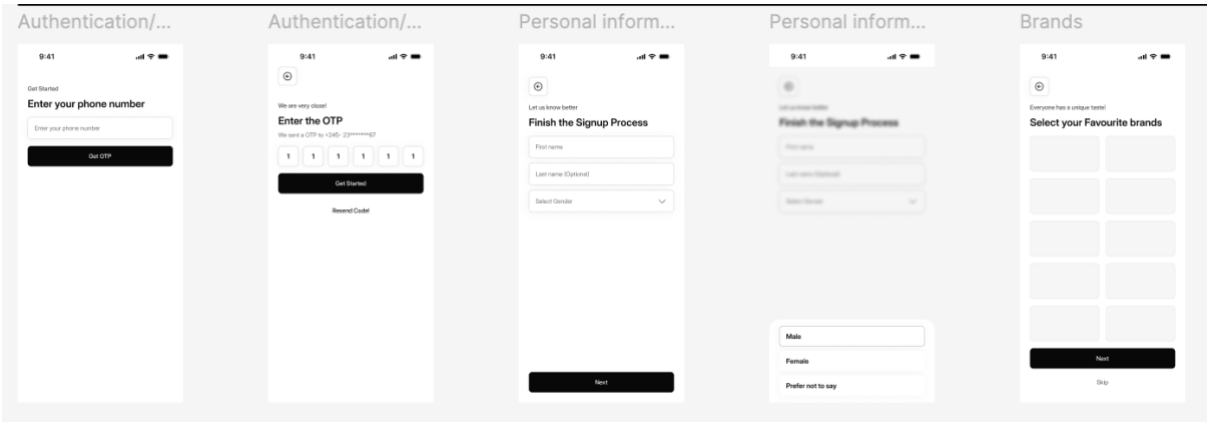
Data Protection Law (Datenschutzrecht): Data protection laws are crucial when handling personal data during transactions on Swipe it. Compliance with data protection regulations, such as the General Data Protection Regulation (GDPR) in the EU, is mandatory. Articles 5, 6, and 32 of the GDPR set out the principles for lawful processing of personal data and require the implementation of adequate security measures to protect this data.

B. App structure

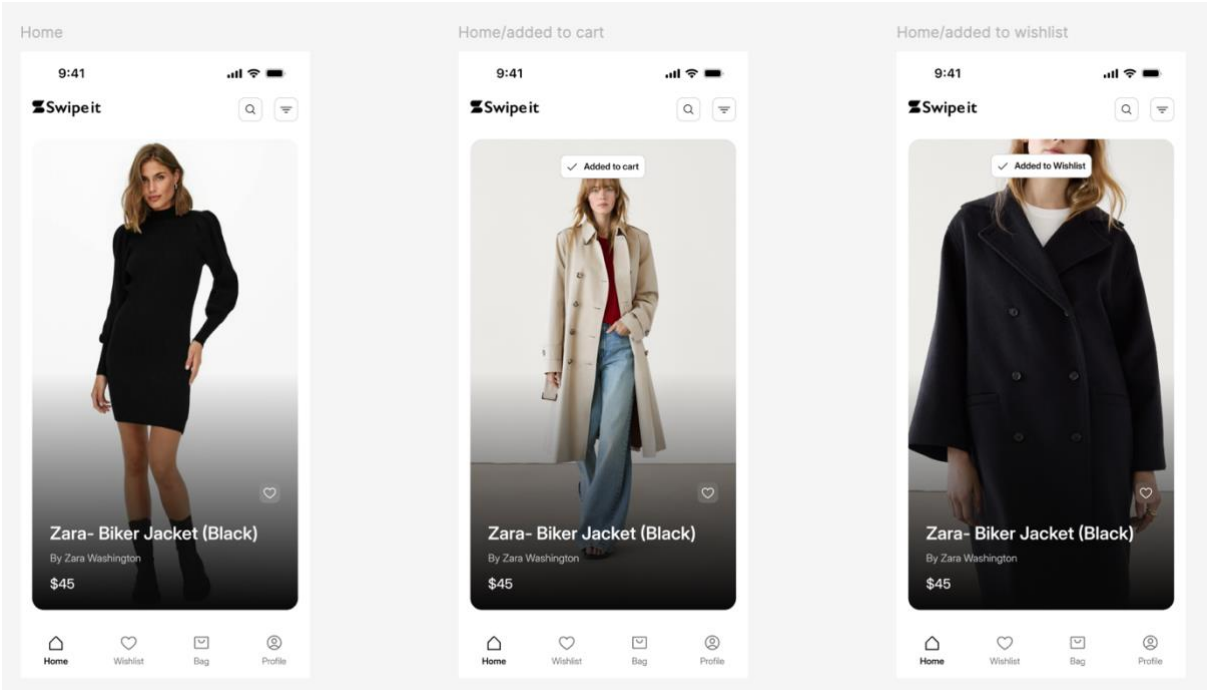


C. Mock-up Designs

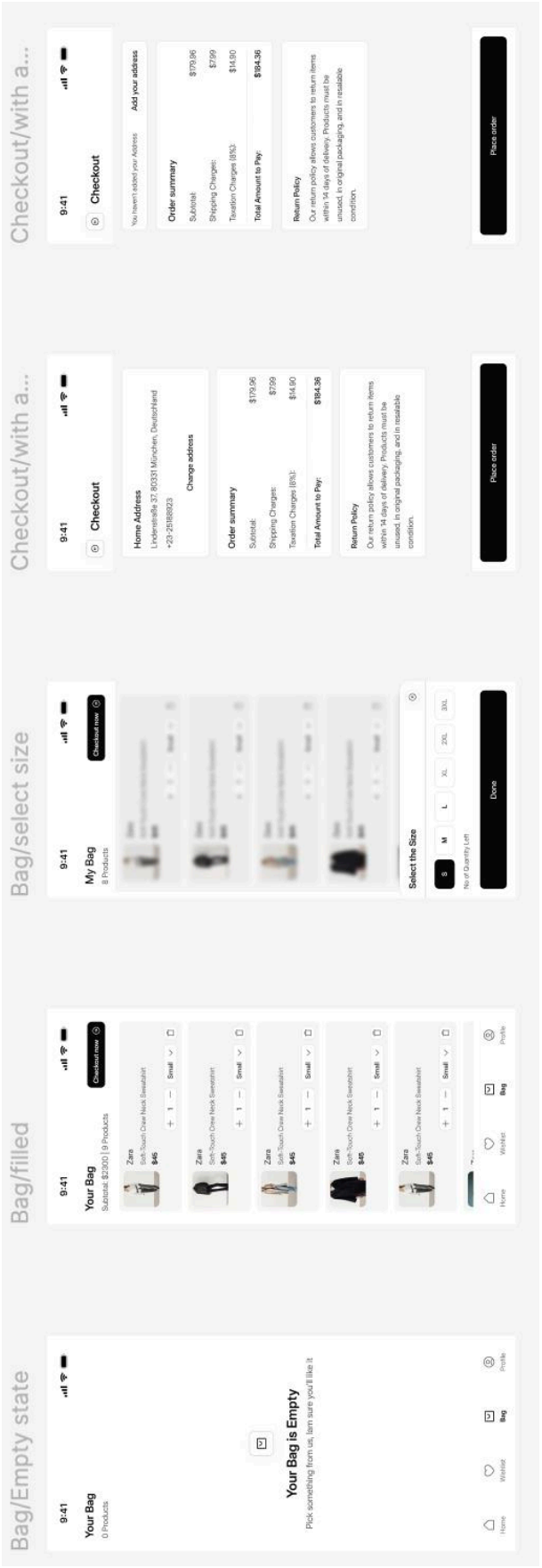
Login and Signup Flow



Home Screen Flow

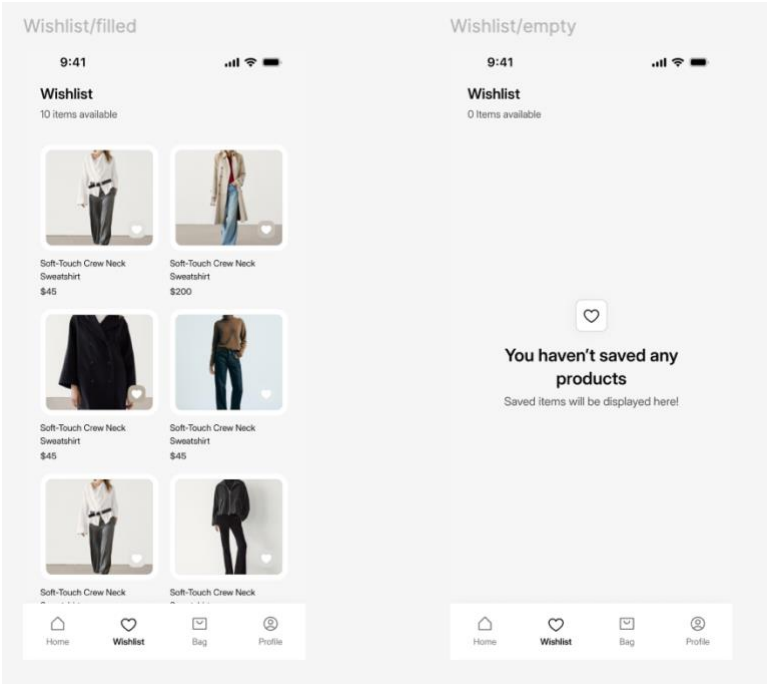


Product to checkout flow

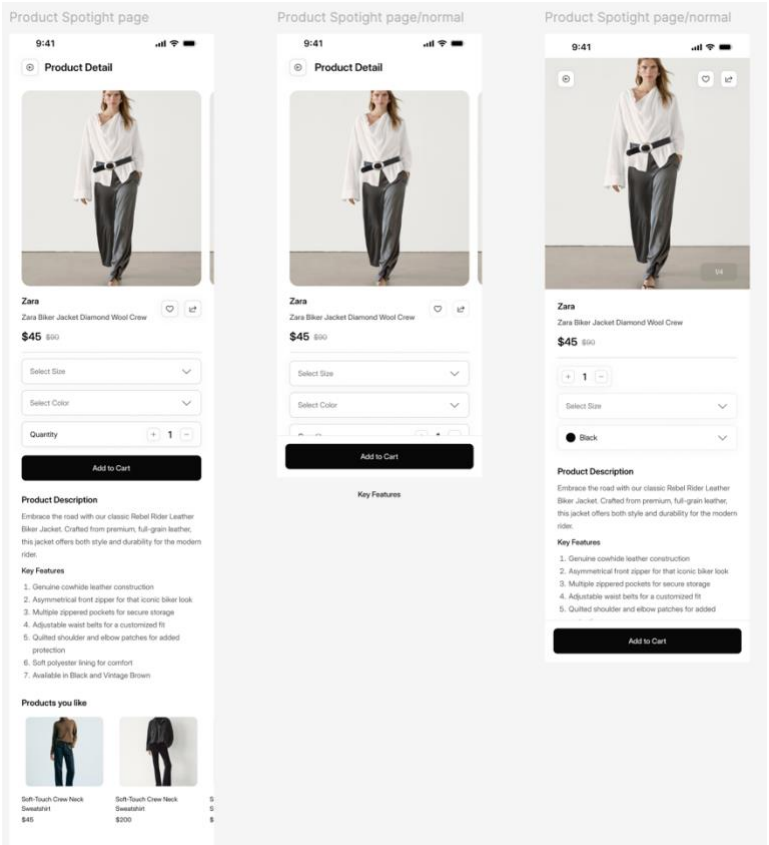


Checkout/add a...
9:41
Add your Address
Type of address
Enter your full name
Phone number (For Shipping)
Address line 1
Zip-code
State/Province
Add Address
Checkout/add a...
9:41
Add your Address
Home Address
Lindenstraße 37, 80331 München, Deutschland, +23-2698923
Edit address
Work Address
Lindenstraße 37, 80331 München, Deutschland, +23-2698923
Edit address
Select address
Add new address
Order details/ fir...
9:41
Order Details
Order # 1234567890/ Aug 08, 2024
You get notified by the order once it out of delivery
Order information
Zara
Soft-Touch Crew Neck Sweatshirt
Return Policy
Our return policy allows customers to return items within 14 days of delivery. Products must be unused, in original packaging, and in resalable condition.
Order details/ O...
9:41
Order Details
Order # 1234567890/ Aug 08, 2024
#Tracking ID: 2689097262
DHL is delivering the order
Your order will be delivered by today
Track order
Order information
Zara
Soft-Touch Crew Neck Sweatshirt
Return Policy
Our return policy allows customers to return items within 14 days of delivery. Products must be unused, in original packaging, and in resalable condition.
Order details/ Ol...
9:41
Order Details
Order # 1234567890/ Aug 08, 2024
Order Information
Zara
Soft-Touch Crew Neck Sweatshirt
Delivered Address
Lindenstraße 37, 80331 München, Deutschland
+23-2698923
Order summary
Subtotal: $179.96
Shipping Charges: $7.99
Taxation Charges (8%): $14.90
Total Amount to Pay: $564.36
Payment method: Apple Pay
Download Invoice
Contact us?

Wishlist

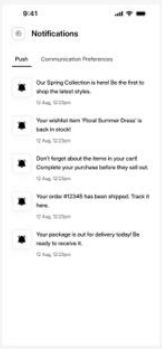


Product Spotlight page



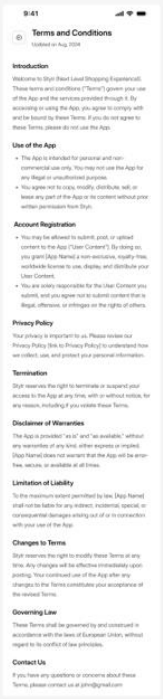
Profile page

Profile/Notificati...

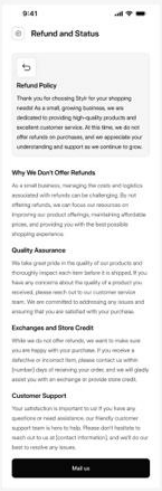


Profile/Report b...

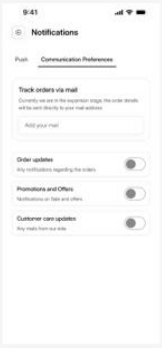
Profile/Terms an...



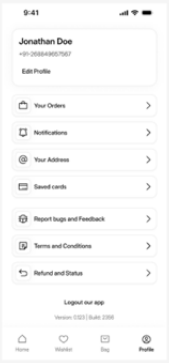
Profile/Refund s...



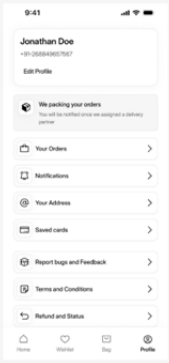
Profile/Notificati...



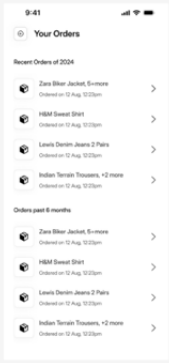
Profile/normal



Profile/after ordering ...

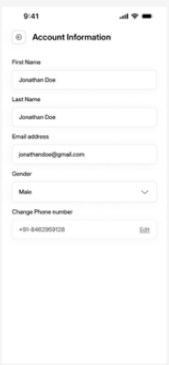


Profile/My orders

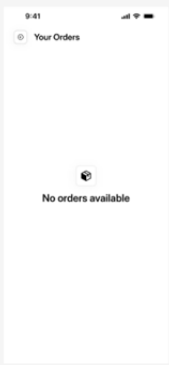


Profile/adress

Profile/account infor...



Profile/My orders/Em...



	Available Features	Level of Personalization	Quality of Algorithm	Target Group	Active Marke	Price Segmer	Product offering	Active users	Overall evaluation of level of competition
Single Brands									
	- Search function - Recommendations on product page - Manual filters	Low	N/A	Varies on brand	Europe	Varies on brand	Low to middle	Middle	Low
Multi Brands									
Zalando	- Search function - Recommendations on product page - Manual filters - Explore Page	Low	N/A	Gen Z and Millenials	Europe	Low to middle	High	High	Middle
AboutYou	- Search function - Recommendations on product page - Outfit recommendations based on influencers between search items - Manual filters - Explore Page	Low to middle	N/A	Gen Z and Millenials	Europe	Low to middle	High	High	Middle
Similar Start-Ups									
Mada	- Swipe feature on whole outfits - Explore page / finder - Favorite List	High	Cannot test	Gen Z and Millenials	US	N/A	High	Low (?)	Middle
Styl.	- Swipe feature on single items - Explore page with different trends at unis or exploration of brands - Closet for creating lists - Finder where one can swipe the results	High	Middle	Gen Z and Millenials	US & Europe	Low	High	Middle	High
YaySay	- Swipe feature highly discounted clothes for a specific time - Explore page / finder - Favorite List	High	Cannot test	Gen Z and Millenials	US	High	Middle	Middle (?)	Middle
Future Competitors									
Persona	- Swipe function - Creation of personas	High	N/A	Gen Z and Millenials	UK	N/A	N/A	None	Low to Middle
Swipe Style	- Finder to swipe products - Style lists - Search function - Profiles to share with friends	High	N/A	Gen Z and Millenials	Germany	N/A	N/A	None	Middle to High
Other Competitors									
Google Features	- Search function - Manual filters - Only ten swipes	Middle	High	All	US	All	High	High	Middle to high

E. Financial Model

Financial Plan Summary

Pre-Launch: Nov24

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total users end of year	524	3.813	11.718	32.518	81.724	199.478	415.452	737.312	1.215.527	1.962.785	3.150.425
Growth rate		*628%*	*207%*	*177%*	*151%*	*144%*	*108%*	*77%*	*65%*	*61%*	*61%*
Total Revenue	**4.183**	**123.185**	**444.636**	**1.283.736**	**3.343.640**	**8.221.246**	**18.492.026**	**34.820.763**	**58.764.970**	**95.524.197**	**153.622.403**
Growth rate		*2845%*	*261%*	*189%*	*160%*	*146%*	*125%*	*88%*	*69%*	*63%*	*61%*
Total COGS	41.122	114.797	158.464	242.374	448.364	936.125	1.963.203	3.596.076	5.990.497	9.666.420	15.476.240
Σ Marketing Expense	11.415	238.083	478.833	929.586	2.007.657	4.563.263	9.033.963	15.157.195	24.151.286	38.516.257	61.507.465
Σ Research & Development	19.663	186.088	284.030	384.081	558.334	825.346	1.335.051	2.117.364	3.242.374	4.944.059	7.605.998
Σ G&A Expense	-	62.467	138.850	192.450	249.783	294.583	367.650	468.983	609.250	823.650	1.153.783
Total Expenses	72.200	601.434	1.060.177	1.748.490	3.264.137	6.619.316	12.699.866	21.339.619	33.993.407	53.950.385	85.743.486
EBIT	(85.367)	(552.110)	(725.379)	(631.674)	(130.252)	1.310.060	5.356.992	12.829.617	23.815.169	40.147.420	65.715.227
Cash Balance end of quarter											
New Financing Round	300.000	800.000	1.500.000	-	-	-	-	-	-	-	-
Beginning Cash	300.000	1.014.633	1.962.523	1.237.144	605.470	475.219	1.785.278	7.142.270	19.971.887	43.787.056	83.934.475
Cash Inflow/(Burn)	(85.367)	(552.110)	(725.379)	(631.674)	(130.252)	1.310.060	5.356.992	12.829.617	23.815.169	40.147.420	65.715.227
Ending Cash	214.633	462.523	1.237.144	605.470	475.219	1.785.278	7.142.270	19.971.887	43.787.056	83.934.475	149.649.702

Launch: Nov-24

	Aug-24 Q3-24 2024	Sep-24 Q3-24 2024	Oct-24 Q4-24 2024	Nov-24 Q4-24 2024	Dec-24 Q4-24 2024	Jan-25 Q1-25 2025	Feb-25 Q1-25 2025	Mar-25 Q1-25 2025	Apr-25 Q2-25 2025	May-25 Q2-25 2025	Jun-25 Q2-25 2025	Jul-25 Q3-25 2025	Aug-25 Q3-25 2025	Sep-25 Q3-25 2025	Oct-25 Q4-25 2025	Nov-25 Q4-25 2025	Dec-25 Q4-25 2025	Jan-26 Q1-26 2026	Feb-26 Q1-26 2026	Mar-26 Q1-26 2026	Apr-26 Q2-26 2026	May-26 Q2-26 2026	Jun-26 Q2-26 2026
REVENUES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
New App Downloads marketing																							
Ad spend	-	-	-	3.000	3.240	3.499	3.779	4.081	4.408	4.761	5.141	5.553	5.997	6.477	6.995	7.555	8.159	8.812	9.517	10.278	11.100	11.988	12.947
Cost per paid Download	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0
Paid users	-	-	-	75	81	87	94	102	110	119	129	139	150	162	175	189	204	220	238	257	278	300	324
PR spend, brand and out of home	0	0	0	2.500	2.675	2.862	3.063	3.277	3.506	3.752	4.014	4.295	4.596	4.918	5.262	5.630	6.025	6.446	6.898	7.380	7.897	8.450	9.041
Cost per paid Download	40	40	40	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0
Paid PR Users	0	0	0	63	67	72	77	82	88	94	100	107	115	123	132	141	151	161	172	185	197	211	226
Organic share on top of channels	1%	1%	1%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Organic Downloads	0	0	0	7	7	8	9	9	10	11	11	12	13	14	15	16	18	19	21	22	24	26	28
Virality and referrals per Customer	1,0%	1,0%	1,0%	3,0%	3,0%	3,0%	3,5%	3,5%	3,5%	3,5%	3,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	5,5%	5,5%	5,5%
New Downloads of referral	0	0	0	0	4	8	13	17	20	23	28	42	48	56	64	73	81	90	100	110	147	162	178
New Downloads	0	0	0	145	160	175	192	210	227	247	269	300	326	355	386	419	454	491	531	573	646	699	755
Retention rate	68%	68%	68%	73%	73%	73%	76%	76%	76%	83%	83%	83%	86%	86%	86%	86%	86%	86%	86%	86%	86%	86%	86%
Churned	0	3	2	1	40	72	89	114	137	112	135	158	150	175	200	226	253	281	310	341	374	412	452
Sum active users	10	7	5	148	268	370	473	569	660	794	928	1.071	1.247	1.428	1.614	1.807	2.008	2.217	2.438 369,23%	2.670	2.942	3.229	3.532
Total Subscribers	10	7	5	148	268	370	473	569	660	794	928	1.071	1.247	1.428	1.614	1.807	2.008	2.217	2.438	2.670	2.942	3.229	3.532
Growth rate		-31,00%	-31,00%	3008,45%	80,92%	38,18%	27,91%	20,31%	15,95%	20,35%	16,81%	15,38%	16,48%	14,49%	13,04%	11,95%	11,11%	10,43%	9,94%	9,52%	10,20%	9,75%	9,39%
Average Order Value per Month	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Enterprise Revenue	250	173	119	3.700	6.694	9.249	11.830	14.233	16.504	19.862	23.201	26.769	31.179	35.697	40.353	45.176	50.193	55.430	60.938	66.739	73.546	80.715	88.292
Revenue Swipe It																							
Commission in %	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Revenue Swipe It	50	34,5	24	740	1.339	1.850	2.366	2.847	3.301	3.972	4.640	5.354	6.236	7.139	8.071	9.035	10.039	11.086	12.188	13.348	14.709	16.143	17.658
ARR	**-**	**2**	**1**	**2.889**	**3.359**	**3.936**	**4.564**	**5.336**	**6.315**	**6.979**	**7.791**	**8.975**	**9.747**	**10.625**	**11.574**	**12.606**	**13.733**	**14.970**	**16.367**	**17.917**	**20.531**	**22.660**	**25.102**
Total Revenue	**50**	**35**	**24**	**740**	**1.339**	**1.850**	**2.366**	**2.847**	**3.301**	**3.972**	**4.640**	**5.354**	**6.236**	**7.139**	**8.071**	**9.035**	**10.039**	**11.086**	**12.188**	**13.348**	**14.709**	**16.143**	**17.658**
Revenue p.a.					**2187**												**64.849**						
Growth rate		*-31%*	*-31%*	*3008%*	*81%*	*38%*	*28%*	*20%*	*16%*	*20%*	*17%*	*15%*	*16%*	*14%*	*13%*	*12%*	*11%*	*10%*	*10%*	*10%*	*10%*	*10%*	*9%*

COSTS																			
Tech Support	-	-	-	-	-	-	2.547	2.557	2.566	2.579	2.593	2.607	2.625	2.643	2.661	2.681	2.701	2.722	2.744	2.767
Software Services	400	400	400	400	400	400	400	400	400	400	400	400	400	214	242	271	301	333	366	400
Customer Success/Support	-	-	-	2.522	2.540	2.555	2.571	2.585	2.599	2.619	2.639	2.661	2.687	2.714	2.742	2.771	2.801	2.833	2.866	2.900
Infrastructure Team	-	-	-	-	-	-	-	-	-	2.579	2.593	2.607	2.625	2.643	2.661	2.681	2.701	2.722	2.744	2.767
Tradebyte	-	-	30.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
Total COGS	**400**	**400**	**30.400**	**4.922**	**4.940**	**4.955**	**7.518**	**7.542**	**7.565**	**10.178**	**10.225**	**10.275**	**10.337**	**10.214**	**10.307**	**10.404**	**10.504**	**10.609**	**10.719**	**10.835**
Headcount COGS	-	-	-	1	1	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2
COGS % revenue				665,19%	369,02%	267,89%	317,75%	264,95%	229,19%	256,22%	220,35%	191,92%	165,76%	143,06%	127,71%	115,14%	104,64%	95,69%	87,95%	81,17%
Gross Profit	(350)	(366)	(30.376)	(4.182)	(3.601)	(3.106)	(5.152)	(4.696)	(4.264)	(6.206)	(5.585)	(4.921)	(4.101)	(3.074)	(2.236)	(1.368)	(465)	477	1.469	2.513
Gross Profit Margin %	***-700%***	***-1059%***	***-127604%***	***-565%***	***-269%***	***-168%***	***-218%***	***-165%***	***-129%***	***-156%***	***-120%***	***-92%***	***-66%***	***-43%***	***-28%***	***-15%***	***-5%***	***4%***	***12%***	***19%***
Gross Profit per user	(35)	(53)	(6.380)	(28)	(13)	(8)	(11)	(8)	(6)	(8)	(6)	(5)	(3)	(2)	(1)	(1)	(0)	0	1	1
CAC per user	-	-	-	38	37	36	36	35	35	35	34	33	32	32	32	31	31	31	31	31
CLV per user (12 months)	(3.039)	(4.419)	(6.420)	(54,82)	(36)	(32)	(30)	(26)	(23)	(19)	(14)	(9)	(5)	(1)	2	4	7	9	10	12
CLV:CAC per user	-	-	-	(1,44)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	0	0	0	0	0	0
Marketing Expense																				
Marketing People																				
SEM manager	-	-	-	-	-	-	-	-	6.806	6.844	6.881	6.919	6.956	6.994	7.031	7.069	7.106	7.144	7.181	7.219
Social Media Manager	-	-	-	-	-	-	-	-	4.538	4.563	4.588	4.613	4.638	4.663	4.688	4.713	4.738	4.763	4.788	4.813
SEO manager	-	-	-	-	-	-	-	-	-	-	-	-	-	4.033	4.033	4.033	4.033	4.033	4.033	4.033
Marketing Employees																				
Σ Marketing People	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11.344**	**11.406**	**11.469**	**11.531**	**11.594**	**15.690**	**15.752**	**15.815**	**15.877**	**15.940**	**16.002**	**16.065**
non People																				
Marketing expenses	-	-	-	5.500	5.915	6.361	6.842	7.358	7.914	8.512	9.156	9.848	10.593	11.395	12.257	13.185	14.183	15.258	16.414	17.658
Σ non People	-	-	-	**5.500**	**5.915**	**6.361**	**6.842**	**7.358**	**7.914**	**8.512**	**9.156**	**9.848**	**10.593**	**11.395**	**12.257**	**13.185**	**14.183**	**15.258**	**16.414**	**17.658**
Σ TOTAL Marketing Expense	-	-	-	**5.500**	**5.915**	**6.361**	**6.842**	**7.358**	**19.258**	**19.919**	**20.625**	**21.380**	**22.187**	**27.084**	**28.009**	**29.000**	**30.061**	**31.197**	**32.416**	**33.723**
% of Revenue Marketing	*0%*	*0%*	*0%*	*743%*	*442%*	*344%*	*289%*	*258%*	*583%*	*501%*	*444%*	*399%*	*356%*	*379%*	*347%*	*321%*	*299%*	*281%*	*266%*	*253%*
Headcount Marketing	-	-	-	-	-	-	-	-	2	2	2	2	2	3	3	3	3	3	3	3
Research & Development																				
People																				
Yukiazu Hidaka, Lead ML Engineer, (Co-founder)	-	-	-	-	-	-	-	-	3.529	3.629	3.729	3.829	3.929	4.029	4.129	4.229	4.329	5.000	5.100	5.200
Jeff Nagasuga, Backend Engineer, (Co-founder)	-	-	-	-	-	-	-	-	3.529	3.629	3.729	3.829	3.929	4.029	4.129	4.229	4.329	5.000	5.100	5.200
Screeram Pad., Frontend Engineer, (Co-founder)	-	-	-	-	-	-	-	-	3.529	3.629	3.729	3.829	3.929	4.029	4.129	4.229	4.329	5.000	5.100	5.200
Haley Huang, ML Engineer	-	-	6.554	6.554	6.554	6.554	6.554	6.554	6.584	6.614	6.644	6.674	6.704	6.734	6.764	6.794	6.824	6.854	6.884	6.914
R&D Employees																				
Σ R&D people	**-**	**-**	**6.554**	**6.554**	**6.554**	**6.554**	**6.554**	**6.554**	**17.172**	**17.502**	**17.832**	**18.162**	**18.492**	**18.822**	**19.152**	**19.482**	**19.812**	**21.854**	**22.184**	**22.514**
non People																				
Σ Research & Development	**-**	**-**	**6.554**	**6.554**	**6.554**	**6.554**	**6.554**	**6.554**	**17.172**	**17.502**	**17.832**	**18.162**	**18.492**	**18.822**	**19.152**	**19.482**	**19.812**	**21.854**	**22.184**	**22.514**
% of revenue R&D	*0%*	*0%*	*27533%*	*886%*	*490%*	*354%*	*277%*	*230%*	*520%*	*441%*	*384%*	*339%*	*297%*	*264%*	*237%*	*216%*	*197%*	*197%*	*182%*	*169%*
Headcount R&D	3	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
G&A																				
People																				
Jonas Milsmann, CEO,(Co-Founder)	-	-	-	-	-	-	-	-	3.529	3.629	3.729	3.829	3.929	4.029	4.129	4.229	4.329	5.000	5.100	5.200
Founder associate, intern	-	-	-	-	-	-	-	-	2.710	2.710	2.710	2.710	2.710	2.710	2.710	2.710	2.710	3.010	3.010	3.010
Founder associate, intern	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.710	3.010	3.010	3.010
G&A Employees																				
Σ G&A People	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.240**	**6.340**	**6.440**	**6.540**	**6.640**	**6.740**	**6.840**	**6.940**	**9.750**	**11.021**	**11.121**	**11.221**
Headcount G&A	1	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2	3	3	3	3
Total Headcount	**4**	**4**	**5**	**6**	**6**	**6**	**6**	**6**	**9**	**10**	**10**	**10**	**10**	**11**	**11**	**11**	**12**	**12**	**12**	**12**
non People																				
Office	1.320	1.320	1.650	1.980	1.980	1.980	1.980	1.980	2.970	3.300	3.300	3.300	3.300	3.630	3.630	3.630	3.960	3.960	3.960	3.960
Travel	396	396	495	594	594	594	594	594	891	990	990	990	990	1.089	1.089	1.089	1.188	1.188	1.188	1.188
Finance / Other stuff	660	660	825	990	990	990	990	990	1.485	1.650	1.650	1.650	1.650	1.815	1.815	1.815	1.980	1.980	1.980	1.980
Legal	500	500	500	500	500	500	500	500	500	500	500	268	312	357	404	452	502	554	609	667
Σ G&A Non people	**2.876**	**2.876**	**3.470**	**4.064**	**4.064**	**4.064**	**4.064**	**4.064**	**5.846**	**6.440**	**6.440**	**6.208**	**6.252**	**6.891**	**6.938**	**6.986**	**7.630**	**7.682**	**7.737**	**7.795**
Σ G&A Expense	**2.876**	**2.876**	**3.470**	**4.064**	**4.064**	**4.064**	**4.064**	**4.064**	**12.086**	**12.780**	**12.880**	**12.747**	**12.891**	**13.631**	**13.777**	**13.925**	**17.380**	**18.703**	**18.858**	**19.016**
% of revenue G&A	*5752%*	*8336%*	*14577%*	*549%*	*304%*	*220%*	*172%*	*143%*	*366%*	*322%*	*278%*	*238%*	*207%*	*191%*	*171%*	*154%*	*173%*	*169%*	*155%*	*142%*
Total Operating Expenses excl marketing non people	2.876	2.876	10.024	10.618	10.618	10.618	10.618	10.618	40.601	41.687	42.180	42.440	42.977	48.142	48.681	49.222	53.069	56.497	57.044	57.595

F. Product Specifications

Screens
1. Onboarding
2. Swiping Mechanism / Home Page
3. Search Page
4. Product Detail Page
5. Virtual Closet / Saved for Later
6. Checkout Process
7. User Profile and Settings

Priority
P1 (High Priority): Core features and critical functionalities necessary for the MVP launch.
P2 (Moderate Priority): Important features to enhance user experience, developed after the MVP launch.
P3 (Low Priority): Additional features that improve engagement and personalization, implemented after key features are stable.
P4 (Negligible Priority): Future enhancements and nice-to-have features, to be considered for later updates.

Frontend Feature	Screen	Description / Screenshots	Priority	Alternative for MVP
User Registration / Onboarding Questionnaire	1	For the beta phase, we will be selective, onboarding only users who have been referred for their good style. Others can join a waitlist. Registration/Waitlist involves a short questionnaire, serving as the first layer of personalization and initial filtering. Questionary: - name - whatsapp number - favourite brands - favoirte style - budget - tag your friends with the nciest style - for insta (?)	P2	Use a Tally form to collect user preferences initially, rather than in-app integration.
User Login	1	Login will be via phone/WhatsApp number, as it is more personal and effective for marketing than email, which often overwhelms users. Moreover, it allows chatting with users to ask / answe questionsl. Here, also in the future we will simulate direct communication with the founder, creating a personal connection similar to how Superhuman's CEO handles customer issues.	P1	N/A
Onboarding Guide	1	A guided onboarding process will be implemented to help new users understand the app, highlighting key features like swiping, adding items to the closet, and purchasing products.	P2	Provide a simple onboarding email or push notification after the first login, highlighting the key features. This can be expanded into a more detailed in-app guide later.
Swiping Mechanism	2	Smooth and responsive swiping functionality: Swipe left for 'Do not like', right for 'Like', up to 'Add to basket' (prompt size), and tap for more product information.	P1	Implement basic swiping functionality without the full "Add to basket" prompt for size selection. Users can add items to the basket from the product detail page instead. If swiping is not smooth we can also start inserting basic like / dislike buttons.
Navigation	2	Basic, intuitive navigation bar to access core features such as search, swiping, closet, and checkout.	P1	N/A
Basic Product Search	N/A	Implement a basic search function to allow users to find specific items.	P1	Focus on recommendation first before adding search feature
Product Search and Filtering	3	Introduce filtering options to refine search results, but filters will not be included in the MVP. Size Assistant feature to measure body size for accurate fit across different brands.	P2	Focus on implementing basic search functionality first; filters can be added later.
Product Details	4	Provide comprehensive product details including descriptions, available sizes, brand, and price, along with high-quality images.	P1	Provide basic product details (e.g., title, price, and a single image). Additional details and images can be added as the app develops.
Target User-Specific Features	4	Consider future features like "girl math" for price comparisons, which will relate prices to familiar concepts (e.g., equivalent to X Starbucks coffees).	P3	not necessary
Basic Payment Integration	6	Implement Stripe for secure and stable payment processing to prevent transaction failures or security issues.	P0	N/A
Virtual Closet	5	Enable users to save liked items in a virtual closet and revisit or organize them later. Users can plan and save outfits for specific dates, events, or daily wear.	P2	Implement a basic version of the virtual closet where users can save items but not yet organize them. The ability to organize and plan outfits can be added in later versions.
Social Sharing	5	Implement social sharing for the virtual closet, allowing users to share their saved items with friends.	P4	Not necessary
User Profile & Settings	7	Develop basic user profile management functionalities, such as editing personal information and managing preferences.	P2	Start with a minimal profile page that allows users to update their contact information. Advanced settings like managing preferences can be added later.
"Call a Founder" Feature	7	A personalized support feature where users can directly communicate with the founder, fostering a sense of connection and trust.	P3	Not necessary
Follow Us on Instagram	7	Integrate social media follow options within the app, encouraging users to engage with the brand on Instagram.	P3	Not necessary
System Stability	N/A	Ensure the app is free from crashes or major bugs that could lead to a system outage. This includes addressing any issues that might cause the app to become unusable.	P0	N/A
User-Generated Content & Community Engagement & Influencer Integration	N/A	Introduce features that allow users to share outfits, rate products, or participate in community challenges to increase engagement and create a sense of community. Infleuncer Integration - Buying clothes directly from influencers.	P4	Start with a basic feature where users can share their favorite items directly to social media platforms. Community engagement features like ratings and challenges can be introduced in later phases.
Explore / Subscribe Curated Collections + Ranking	4	In addition to personalized recommendations, users can explore various curated collections, such as seasonal trends, trending products in their city, or collections curated by influencers and highly liked users. Each collection will have an option for users to vote them up or down, similar to Jodel. Popular lists will be prominently featured, providing users with a dynamic and community-driven discovery experience.	P2	Provide basic static collections without the voting feature, curated by the app's team.
Dynamic Pricing Alerts	N/A	Notify users when items they have liked or saved in their closet go on sale or when similar items become available at a discount. Additionally, the app will automatically check for the cheapest price available across multiple retailers and notify the user, ensuring they always get the best deal. Access to special discounts through the app.	P3	Implement basic sale alerts without price comparison.
Weather-Based Outfit Suggestions	5	Users can receive outfit suggestions based on the weather at their specific location. They have the option to share their location with the app or manually enter it. The app will then suggest appropriate outfits for the day, ensuring users are always dressed comfortably and stylishly for the weather.	P3	Not necessary
AI-Powered Size Recommendation	3	The app will use AI to analyze user preferences, body measurements (entered during onboarding), and previous purchases to recommend the perfect size for each product. This feature aims to reduce the hassle of returns due to sizing issues and improve customer satisfaction.	P2	Provide a basic size guide without AI integration.
Loyalty Program	7	Introduce a loyalty program where users earn points for every purchase, referral, or engagement with the app (e.g., voting on collections). These points can be redeemed for discounts, exclusive access to collections, or special perks like free shipping. This feature encourages repeated use and fosters brand loyalty.	P3	Implement a simple referral bonus without the full loyalty program infrastructure. Or start exclusive and let users only invite 3 friends with the best style

G. Potential Angel Investors

#	Investors (397)	Investm...	Active Portfolio	HQ Location
1	Playfair Capital	138	53	London, United King...
2	Oskar Hartmann	62	32	Moscow, Russia
3	Florian Heinemann	31	4	Berlin, Germany
4	KM Capital	31	24	Manchester, United ...
5	Lambda Alpha	29	22	London, United King...
6	Scalar North Capital	28	14	London, United King...
7	Hugo Arévalo	21	17	Madrid, Spain
8	Jesper Buch	21	9	Denmark
9	David Nothacker	17	13	Berlin, Germany
10	Christopher Kelly	16	10	London, United King...
11	David Murray-Hundley	16	12	London, United King...
12	Lea-Sophie Cramer	15	10	Berlin, Germany
13	Julius Köhler	14	10	Berlin, Germany
14	Nicolaus Schefenacker	14	10	Berlin, Germany
15	Alexander Gezelius	13	9	London, United King...
16	Felix Hernandez	13	9	Madrid, Spain
17	Nils Glagau	13	11	Langenfeld, Germany
18	Chantal Baudron	12	8	Paris, France
19	Connor Murphy	12	7	Dublin, Ireland
20	Liam Casey	12	6	Cork, Ireland
21	Alexandre Prot	11	9	Paris, France
22	Giles Brook	11	6	London, United King...
23	Jan Dzulko	11	7	Berlin, Germany
24	Stefan Jeschonnek	11	5	Berlin, Germany
25	Gerald Schönbucher	10	6	Köln, Germany
26	Jerome Joaug	10	8	Paris, France
27	Michael Wolf	10	5	Stockholm, Sweden
28	QBIT Capital	10	8	Zurich, Switzerland
29	Carl Westin	9	6	Lund, Sweden
30	Christian Stadil	9	5	Odense, Denmark
31	Grégoire Boutin	9	3	Paris, France
32	Jonas Bonde	9	5	Angelholm, Sweden
33	Jose Luis Minguez	9	4	Barcelona, Spain
34	Martin Mignot	9	5	London, United King...
35	Albert Schmidbauer	8	7	Salzburg, Austria
36	Alexandre Ichaï	8	6	Paris, France
37	Ferry Heilemann	8	5	Berlin, Germany
38	Giovanni Gardelli	8	6	Milan, Italy
39	Peter Dahlberg	8	5	Stockholm, Sweden
40	Emmanuel Thomassin	7	5	London, United King...
41	Frédéric de Bourguet	7	2	Paris, France
42	Gustaf Hagman	7	5	Stockholm, Sweden
43	Klaus Hofbauer	7	4	Linz, Austria
44	Matteo de Brabant	7	5	Milan, Italy
45	Michael Amar	7	5	Paris, France
46	Nicolaj Reffstrup	7	7	Copenhagen, Denma...
47	Tej Kohli	7	4	London, United King...
48	Telmo Pérez Luaces	7	5	Pontevedra, Spain
49	Umberto Bottesini	7	3	Milan, Italy
50	Anders Povlsen	6	6	Aarhus, Denmark
51	Andrin Bachmann	6	4	London, United King...

52	Anton Johansson	6	5	Stockholm, Sweden
53	Fabian Heilemann	6	3	Berlin, Germany
54	Javier Etxebeste	6	4	Hertford, United Kin...
55	John Ayton	6	3	London, United King...
56	Kenneth Fraser	6	1	Glasgow, United Kin...
57	Petri Lehmuskoski	6	3	Helsinki, Finland
58	Rafael Garrido	6	2	Madrid, Spain
59	Rasmus Wolff	6	3	Amsterdam, Netherl...
60	Thomas Mikkelsen	6	2	Denmark
61	Alexander Borodich	5	3	Vilnius, Lithuania
62	Andre Hoffmann	5	4	Basel, Switzerland
63	Christopher Paik	5	3	Bucharest, Romania
64	David Tomas	5	2	Barcelona, Spain
65	Dominik Gyllensvärd	5	2	Hamburg, Germany
66	Dominique Locher	5	3	Schwyz, Switzerland
67	Frédéric Biousse	5	3	Paris, France
68	Frédéric Jousset	5	4	Issy-les-Moulineaux, ...
69	Hugo Arevalo	5	2	Madrid, Spain
70	Jeannette Furstenberg	5	5	Berlin, Germany
71	Michael Mitterlehner	5	2	London, United King...
72	Michael Puzrakov	5	5	Lviv, Ukraine
73	Oliver Merkel	5	4	Berlin, Germany
74	Patrick Byng	5	5	Greenford, United Ki...
75	Paul Fischbein	5	3	Boras, Sweden
76	Peter Settman	5	1	Stockholm, Sweden
77	Renaud Guillerm	5	3	Paris, France
78	Sebastian Pollok	5	4	Berlin, Germany
79	Stefan Mahlstein	5	5	Stockholm, Sweden
80	Wendy Becker	5	2	Oxford, United King...
81	Alberto Gutierrez	4	3	Valencia, Spain
82	Alysia Wanczyk	4	2	London, United King...
83	Carsten Mikkelsen	4	2	Copenhagen, Denma...
84	Dario Suter	4	2	Zurich, Switzerland
85	Eric Kohlmann	4	4	Zurich, Switzerland
86	Filip Larsson	4	4	Uppsala, Sweden
87	Gabriel Naouri	4	3	Paris, France
88	Guillaume Gibault	4	3	Paris, France
89	Jan Carlzon	4	1	Richmond, United Ki...
90	Jörg Gerbig	4	2	Amsterdam, Netherl...
91	Kalo Bagijn	4	2	Amsterdam, Netherl...
92	Maarten Andreae	4	2	Amsterdam, Netherl...
93	Michael Schuster	4	2	Vienna, Austria
94	Miroslava Duma	4	2	Moscow, Russia
95	Peter Kabel	4		Hamburg, Germany
96	Robin Tombs	4	3	London, United King...
97	Thomas Hartwig	4	1	London, United King...
98	Alberto Genovese	3	3	Milan, Italy
99	Alexander Meyer	3	1	Munich, Germany
100	Alexandre Mulliez	3	2	Neuilly sur Seine, Fr...
101	Alubi Capital	3	1	Berlin, Germany
102	Anders Böös	3	1	Stockholm, Sweden
103	Anna Ljungbergh	3	2	Stockholm, Sweden
104	Benedict Rodenstock	3	1	Munich, Germany
105	Bengt Maunsbach	3	3	Stockholm, Sweden
106	Brian Williamson	3	2	London, United King...
107	César Oteiza	3		United Kingdom
108	Charles Dunston	3	2	Paris, France
109	Derek Lovelock	3	2	Farnborough, United...
110	Duccio Vitali	3	3	Milan, Italy
111	Elie Kouby	3	1	Paris, France
112	Felix Schneider	3	3	Hamburg, Germany

#	Investors (397)	Investm...	Active Portfolio	HQ Location
111	Elie Kouby	3	1	Paris, France
112	Felix Schneider	3	3	Hamburg, Germany
113	Felix Swoboda	3		Berlin, Germany
114	Fernando Egido	3	2	Madrid, Spain
115	Florian Swoboda	3	2	Berlin, Germany
116	Guillaume Alabert	3	2	Paris, France
117	Hidayet Tercan	3		Stockholm, Sweden
118	Hubert Patricot	3	2	Paris, France
119	Jason Child	3	1	Cambridge, United K.
120	Jonas Martensson	3	1	Stockholm, Sweden
121	Julian Blessin	3	3	Berlin, Germany
122	Marc Adamowicz	3		Paris, France
123	Mario Branciforti	3	1	London, United King..
124	Martin Anderlind	3	1	Stockholm, Sweden
125	Martin Lorentzon	3	3	Stockholm, Sweden
126	Maxim Gurvits	3	1	Sofia, Bulgaria
127	Michael Phillips	3	2	Luxembourg
128	Noel Hayden	3	2	London, United King..
129	Ondrej Tomek	3	1	Prague, Czech Repu...
130	Paolo Vacchino	3	1	Milan, Italy
131	Patrick Aisher	3	2	Gibraltar
132	Rard Rijcken	3	1	Ghent, Belgium
133	Rene Giretzlehner	3	2	Hargelsberg, Austria
134	Richard Alden	3	2	Madrid, Spain
135	Richard Marsh	3	2	London, United King..
136	Robert Easton	3	3	London, United King..
137	Robert Wigley	3	2	London, United King..
138	Sebastiano Castiglioni	3	1	London, United King..
139	Sitar Teli	3	1	London, United King..
140	Stefan Allesch-Taylor	3	2	London, United King..
141	Stefan Smalla	3	1	Elmshorn, Germany
142	Stein Jacobsen	3	1	Sollentuna, Sweden
143	Stephen Welton	3	1	London, United King..
144	Thomas Fleming	3	2	London, United King..
145	Andrea Jansen	2	1	Zurich, Switzerland
146	Andrew Stewart	2		Reading, United King.
147	Anna Elam	2	2	Stockholm, Sweden
148	Antoine Nussembaum	2	1	London, United King..
149	Anton Jurina	2	2	Zurich, Switzerland
150	Antonio Assereto	2		Milan, Italy
151	Arthur Engel	2		Umeå, Sweden
152	Bastiaan Beerens	2	2	Amsterdam, Netherl..
153	Beat Curti	2	1	Zurich, Switzerland
154	Chris Wood	2	1	London, United King..
155	Christian Hoff	2	2	Ballerup, Denmark
156	Claus Sendlinger	2	1	Berlin, Germany
157	Colette Ballou	2		London, United King..
158	Colm Menton	2	2	Dublin, Ireland
159	Cristina Pozzi	2		Rome, Italy
160	Daniel Seijo	2	2	Madrid, Spain
161	David Milner	2	2	London, United King..
162	Dennis Schmoltzi	2	2	Frankfurt, Germany
163	Dieter Heuskel	2	1	Bolzano, Italy
164	Eiesha Pasricha	2	2	London, United King..
165	Elis Nemes	2		Linkoping, Sweden
166	Enrico Fili	2		Rome, Italy
167	Eric Nicoli	2	2	London, United King..
168	Fabrice Couturier	2		Paris, France
169	Felix Thönnessen	2		Düsseldorf, Germany
170	Frédéric Halley	2	2	Paris, France
171	Georg Bauser	2	2	Trogen, Switzerland

H. Call Notes from Industry and Investor Experts

Johannes Niemann

Position / Experiences	LinkedIn
• Investor at 468 Capital • Ex. Permia, Morgan Stanley	(link)

Key Points:

1. Customer Acquisition and Scaling Challenges:
    - CAC:
        - Johannes explained that customer acquisition in the fashion and e-commerce space is expensive, citing figures like €30-60 per customer for companies like Zalando. He emphasized that high CACs make profitability difficult, especially for models that depend on commission-based earnings.
        - At Zalando, they operate at a loss in the first year, absorbing high CACs in the hope of long-term profitability through repeat customers.
        - He discussed the difficulty of scaling a business with low-margin products and high CACs, stressing that viral marketing strategies might help lower these costs but come with their own risks.
2. Supply Chain & Brand Relationships:
    - Challenges with Brand Acquisition:
        - Johannes highlighted that getting top-tier brands to partner with a platform is a long, drawn-out process, often requiring years to build those relationships.

        - He agreed that while partnering with a platform like Archivist might offer a good selection of designer brands, the inventory is often made up of discounted or older products. This could limit the appeal of the platform to customers who are well-informed about new collections.
        - Viral Marketing & Non-Exclusive Brands:
            - He suggested focusing on less exclusive or non-premium brands for viral marketing strategies, which could work better on platforms like TikTok. These brands are generally easier to integrate into a business model that requires fast execution and quick customer acquisition.

3. Strategic Execution and YC Approach:
    - Execution Focus:
        - Johannes emphasized that the success of the platform would heavily depend on execution. From his perspective, having a solid technological foundation (like a good recommendation engine) is important, but without the ability to efficiently manage brand relationships and customer acquisition, it would be difficult to succeed.
    - Y Combinator (YC) Approach:
        - Johannes suggested that building a strong MVP and applying to YC could be a good option. YC values scrappy, entrepreneurial approaches, even if they involve gray areas like scraping product data from large retailers (e.g., Zara).
        - He mentioned that once a product demonstrates some level of traction, raising funds would be easier, allowing for a more aggressive scaling strategy.

4. Business Model Considerations:
    - Commission Model:
        - Johannes pointed out that the commission-based model (typically 10-20%) makes profitability challenging unless the platform achieves massive scale.
        - He emphasized that working with high-end brands might provide better commissions, but these brands are harder to acquire and require long-term relationship-building.
        - Zalando Example:
            - He provided an example from Zalando, noting that the average basket size is relatively low (around €70) and that customers tend to return products frequently, further complicating profitability in a commission-based business.
5. Market Insights and Competition:
    - Zalando Amaze Failure:
        - Johannes shared insights from a failed Zalando project, "Amaze," which attempted to create a more personalized shopping experience through swiping but was shut down. He suggested that poor execution or inadequate recommendations could have been the reasons for its failure, and that it might not have been given enough time to succeed.
    - Viral Potential on TikTok:
        - He highlighted the potential of TikTok as a platform to drive viral marketing, but warned that scaling requires more than just views—it needs actual conversion to purchases.

        - Johannes encouraged focusing on viral content strategies to drive engagement and downloads, aiming for significant app downloads (e.g., 10,000) as proof of concept.

6. Long-Term Vision and Differentiation:
    - Creating a New Shopping Experience:
        - Johannes emphasized the need for a long-term vision where the platform becomes a habitual shopping destination, differentiating itself from platforms like Zalando by focusing on creating an enjoyable browsing experience rather than a purely transactional one.
        - Potential for Direct Brand Collaborations:
            - He also suggested that the platform could eventually introduce its own brands or exclusive collaborations, providing a unique value proposition that could help sustain its growth.

Closing Remarks:

- Johannes provided practical and strategic advice, encouraging Jonas to make a clear decision within the next two weeks about whether to continue pushing forward or pivot. He stressed the importance of a viral launch, a well-constructed MVP, and a solid long-term vision for the platform to succeed.

Lina Wenner

Position / Experiences	LinkedIn
• Partner at firstminute capital • Ex. BCG, Cambridge	link

Key Points:

1. Strong Team:
    - Lina acknowledged that the founding team appears strong, both in terms of talent and capability. She highlighted the importance of having a team that can execute efficiently, especially given the challenges in the fashion tech space.
2. Understanding of the Idea:
    - She understood the concept well and saw the value in using AI to enhance the personalization of fashion recommendations based on user preferences. However, she was cautious about some critical aspects.
3. Market Timing Unclear:
    - One of Lina's primary concerns was why *now* is the right time for this product. She felt that the timing might not be optimal given the challenges in the market, especially with several other players trying to aggregate and personalize fashion recommendations through AI.
    - She suggested further exploration into why the current market conditions would favor the product's success.
4. Competitive Space in Fashion:
    - Lina emphasized that the fashion market is highly competitive, especially for companies relying on **affiliate revenue** models. She noted that many companies have tried similar approaches, aggregating fashion products and attempting to improve recommendations using AI.

- Given the existing competition, she expressed doubt about how quickly the startup could achieve meaningful revenue and scale, especially with the affiliate revenue model.

5. Challenges in Securing Funding:
    - From her experience, Lina highlighted that funding has been particularly difficult for startups in this specific niche (AI-powered fashion aggregation). Investors have been hesitant to back these types of companies due to concerns over scalability, profitability, and market saturation.
6. Lack of a Clear Moat:
    - Lina raised concerns about the startup's **moat**, or competitive advantage. She wasn't convinced that the idea had a clear, defensible edge that would differentiate it significantly from other similar products in the market.
    - She advised a more in-depth exploration of how the startup could build and protect a sustainable competitive advantage, whether through technology, user experience, or partnerships.
7. Cautious Approach from Firstminute:
    - Lina mentioned that **Firstminute Capital** tends to be cautious about investing in companies heavily reliant on **word-of-mouth** and **hype** for growth. She noted that while viral marketing is crucial for keeping CAC low, it is very difficult to execute successfully.
    - **Viral Growth Challenge:** The startup needs to show that it can achieve organic, viral growth to make the unit economics work. Lina advised that if the startup is leaning on viral marketing as a key growth strategy, it would be essential to find someone on the team with a proven track record of building viral products.

Venture capitalists (VCs) tend to look for this type of expertise in early-stage teams when considering investments in such models.

Paula Weber

Position / Experiences	LinkedIn
• Investor at Northzone • Ex. Cherry Ventures, bunch, Razor	link

Key Points:

1. AI and Consumer Market:
    - Paula emphasized that while AI is currently thriving in the B2B sector, there's still a gap in consumer AI. She suggested that cracking a consumer-use case for AI could be highly valuable in the future, especially when the consumer market becomes interesting again for investors.
    - She noted that consumer products are generally not the focus for VCs at the moment, but exploration of new models like the one discussed could still have potential.
2. Shopping Exploration and Marketplaces:
    - Paula found the idea of using a swipe-based exploration model for shopping interesting, as it focuses more on user engagement rather than immediate sales (GMV).
    - She mentioned that there have been other attempts to improve search engines for shopping, such as 12Fab in Berlin, but found them less appealing due to the advantage existing marketplaces have with their large datasets.
    - Paula believes that established marketplaces already have a significant edge, and it's hard to outcompete them purely on the basis of better search functionalities.
3. Market Insights and Brand Collaboration:
    - Paula raised a critical question about how to approach the brand side. She suggested that working with existing brands and understanding how to get their trust is crucial.

- She mentioned her experience at Razor, where it was tough to convince brands to collaborate with newer marketplaces because brands are very particular about where their products are sold and how they are presented.

4. Challenges with Fashion Marketplaces:
    - Paula warned that building a new marketplace involves high CAC, which are "insane" in the e-commerce space.
    - She mentioned that unless a platform can achieve repeat purchases and customer loyalty, it might struggle to survive due to the high cost of acquiring new users.
    - She suggested looking at why many previous attempts to innovate in online shopping have failed, such as marketplaces focused on second-hand or overstock items.
5. Brand Trust and Image Building:
    - Paula highlighted that, in fashion, the challenge isn't just about attracting customers but also about convincing premium brands to list their products on your platform.
    - Many high-end brands are selective about where they sell their products, and they have strict guidelines for how their products are displayed. Paula emphasized that building a marketplace that appeals to both consumers and brands is crucial.
6. Potential Alternative Business Models:
    - Paula suggested exploring a B2B or embedded model where the technology could be licensed to existing marketplaces (e.g., Zalando or About You) rather than building an entirely new marketplace. This could be a way to leverage the swiping feature without the heavy burden of building and scaling a marketplace from scratch.

- She was cautious but open to the idea that B2C might be the right route for building a larger brand but emphasized the challenges involved.

7. Equity for Media Model:
    - Paula discussed the possibility of using an Equity for Media model, where media exposure or influencer marketing is exchanged for equity. She mentioned ProSieben's Seven Ventures and influencers like Lena Gercke who have done similar deals in exchange for equity in startups.
    - She noted that while this approach can be effective for raising awareness, it requires a mix of cash and media because, at the early stages, media alone might not be sufficient to drive the necessary growth.
8. Recommendation for Further Action:
    - Paula encouraged Jonas to explore why other online shopping startups failed and identify key insights from existing players like Zalando and About You, especially regarding customer retention and user experience.
    - She suggested focusing heavily on A/B testing and iterating based on user feedback to crack the consumer side, as user unpredictability can make or break the success of such a platform.

Laurenz Lankes

Position / Experiences	LinkedIn
• Investor at Merantrix focused on AI investments • Ex. Signals VC	link

Key Points:

1. Merantix Venture Studio Model:
    - Initial Engagement with Entrepreneurs:
        - Merantix typically partners with entrepreneurs at day zero, often before an idea has fully formed. They help entrepreneurs ideate, validate, and develop a new concept over the first month, referred to as the "Four Weeks for Cases" phase.
        - During these four weeks, the entrepreneur presents four ideas to the investment committee (IC). The objective is to assess the feasibility of each idea and determine which one has the most potential for further development.
    - Validation Process:
        - After selecting a promising idea, the entrepreneur spends an additional two months working on in-depth validation. This process includes utilizing the Merantix platform, leveraging their network, and gathering feedback from potential customers.
        - Entrepreneurs are required to gather at least three letters of intent (LOIs) from potential B2B customers during this phase to demonstrate market interest.
    - Fundraising and Team Building:

        - Once an idea has been validated, Merantix helps recruit a CTO, particularly for technical development, and brings the case to the investment committee.
        - The studio typically provides a €1 million pre-seed investment, allowing the startup to build the product over the next 12-24 months. Merantix takes a strategic role, supporting the startup with its platform and connections but stepping back from daily operations.

2. Terms and Equity Structure:
    - Equity Structure in Studio Model:
        - In the studio model, Merantix takes 10% founder shares (common shares) in exchange for the initial work done in ideation, validation, and team building.
        - For the €1 million pre-seed investment, Merantix takes an additional 15% equity. The valuation for this stage is typically around €6.6 million, which Laurenz noted is quite a high valuation given the early stage.
    - Investor Flexibility:
        - Laurenz explained that while Merantix generally leads the round, they are open to having business angels or smaller investors join the pre-seed round. However, larger investors, such as VCs, typically join during the seed round once the startup has achieved some traction.
3. Approach to Consumer Apps:
    - B2B vs. B2C Focus:
        - Laurenz emphasized that while Merantix typically focuses on B2B models (due to their AI expertise and network), they are open to B2C concepts if paired with a strong consumer-facing investor. The studio

primarily excels in B2B startups, leveraging its expertise and connections in AI and the broader tech ecosystem.

- He also noted that B2C dynamics, especially in consumer apps, can reveal success or failure quickly. If a consumer app gains traction early (via engagement and usage metrics), it is usually a strong indicator of potential success.

4. Feedback on Jonas's Idea:
    - Consumer App Dynamics:
        - Laurenz highlighted that consumer apps have a distinctive validation process, where early growth and consumer engagement are strong signals for success. He explained that investors expect consumer apps to show rapid user growth from the very beginning.
        - He acknowledged that Jonas's idea, though focused on the B2C user experience, also has a B2B component. The app’s success with users would naturally lead to the opportunity for brand partnerships, but the challenge lies in crossing the "chicken and egg" hurdle of needing users to attract brands and vice versa.
    - User and Brand Acquisition Strategy:
        - Laurenz appreciated Jonas's approach of scraping product data to start with, as it allows for user traction before formal partnerships with brands. However, he emphasized that the strategy would need to be carefully balanced to ensure long-term scalability and profitability.
        - He also mentioned that creating addiction-like engagement is crucial for consumer apps. Jonas's concept of gamifying the shopping experience (like Tinder) could help achieve this, but the challenge would be in

maintaining user engagement while building up the supply (brands and products).

5. Next Steps for Potential Collaboration:
    - Direct Validation Support:
        - Laurenz mentioned that Merantix has worked with founders who come in with a well-developed idea or MVP, skipping the early ideation phase. In such cases, Merantix helps validate and scale the idea more quickly by providing resources, funding, and expertise.
        - If Jonas's project seems promising after initial feedback, Laurenz indicated they could directly move into the validation phase, leveraging the Merantix platform to help build momentum.
    - Open-Ended Process:
        - Laurenz emphasized flexibility in their process, noting that while there are structured steps, Merantix can adjust based on the needs of the entrepreneur and the idea’s stage. He suggested keeping in touch and considering adding Merantix to Jonas's investor update list for future funding rounds.

Dennis Ahrling

Position / Experiences	LinkedIn
• Partner at GMPV • Investor in AboutYou, Grover, Clark	link

Key Points:

1. Interest in the Idea:
    - Dennis found the concept of the startup compelling and innovative, especially with its focus on personalized shopping experiences through AI-driven swiping mechanisms, similar to dating apps like Tinder. He saw the potential in creating a more engaging, addictive shopping experience but raised key considerations for execution.
2. Business Model and Fulfillment:
    - Dennis asked whether the plan was to build a pure tech solution or also manage the backend logistics, like warehousing and shipping. He suggested that it would make more sense to partner with established fulfillment players such as About You, Tradebyte, or Zalando to handle logistics rather than building everything from scratch. He supported the idea of focusing on the front-end experience and leaving fulfillment to partners.
3. About You's Experience in Personalization:
    - Dennis highlighted that About You initially started with a similar goal—improving personalization in fashion e-commerce, offering a tailored experience through individual profiles (e.g., About Jonas, About Dennis). However, he noted that as companies grow, agility and innovation often slow down. This creates opportunities for newer players like the startup to introduce fresh ideas, such as the swiping feature for enhanced user engagement.
4. Concerns About Replizierbarkeit (Replicability):

- Dennis raised a critical point about the potential for large companies like Zalando or About You to replicate the idea if it becomes successful. He suggested that while these companies could introduce similar features, they may not want to take on the risk of completely changing their user experience, which is already established and familiar to their customer base.
- He emphasized the need to differentiate through First-Mover Advantage and effective execution, particularly in building out the supply chain and handling customer acquisition challenges.

5. Customer Acquisition Challenge:
    - Dennis highlighted the importance of finding a unique customer acquisition channel to stand out from competitors. He agreed that relying solely on traditional paid marketing, especially in the fashion space, would be cost-prohibitive. Instead, he supported the idea of leveraging TikTok and social media to create viral content and attract users organically, especially in the early stages. He pointed out that Style had some success with this approach.
    - He noted that Media-for-Equity deals, like those used by About You with ProSieben, could be useful later when scaling up, but might be too expensive and dilutive at the very beginning.
6. Supply Chain Complexity and Scaling:
    - Dennis acknowledged that starting with a smaller supply base would be fine for testing the concept and gaining early traction. However, he pointed out that eventually, the startup would need to expand its supply to offer a wider range of products. He recommended focusing on getting brands on board rather than building the logistics infrastructure in-house.

- He also noted that the startup's role would mainly be as a customer acquisition channel, so the key to the business model's success would be acquiring customers more efficiently than competitors or retaining them longer.

7. Next Steps - Legal Concerns and Scraping Approach:
    - Dennis discussed the potential risks of scraping product data from brands like Zara or Mango, which could raise legal issues regarding copyright on product images. He suggested that while this approach could be a good starting point, it would eventually be necessary to partner with legitimate suppliers and marketplaces.
    - He recommended looking into connections with About You or Zalando through platforms like Tradebyte, which could facilitate partnerships with brands, although this might take time and involve setup fees.
8. Support and Contacts:
    - Dennis offered to help connect the startup with the former marketing chief at About You and now a board member at Deichmann. He suggested Alexander would be well-placed to offer advice on marketing strategy and customer acquisition in the fashion space.
    - He encouraged further outreach to people within About You and Zalando to explore potential partnerships, especially in regard to supply and commission-based collaborations.

Global Founders Capital

Position / Experiences	LinkedIn
• Partner at Global Founder Capital with 25 Years of experience in the Venture Capital Industry	Wants to stay anonomous

Key Points:

1. Focus Areas:
    - Invests in technology ventures globally, spanning all stages from seed to IPO.
    - Primary focus on early-stage (Seed and Series A) and growth capital (Series B and C).
2. Investment Size:
    - Seed: Around €500,000 to €1 million.
    - Series A: Typically €1 million to €2 million.
    - Series B: €3 million to €5 million or more.
    - Larger rounds: Can include convertibles or bridge financing before IPOs.
3. Investment Criteria:
    - Idea and Market (Most Important)
    - Market Risk: Is there demand for the product/service? Will customers eventually pay for it?
    - Freemium Models: Initial free usage with potential for premium offerings later.
    - Exception: Products generating massive traffic (e.g., YouTube, Facebook) may rely on advertising, but only with significant user bases.
    - Competitor Awareness: Arrogance in dismissing competition is a red flag. Assume similar ideas are being pursued in multiple regions.
4. Team:
    - A great team can turn an average idea into a success.
    - Balance between idea and execution by the team is critical.

5. Exit Potential:
    - A strong team and market validation ensure a good exit, so valuation specifics are secondary in early stages.
6. Valuation Methods
    - Early Stage:
        - Market-driven valuation based on investor competition and potential market size.
        - Often involves convertibles, where valuation is deferred to later formal rounds.
        - Negotiation plays a key role, especially for strong founders.
    - Later Stage:
        - Traditional methods like Discounted Cash Flow (DCF) or Comparable Analysis become relevant.
        - Focus on measurable metrics like cash flow, growth, and profitability.
7. Shareholder Structure:
    - Balanced Share Distribution:
        - Founders should retain enough equity to stay motivated.
        - Early-stage investors should secure sufficient equity to justify early risks.
    - Impact of Dilution:
        - Over time, founders and early investors will face dilution. Early equity allocation should account for this.
        - Motivation and support from early-stage investors are crucial for success.

8. Key Insights on Valuation vs. Shareholder Structure
    - Balanced Shareholder Structure is more critical than exact valuation.
    - The "right price" is less significant than ensuring both founders and early investors remain incentivized.
    - A long-term perspective on value creation is vital, emphasizing collaboration between founders and initial investors.

Simon von Meier

Position / Experiences	LinkedIn
• Co-Founder of Archivist a online outlet shop for luxury fashion products • Ex. PICUS Capital, BCG	link

Key Points:

1. Supply Chain & Brand Acquisition:
    - Luxury & Premium Brands:
        - Simon emphasized that working with luxury and premium brands requires a lot of time and patience. Brands in this category prioritize quality and branding over quick, high-volume sales.
        - The importance of ensuring that the business offering is both economically viable and contributes positively to the brand's image was highlighted. Brands might be willing to participate in loss-driving channels if the platform aids in their brand-building efforts.
        - He suggested focusing on high-end brands initially since these allow for higher take rates (commissions), which are crucial for profitability.
2. Distribution & Acquisition Strategies:
    - CAC:
        - Simon noted that CACs are very high in the fashion industry. Thus, it's crucial to establish repeat purchases to offset the costs.
        - He advised that the success of customer acquisition strategies depends on efficiently managing supply, as the supply side influences demand creation.

        - Simon shared their approach at Arrive, where they initially bought retail inventory at full price to build a rapid product supply and then used that to attract brand partnerships.

3. API & Product Sourcing Collaboration:
    - Potential Collaboration on Supply:
        - Simon discussed the potential of collaborating by providing access to their product inventory via APIs. His business has already integrated many brands and products, and this supply could be shared with Jonas's platform.
        - He noted that this model has worked for other businesses, such as Farfetch, and would save Jonas time and effort in scraping product data or building out a large inventory from scratch.
        - The collaboration could involve sharing high-end and premium fashion products through an API, which Jonas could integrate into his platform.
4. Economic Viability of the Business Model:
    - Commission Structure:
        - Simon mentioned that their commissions generally range from 20-25%, depending on the brand and the deal. This level of commission is feasible in the high-end fashion segment due to the higher margins on luxury items.
        - He emphasized that achieving scale is crucial to making the business model work, particularly when relying on commissions from affiliate networks or similar structures.

        - Simon also discussed how reducing product discounts (as seen in outlet models) could potentially increase margins and make the model more sustainable.

5. Market Positioning & Gamification:
    - Market Segmentation:
        - Simon suggested Jonas should carefully consider the market segment he wants to target—premium vs. luxury. The decision will significantly impact product sourcing, customer base, and overall business economics.
        - Simon also highlighted the importance of engaging customers through gamification or similar mechanisms to create a habit-forming product, keeping users on the platform for longer periods and ensuring repeat engagement.
6. Leveraging Expertise in Supply Acquisition:
    - Challenges in Supply Acquisition:
        - Simon shared that acquiring and managing supply is the most time-consuming part of their business. It often requires building long-term relationships with brands and continuously optimizing the process.
        - He mentioned that their team is heavily focused on supply-side acquisition, which dictates much of their business success. They now have a strong standing in the market, with established partnerships and a growing product portfolio.
        - Simon pointed out that inventory management in fashion is critical and often involves handling substantial quantities of products, especially when working with well-known luxury brands.

7. Future Roadmap for the Business:
    - Marketplace as a Service:
        - Simon outlined his business roadmap, which includes offering "marketplace as a service" solutions for other businesses in various verticals. This would allow them to share their expertise and platform architecture with others, facilitating the building of similar businesses.
        - He suggested this could be an avenue for collaboration, where Jonas could leverage their marketplace infrastructure for his own platform.
8. Closing Remarks:
    - Simon expressed openness to further discussions about potential collaborations. He suggested Jonas could access some of their product data via API for the MVP test, allowing Jonas to avoid the complexities of scraping product data or building a large inventory from scratch.
    - Simon also noted the importance of validating the business model with actual market tests and adjusting the approach based on the insights gathered from the MVP.

Dennis Exner

Position / Experiences	LinkedIn
• Sales Expert for Marketplaces @ Tradebyte	link

Key Points:

1. Tradebyte and Seller Integration:
    - Breuninger uses Tradebyte for brand integration and is also building their own API.
    - Connecting to suppliers through TB.market is straightforward; however, accessing top-tier brands through Tradebyte is still difficult.
    - Recommendation: Rather than targeting individual brands like Adidas or Nike, which are difficult to engage with, it's better to work with sellers (e.g., Breuninger or Engelhorn), which are easier to onboard.
2. Challenges with Big Brands:
    - Adidas and Nike are challenging to collaborate with as they choose their marketplaces carefully. They generally don't engage with startups unless the marketplace is well-established.
    - Sellers such as Engelhorn (who work with 600 brands) are a better point of entry, as they already have the rights to share product images and data without needing additional brand approval.
3. Engelhorn as a Potential Partner:
    - Engelhorn has the rights to work with a wide range of brands, making it a great candidate for partnership.
    - They can provide access to 600 brands across various segments, from fast fashion to premium.

- Engelhorn has the authority to pass on rights to product images and descriptions to the platform.

4. Legal and Contractual Considerations:
    - Without original brand agreements, it’s forbidden to modify or use brand images and product descriptions without explicit permission.
    - Working with a seller like Engelhorn would allow the startup to use their existing content without needing separate approvals.
5. Tradebyte Integration Costs:
    - Setup costs: €30,000 for an MVP, plus a monthly fee of €1,000 to €3,000 depending on the scope and integration.
    - Commission Structure:
        - Tradebyte charges 1.5% commission on a net sales value of €200 (for example).
        - The startup could negotiate a commission rate of 15% to 22% with sellers like Breuninger or Engelhorn.
6. Why Use Tradebyte:
    - Dennis recommended going through Tradebyte because it's easier and more efficient than trying to connect directly to individual sellers like Engelhorn.
    - Engelhorn would find it more complicated and costly to connect to a small marketplace directly, while Tradebyte offers a standardized and scalable solution.
7. Integration Process and MVP:
    - Tradebyte provides project management support for building the MVP, ensuring the platform integrates smoothly with sellers and handles data flow correctly.

- The MVP setup with Tradebyte includes an integration guide and access to a project manager dedicated to assisting with the integration.

8. Next Steps and Recommendations:
    - Dennis suggested connecting with Engelhorn and Breuninger to explore potential collaborations before investing the €30k setup cost.
    - If Engelhorn or Breuninger are interested, it would justify the investment. Otherwise, it's not worth proceeding without seller commitment.
    - Dennis offered to introduce Jonas to contacts at Engelhorn and Breuninger to gauge interest and explore partnerships.

Max Reeker

Position / Experiences	LinkedIn
• Co-Founder of Arive a delivery company for luxury and lifestyle products	link

Key Points:

1. Emotional Nature of Shopping:
    - Max emphasized that shopping is becoming increasingly emotional, and product photos alone may not capture the emotional appeal for consumers. He suggested that a more Pinterest-like approach might be more effective for creating a compelling shopping experience.
    - He pointed out that people are often drawn to products based on the emotion or story behind them, such as a stylish look seen in a lifestyle context (e.g., "George Clooney wearing a green polo shirt on Capri") rather than just the product itself.
2. Supplier Challenges:
    - Max stressed that working with brands can be incredibly challenging, particularly with premium brands. He shared his experience of dealing with long sales cycles and the difficulty in obtaining the rights to sell certain brands' products.
    - He noted that big brands like Zalando or Farfetch are very protective of their products and it can take numerous meetings and time before any substantial partnerships are formed. Max also mentioned that there are legal hurdles with selling certain brands, as companies often have exclusive licensing agreements that prevent them from distributing products through third parties.
3. Issues with Margins and Acquisition Costs:
    - Max highlighted that CAC in fashion can be very high, sometimes ranging from 40 to 120 euros per customer, depending on the targeting and region.

- He mentioned that even large players like Zalando have tight margins in the fashion marketplace, often providing only 3-10% margin to resellers, which makes the business model challenging. These low margins make it difficult to become profitable, particularly when combined with high acquisition costs.

4. Skepticism About Consumer Businesses:
    - Max expressed doubt about the feasibility of pursuing a consumer-focused business due to the high costs and competitive nature of the market. He pointed out that many consumer startups are highly dependent on VC funding, which comes with its own set of challenges, including pressure to scale quickly and maintain investor expectations.
    - He recommended considering B2B models, as they may offer a more sustainable approach. A B2B product could focus on providing recommendation engines or shopping tools for brands to improve their own e-commerce platforms, which could have a more stable path to profitability.
5. Exploration of a B2B SaaS Model:
    - Max suggested that instead of trying to build a full marketplace, Jonas could sell the technology (e.g., recommendation engines) to brands as a B2B SaaS product. He believed brands might be more open to adopting technology that helps them enhance their own shopping experiences and improve conversion rates and customer retention.
    - He shared the idea of creating personalized shopping experiences on brand websites, leveraging data to predict things like product refill needs (e.g., for cosmetics), which could drive better customer engagement and retention for the brands.
6. Challenges with Influencers:

- Max advised against relying too much on influencer marketing or equity-for-media deals. He shared that he had approached several major influencers (e.g., Lena Gerke and Caro Daur) and found that while some might be open to equity deals, it was very difficult to execute. Influencers often lack the infrastructure or understanding to handle convertible equity deals and tend to prefer cash payments for campaigns.
- He cautioned that although influencer marketing can work, it's not a silver bullet, and influencers may not want to be associated with a product or brand until it's fully polished and reliable.

7. Recommendation to Focus on B2B:
    - Max encouraged Jonas to explore a B2B product offering rather than a consumer-facing marketplace. He suggested that building a recommendation engine that helps brands improve their user experience and conversions could be more viable and scalable.
    - Max emphasized the importance of thinking about scalability and long-term sustainability, particularly when it comes to brand partnerships and the operational complexities involved in managing a marketplace.

McKinsey Partner

Position / Experiences	LinkedIn
• Partner @ McKinsey with ~10 years in the consumer and fashion space	Wants to stay anonomous

Key Points:

1. Overview of Industry Trends:
    - Short-term vs. Long-term Focus:

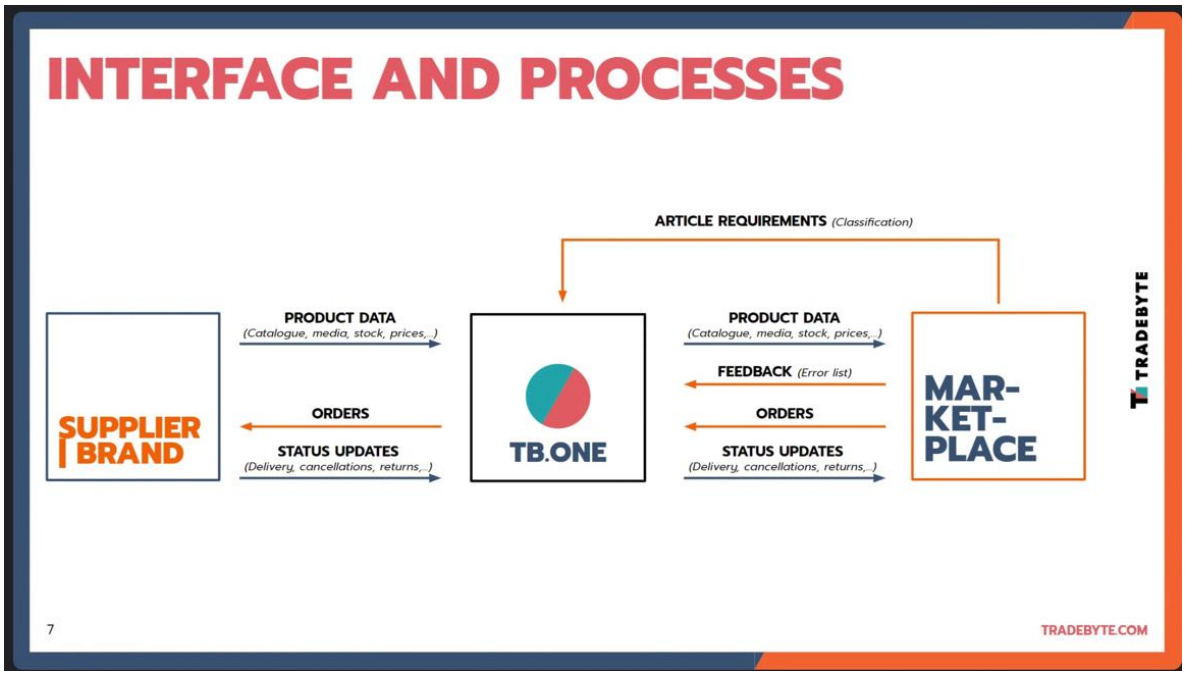
      Many platforms, such as Zalando and AboutYou, focus on optimizing short-term GMV rather than building long-term customer relationships. This strategy leads to missed opportunities in increasing Customer Lifetime Value (CLV).
    - Transactional Overload:

      Platforms rely on numerous filters and overloaded product pages to drive immediate sales but often fail to create long-term brand loyalty.
2. Customer Segments & Shopping Behavior:
    - Fashion Forward Brand Lovers:
        - Core Needs: Popularity, trendiness, community & connection, inspiration, exclusivity.
        - Represents a highly engaged consumer group with the potential to make up to 14 purchases per year.
        - Average basket size: €92 per purchase.
        - 29% of Gen Z shoppers fall into this segment.
        - Zalando's current average of 4.9 orders per year falls significantly short of this potential.
    - Connected Trend Shoppers:
        - Core Needs: Popularity, trendiness, community & connection, youthfulness.

        - Another highly engaged segment, similar to Fashion Forward shoppers, with 14 orders per year.
        - Average basket size: €73 per purchase.
        - 25% of Gen Z consumers are part of this group.
    - Demanding Utilitarians:
        - Core Needs: Value for money, transparency, knowledge, ESG.
        - Average basket size: €83 per purchase.
        - Purchases 8 times per year
        - A more rational, value-driven segment that platforms should engage with transparency and reliability.
    - Smart Optimizers:
        - Core Needs: Value for money, simplicity & reliability.
        - High-spending group with €105 per purchase, but only 6 purchases per year.
        - Represents a core segment for platforms like Zalando and AboutYou, with a potential annual spend of €630.
        - 37% of this segment shows a strong preference for value-driven purchases, making it a crucial segment to focus on for loyalty.
    - Spontaneous Stylists:
        - Core Needs: Trendiness, openness, convenience, exclusivity.
        - Average basket size: €84 per purchase.
        - Makes about 10 purchases per year, leading to a total annual spend of €840.
        - 16% of Gen Z consumers fit into this segment, showing moderate brand attachment and frequency of purchases.

Opportunities for Platforms:

- Addressing High-Engagement Segments:
    - Platforms could increase customer retention by targeting high-engagement segments like Fashion Forward Brand Lovers and Connected Trend Shoppers. These groups are significantly underutilized, and there is substantial potential to increase their order frequency.
    - With proper engagement, these segments could see an annual spend of over €1,000 per customer, compared to the current platform averages of €500-600.
- Unlocking the Full Potential of Gen Z Consumers:
    - Gen Z consumers are key players in the Fashion Forward and Connected Trend Shoppers segments. Platforms must cater to their need for community, exclusivity, and trendiness to maximize their potential.
    - Currently, platforms are failing to reach the 14 purchases per year potential that these segments exhibit.
- Leveraging Price-Conscious Segments:
    - Segments like Demanding Utilitarians and Smart Optimizers should be targeted with transparent pricing, simple user experiences, and reliable services.
    - The Ultimate Bargain Seekers and Hedonistic Deal Hunters are driven by affordability and are crucial for generating regular, low-margin sales. Ensuring that these consumers can easily find deals will help maintain their loyalty and engagement.


INTERFACE AND PROCESSES
ARTICLE REQUIREMENTS (Classification)
SUPPLIER | BRAND
PRODUCT DATA
(Catalogue, media, stock, prices,)
ORDERS
STATUS UPDATES
(Delivery, cancellations, returns,..)
TB.ONE
PRODUCT DATA
(Catalogue, media, stock, prices,)
FEEDBACK (Error list)
ORDERS
STATUS UPDATES
(Delivery, cancellations, returns,..)
MAR-
KET-
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TRADEBYTE
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TRADEBYTE.COM

I. Survey Results

Demographics

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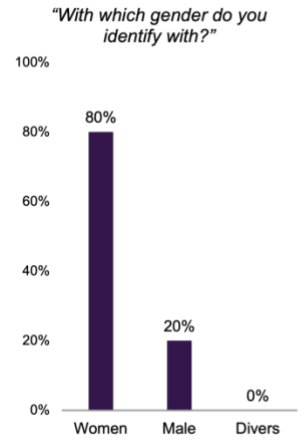
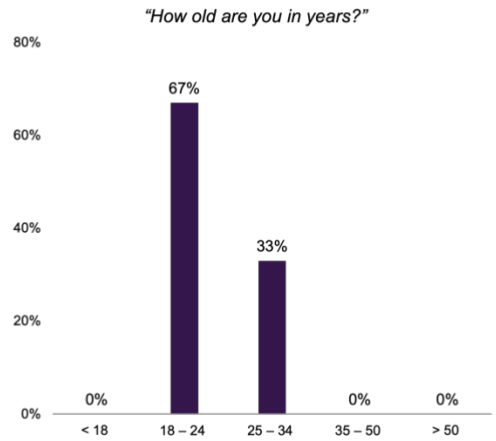
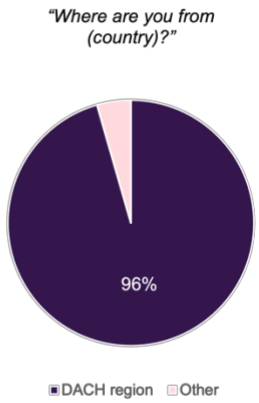
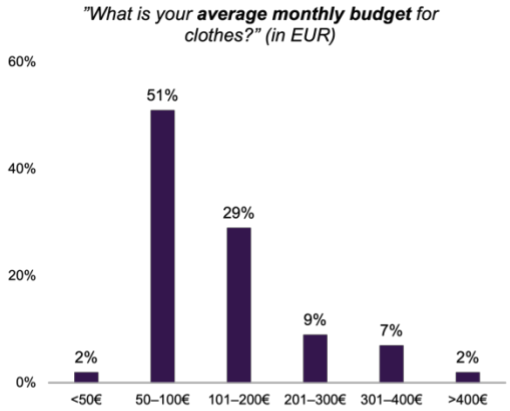
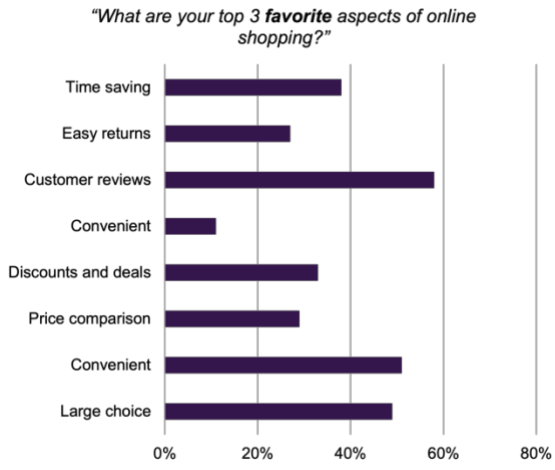


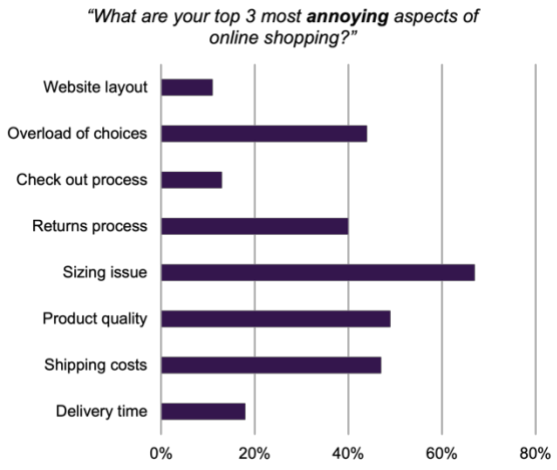




Shopping Behavior







*"What are your **favorite brands** that we shouldn't miss?" (selection of answers)*