

g i f i n i t i

Feel Good Giving.

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Gifiniti Executive Summary

Introduction

After a long tiring Monday at work, Debbie is happy to finally be home with her family. She begins cooking her family-favorite: spaghetti and meatballs, for her husband and kids. With a seemingly endless laundry list of tasks, sure to snatch up every hour of freedom tonight, she takes out her iPhone to check her weekly schedule. Looking at her calendar she gasps, “It’s Lauren’s Birthday on Wednesday, I completely forgot to get her a present!” Debbie would love to peruse the mall for that perfect gift to buy Lauren (and maybe even sneak in a bit shopping for herself), but she just doesn’t have enough time in the day. She sighs in defeat as she thinks to herself, “I guess I am going to have to just send Lauren a card for her Birthday.” Debbie doesn’t have the time to go to the mall to shop for Lauren, but what if she could find Lauren a thoughtful, personalized gift without taking excessive time away from her busy schedule?

The process of searching for and finding that “just-right” gift is often a very time consuming and tiresome process. But, it doesn’t have to be! Online retailers are making it easier than ever before to shop online, resulting in a significant increase in E-Gifting. According to Forrester, a global research and advisory firm, US E-commerce sales are predicted to increase from \$202 billion in 2011 to \$327 billion in 2016. As consumers turn to new avenues for gifting, Gifiniti seeks to become the premiere E-Gifting platform. Gifiniti alleviates much of the hassle that comes with selecting a personalized gift by capitalizing on our smart-search algorithm. Gifiniti users will be prompted to log-in via their social networks, choose individuals who will receive gifts throughout the year, and then answer a series of questions about these friends or family members. These responses, coupled with available Facebook information on each user, will provide the necessary information for our smart algorithm to recommend individually personalized gifts. These personalized gifts offer users an alternative to the generic options such as Gift cards (\$100 billion/year), flowers (\$35 billion/year), or even worse, cash.

Target Market

On average, women make 83% of household purchases. Research also exhibited that women are by far more likely to shop online than are men. Every day in the U.S., nearly one in four women shop online; 92% of these shoppers will pass along information about deals to others, presumably friends and family. Our application will be gender neutral, but our processes will focus on catering to professional women between the ages of 25-55, who are often too busy with work, family, and household chores to spend significant time shopping in-store and online. Research further shows that gift giving accounts for 10% of the entire retail market at \$280 billion per year, and *Gifiniti* aims to capture a portion of this market. Figure 2 below, shows



projected Web-influenced retail sales as a percentage of total sales from 2009-2014.

Figure 2 Forecast: US Online And Web-Influenced Retail Sales, 2009 To 2014



Source: Forrester Research Web-Influenced Retail Sales Forecast, 12/09 (US)

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Source: Forrester Research, Inc.

Our ideal user lives in the U.S, holds a college degree and is a member of an affluent household. There are 24.2 million affluent households in the U.S with a combined income of \$100,000 or more (21% of the overall population).



Key Partnerships

Gifiniti's marketing team is in the process of securing relationships with high-end vendors to make up the catalog of gifts we can chose from. Our first vendor sells handmade jewelry imported from Uganda, made by Widows and Children. We look to form 100-200 partnership with vendors before our launch date in order to have a large, and attractive pool of possible gifts ranging including baby toys, kitchenware, outdoor gear, house goods, specialty teas and coffees as well as others.



Gifiniti will work closely with various blogs targeted at women, some of which may include blogs for professional women and for mothers. We will particularly move to partner up with blogs that have strong presence across various female demographics, such as Moms in Motion, and Susan B. Komen foundation for breast cancer as well as those in the gifting industry. We will single out partnerships with the Forbes' "100 top websites for women," which will allow us to easily reach out to web-friendly women. Bloggers with over 1,000 followers will receive discounts on all of their purchases.

We also look to form a partnership with Klout, the web based company which measure individual's social media influence. Users with a high score of over 75 points (out of 100) will receive significant benefits such as free shipping and discounts.

The Team

Sieva Kozinsky – "Tribe Shaman"
Founder of StudySoup.

Michael Masket – "Tribe Hunter"
Ran a business which exceeded \$300,000 in sales the first year.

Steven Sullivan – "Financial Guru"
Worked for Big 4 public accounting firm.

Alex Abbott – "Money and Marketing"
Experience in Sales and Market Validation.

Derek Barge – "Wise Wizard of Technology"
PhD in physics at UCSB. Previous experience in leading teams and working for CERN.

Mannuel Arturo Deza – "King Code Monkey"
PhD Computer Science student with a focus in Artificial Intelligence and Machine learning.

Saiph Savage – "Lead Coder"
PhD in Computer Sciences with a focus in Smart Algorithms.

Jordan Killbrew – "Art Guru"
Masters in Art.

Recommendation Algorithm

We have a unique algorithm that drives our personalized searches, which is the final product of 2 years of PhD research. *Gifiniti* uses three major components that tie into this algorithm to



create a personalized user experience unlike any other service.

First our *Gifiniti* algorithm mines a users' friends Facebook profile for likes, interests, important events and groups they follow. Based on these interests we are able to provide recommendations of appropriate gifts the user can give to their friend. Next, we give the user the ability to tailor the algorithm to the individual who they want to buy a gift for by answering a series of questions. (ex: What does your friend do on the weekends? What music do they listen to? What is their method of transportation? What items would you find in the trunk of their car? Do they like to cook?)

In addition, our algorithm can break down interests and retail items into a series of unique tags and assign importance to them. For example, if one of your interests is skiing, the algorithm will break it down into the following tags and assign decreasing importance weights in the following order "ski, snow, outdoor sports, sports, activity."

Lastly, users can personalize their experience by answering a series of questions that helps the algorithm weigh the importance of each tag, as well as assign new interests. After our mining algorithm models these products based on their textual description, it uses this information to match the overall interests of a particular user. We use information retrieval techniques to match products to broad concepts, and then assign a few specific gifts based on the picture we painted of the person.

This innovative recommendation algorithm will offer *Gifiniti* users an experience unlike any other in the current E-Gifting arena. By utilizing user information contained on social media sites, along with information regarding preferences (which users will provide for us through search histories and answering targeted questions), *Gifiniti* is able to take any users preferences, likes and tendencies to search and find interesting, niche, relevant gifts for their friends and family.

Distribution

At *Gifiniti*, we believe in making gift giving an enjoyable and easy process for both the gifter and the giftee. We pride ourselves on providing our users with personalized gifts in a timely manner. We will operate on a "just in time" process where we order the item from our vendor once the user purchases it from our website, we will then package it in special *Gifiniti* cloth bags and ship it on the same day. We will handle all payment processing and returns with our customers to maintain the highest level of satisfaction. Our partnerships with vendors will encompass commission fees, shipping costs as well as easy returns.

Market Capture and Growth

Advertising through tracking programs such as Google's double click allows us to focus our attention on people already searching for unique categories of gifts online, as well as on mobile platforms. We know that U.S. social commerce sales are expected to grow from \$1 billion in 2011 to \$14 billion in 2015. Social media marketing will be integral to our rapid expansion, and



we are focused on making the site as "share friendly" as possible. Our website layout is configured to maximize Search Engine Optimization (SEO) and capture the long trail of specialized and personalized searches such as "gift for 35 year old female in California." Furthermore, we will have a loyalty program of \$30 per year for our power buyers which will save them money on shipping, and give them special discounts on certain items.

During peak hours and holiday seasons we will handout our pamphlets at shopping centers to direct struggling shoppers to our easy alternative website and mobile application.

Market Validation

We have taken several introductory steps in order to better validate our proposed target market of women between the ages of 25-55, which include the following: creating a LaunchRock page, handing out surveys to local Santa Barbara shoppers, sending our survey to friends and family through online social media/email, and generating a list on our website of interested users that signed up to our *Gifiniti* Beta version. Our LaunchRock page has served us well in determining the level of interest surrounding our *Gifiniti* product - from just friends and family, we already have 500+ marked as interested in our product. Google Ad-Words have been instrumental in pointing users to this page as well. We have also generated significant feedback from our surveys. Our next step to further narrow our target market is to launch a market validation strategy through Kickstarter in order to raise money for an iPhone and android application, which we will provide free to users.

Competitive Landscape





On the far left of our matrix in the lower left corner we have typical online retailer with little or no personalized suggestions such as Amazon. On the far right we have Wantful, which leverages information from user questions to select gifts from their inventory. In the top left we have Giftiki, which leverages users’ interactions on Facebook and twitter to donate into a pool of money for values between \$1-10 for gift card purchases. Finally, in the top right corner we find Gifiniti, which leverages information on social media, as well as user interaction to raise awareness, and finally suggest an item based on this information.

Revenue Model

We are currently working to establish affiliate partnerships with top retail brands in numerous different industries; examples include: outdoor / indoor sporting goods, men and women's clothing, and niche boutiques. For every gift that one of our users recommends using Gifiniti’s service, we can expect to make between 15-25% on the item (based upon affiliate marketing standards in high end goods). Each user will purchase the desired gift item from its corresponding retailer directly from our website. Upon selecting and purchasing each item, we will clearly display the original retailer brand name in order to best accommodate the brand of our partnering retailer.

Growth Opportunities

The U.S population is more and more busy with work, and more engaged with family. Virtual Car and phone assistants such as Siri are becoming more important, and used for setting appointments, directions and dinner reservations. Here is an opportunity for Gifiniti to automate the gift-giving service for very busy individuals and businesses through the virtual



assistant. The user would just have to choose the receiving user as well as answer a few questions through their virtual assistant and we would select and send appropriate gifts for each occasion – an entire process that could be performed while you’re stuck in traffic.

We could further automate an entire year of gifting for very busy individuals. We would pick the gift, send it, and let the user know who received what gift.

Gifiniti's magic sauce, is our learning recommendation algorithm. The larger our user base becomes, the more information we will be able to gather on specific demographics of our user population, which opens the doors to further possibilities of organizing retail, and recommending items.

Additional Expenses & Funding

We are currently searching to hire an individual with proven Retail and Marketing expertise. It is imperative to fill this position with someone very entrepreneurial minded for, as stated before, much of our business will come down to establishing strong distribution partnerships; this will require persistence paired up with a strong understanding of the online retail and marketing industries.

We are looking to raise \$100,000 of seed funding in exchange for ownership of a 10% share of the company. We will initially use this Investor funding to pay for the development of a Mobile application suitable for both iOS and Android platforms, as well as any initial hardware purchasing costs. We are currently in the process of raising money from friends and family as well as \$20,000 from Kickstarter; we hope to amass our own starting funds upwards of \$40,000.

Join us now as we build a unique solution to the age old problem of finding that perfect gift for your friend or loved one. eCommerce and mobile purchases will reach a tipping point in the next year or two. Join us as we revolutionize the e-Gifting industry.

“In a world of Infinite possibilities, *Gifiniti* helps YOU choose that one perfect Gift.”



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Gifiniti Financial Forecast

Assumptions & Key Data

There are approximately 114 million households in the United States, 35 million of which are considered to be 'affluent' homes. A household is classified as 'affluent' if the total household income exceeds \$100,000.

We are targeting women between the ages of 25-55 who live in affluent households. We are estimating our total market size to be around **35 million users**.

Through extensive research, we have found that affiliate fees can range anywhere from 5% (Amazon.com) to upwards of 50% for some smaller boutique establishments. We are aiming to stay away from large retailers like Amazon.com and focus on niche retailers that offer higher affiliate commissions.

Because of this, we are expecting commission to fall in the range of **10% to 45%** on any item that is purchased through our service.

The average price per item is the biggest 'leap of faith' we have taken in these assumptions. It is hard to come up with an accurate price per item that will be bought through our service, but our projections require a single number. Our service will offer items ranging anywhere from \$4 to \$500; we figure most affluent adults making gift purchases will spend **at least \$20 dollars**, and few will spend **more than \$120** or so.

In order to err on the side of conservatism, we are also assuming each 'user' will purchase only **ONE item per year**. In all likelihood our users will try our product, love it, and use it for many gift purchases throughout the year. There are a huge amount of holidays, birthdays, celebrations, etc. that require gifts throughout the year, and this increases the likelihood that users will come back to our service for additional purchases.

Key Data

| | | | |
|---------------------------------|------------|--|-------------------------------------|
| Market Size | 35,000,000 | Cost of Goods Sold (% of Sales) | 2% |
| Affiliate Commission | 20% | SG&A Expenses (% of Sales)* | 60% *These expenses are used for |
| Price per Item | \$ 75.00 | R&D Expenses (% of Sales)* | 15% financial projections >2 years. |
| Items purchased per year | 1 | | |

Additional information:

Hire first engineer at Year 0 Month 0, Pay them \$50,000 yearly salary
 Hire second engineer at Year 2 Month 0, Pay them \$50,000 yearly salary
 Hire third engineer at Year 2 Month 6, Pay them \$50,000 yearly salary

Hire Marketing & Retail expert at Year 0 Month 0, Pay them \$120,000 yearly salary

Hire additional salespeople in Year 2, roughly \$480,000 a year in total.
 SG&A begins to increase proportionately with Sales at Year 1 Month 5.

\$100 to \$150 / month for server space the first year

Purchase office space and servers, \$4000 / month starting in Year 2.

Incur \$20,000 in lawyer fees at Year 0 Month 6 for incorporation, etc.

Gifiniti Financial Forecast

Five Year Forecast

Income Statement

| Period Ending | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 | Month 13 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|---------------|---------------|---------------|-----------------|
| Net Sales | 450 | 750 | 1,200 | 1,800 | 4,500 | 12,000 | 7,500 | 10,500 | 13,500 | 16,500 | 21,000 | 27,750 | 37,500 |
| Cost of Goods Sold | 9 | 15 | 24 | 36 | 90 | 240 | 150 | 210 | 270 | 330 | 420 | 555 | 750 |
| GROSS PROFIT | 441 | 735 | 1,176 | 1,764 | 4,410 | 11,760 | 7,350 | 10,290 | 13,230 | 16,170 | 20,580 | 27,195 | 36,750 |
| SG&A Expenses | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 40,000 |
| R&D Expenses | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 4,167 | 8,333 |
| Other Expenses | 100 | 100 | 100 | 100 | 100 | 20,100 | 150 | 150 | 150 | 150 | 150 | 150 | 4,000 |
| OPERATING PROFIT | (13,826) | (13,532) | (13,091) | (12,503) | (9,857) | (22,507) | (6,967) | (4,027) | (1,087) | 1,853 | 6,263 | 12,878 | (15,583) |

Variables

| | MONTHS | | | | | | | | | | | | |
|---------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Number of Gift Purchases | 30 | 50 | 80 | 120 | 300 | 800 | 500 | 700 | 900 | 1,100 | 1,400 | 1,850 | 2,500 |
| % of Market Captured | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.01% | 0.01% |
| % Growth from Prior Month | | 67% | 60% | 50% | 150% | 167% | -38% | 40% | 29% | 22% | 27% | 32% | 35% |

Income Statement

| Period Ending | Month 14 | Month 15 | Month 16 | Month 17 | Month 18 | Month 19 | Month 20 | Month 21 | Month 22 | Month 23 | Month 24 | Year 3 | Year 4 | Year 5 |
|-------------------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|-------------------|-------------------|
| Net Sales | 51,000 | 67,500 | 90,000 | 180,000 | 135,000 | 210,000 | 270,000 | 360,000 | 450,000 | 585,000 | 750,000 | 14,285,715 | 34,272,030 | 80,718,120 |
| Cost of Goods Sold | 1,020 | 1,350 | 1,800 | 3,600 | 2,700 | 4,200 | 5,400 | 7,200 | 9,000 | 11,700 | 15,000 | 285,714 | 685,441 | 1,614,362 |
| GROSS PROFIT | 49,980 | 66,150 | 88,200 | 176,400 | 132,300 | 205,800 | 264,600 | 352,800 | 441,000 | 573,300 | 735,000 | 14,000,001 | 33,586,589 | 79,103,758 |
| SG&A Expenses | 40,000 | 40,000 | 40,000 | 108,000 | 81,000 | 126,000 | 162,000 | 216,000 | 270,000 | 351,000 | 450,000 | 8,571,429 | 20,563,218 | 48,430,872 |
| R&D Expenses | 8,333 | 8,333 | 8,333 | 8,333 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 2,142,857 | 5,140,805 | 12,107,718 |
| Other Expenses | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 100,000 | 100,000 | 100,000 |
| OPERATING PROFIT | (2,353) | 13,817 | 35,867 | 56,067 | 34,800 | 63,300 | 86,100 | 120,300 | 154,500 | 205,800 | 268,500 | 3,185,714 | 7,782,567 | 18,465,168 |

Variables

| | MONTHS | | | | | | | | | | | YEARS | | |
|---------------------------|--------|-------|-------|--------|-------|--------|--------|--------|--------|--------|--------|---------|-----------|-----------|
| Number of Gift Purchases | 3,400 | 4,500 | 6,000 | 12,000 | 9,000 | 14,000 | 18,000 | 24,000 | 30,000 | 39,000 | 50,000 | 952,381 | 2,284,802 | 5,381,208 |
| % of Market Captured | 0.01% | 0.01% | 0.02% | 0.03% | 0.03% | 0.04% | 0.05% | 0.07% | 0.09% | 0.11% | 0.14% | 2.72% | 6.53% | 15.37% |
| % Growth from Prior Month | 36% | 32% | 33% | 100% | -25% | 56% | 29% | 33% | 25% | 30% | 28% | | | |