



FRAMEABLE

“Art consists in limitation. The most beautiful part of every picture is the frame.”

-G. K. Chesterton

Company Overview

Frameable is the simplest way to order framed photos. Go to highlyframeable.com, upload a photo, pick a frame, and check out. We print, frame, and ship the photo to your doorstep. We install a stand and mounting supplies prior to shipping, so the photo is ready for display right out of the box.

The website went live at the beginning of February. The company has already generated more than \$5,000 in revenue. The company is cash flow positive, generating profit margins greater than 50% per unit sold as we continue to improve the website and experiment with different marketing strategies. As we build traction online, we will integrate our product with smartphone and tablet platforms.

Frameable is targeting the pictures on people's hard drive that they love, but haven't yet done anything with. While there is a large number of websites that offer picture framing, only a few of these websites offer picture printing as well. Clunky user interfaces and high-end pricing have left a significant market opportunity for a simple, low-priced solution.

In light of these shortcomings, the most common solution for customers is offline. Based on conversations with new and prospective customers, the typical solution is to go to a drugstore to print out photos, drive to a department store to purchase frames, and then go home to frame the photos. As a result of this time and expense, a lot of customers let their photos languish on their hard drives.

Management Team

Nick White is in his second year student at the University of Washington's MBA program. As part of the program, Nick interned last summer at Ignition Partners, a technology and telecommunications venture capital firm. Frameable is the 3rd startup that Nick has been a part of. Previously, he worked at Pterofin, a wind energy device manufacturer, and Kapitall, a venture-backed retail investing platform. Prior to business school, Nick was an analyst at a commercial bank. Nick has spearheaded all functions associated with setting up and operating the firm.

Market Analysis

For the time being, Frameable is limiting shipments to the United States and Canada. The estimated latent demand for wooden mirrors and picture frames for these two countries is \$627m in 2012.¹ This market is growing by 2-4% per year. This figure includes mirrors, but omits picture printing.

Frameable targets the influx of digital photos on individuals' hard drives and online. It has been claimed that 10% of all photos ever taken were captured within the past 12 months.² There are more than 140 billion photos on Facebook.³ Other websites such as Flickr and Instagram have billions as well. These are astronomical numbers and many of these photos were uploaded using a smartphone. Furthermore, the quality of these photos has been increasing at a rapid rate as smartphones incorporate more advanced camera lenses and software into each release. These photos are of such high quality that they can easily be put into a frame without fear of image quality issues.

¹ Parker, Philip. The 2009-2014 World Outlook for Wood Mirror and Picture Frames. Icon Group International, 2008.

² Chasnote: <http://ow.ly/a41jM>

³ <http://gizmodo.com/5841667/facebook-photo-library-dwarfs-everything-else-in-the-planet>

According to a recent comScore study, the iOS platform commands nearly 30% of the U.S. Smartphone market. This is second to the Android platform, which has 47% market share. While the Android platform is larger than the iOS platform, we believe that iOS users are more likely to use Frameable and pay for services. In one recent study, we found that Android apps tended to generate 76% less revenue than iOS apps.⁴ While we will eventually move onto the Android platform, we believe that initially targeting a platform with users that have a high willingness-to-pay will maximize Frameable's revenue growth.

Competition

There are a litany of companies that sell picture frames and prints on the internet, but few combine the two. Large companies that offer both prints and frames include Kodak Picture Gallery and Shutterfly. Picture frames are non-core larger firms bury the frames in the website, with a number of other product offerings. Less than 10 smaller companies can be found on search engines. Like the larger firms, their pairing of prints with frames is buried in a number of different product offerings, and poorly designed user experiences. None of these firms offer the simplicity of Frameable's user interface, the ability to see your photo laid over your frame prior to purchasing, or functionality on mobile devices.

Competitive Strategy

Existing Website

When you go to the website, there is a slideshow of the different frames that we offer, with stock photos shown within the frame. When the user clicks "Upload Photo," a window pops up allowing the user to select a photo. Once selected, a second pop-up window appears that allows the user to rotate the photo from portrait to landscape, and crop so the picture won't be distorted when it is set in the frame. When the user is finished, they automatically return to the landing page, and the photo that they've selected is set inside the picture frames. Their photo remains in place while the slideshow of frames continues around the photo.

The notion of "try before you buy" is difficult for such an inherently physical product, but our website experience takes big strides in allowing the user to visualize their photo on the wall prior to purchasing.

Mobile and Tablet Markets

This company was originally inspired by the vision of framing pictures taken on smartphones and tablets. The fundamental thesis is that continual advances in mobile cameras now generate high quality photos than can be blown up to 8" x 10", and framed.

In the short term, we will optimize our website for smartphone and tablet browsing. This will allow us to replicate much of the work we've already done for the existing website, but optimize the site with the appropriate style sheets, resolution, and tying the Upload Photo functionality into the smartphone or tablet's camera roll.

Over the medium-term, we initially envisioned developing applications for different smartphone and tablet platforms. After consulting with CEOs in the app development space, we've instead decided to develop APIs ("Application Programming Interface") that will tie in with other existing photo applications currently on the market. Our rationale for changing our product development roadmap is that the average customer will be unlikely to make a significant number of purchases over time via a stand-

⁴ <http://blog.flurry.com/bid/79061/App-Developers-Bet-on-iOS-over-Android-this-Holiday-Season>

alone app. Cluttering up a user's phone or tablet with another app is a cost that would prevent downloads, even if it was free. More importantly, by tying in with larger photo networks, such as Instagram and Camera+, we can leverage networks that have already been established.

The company's APIs will largely replicate the functionality of the website, but with a twist. This twist utilizes a feature known as augmented reality ("AR"), which is the idea of using your phone's camera to supplement your own perception of the environment around you. For Frameable, AR means that once you upload a photo and choose a frame, you can point your camera at the wall that you intend to frame the photo and see the framed photo and the surrounding wall on your phone or tablet's screen. We initially intend to develop for iOS, both smartphone and tablet, followed by Android and Windows.

Marketing Plan

Frameable is engaging in a number of internet marketing strategies, including incenting bloggers and journalists to write about the company, content marketing, SEO, social networking, and paid online advertisements.

Generating PR

To date, the most effective means of generating sales has been through generating PR. We have encountered some success in engaging with and sending press releases to technology blogs. By far, the most effective means of generating traffic has been emailing mommy bloggers. For the price of a free frame, a high percentage of bloggers that were contacted have been willing to write about Frameable. This is useful in two ways: it generates direct traffic from the blog's readers and supports SEO efforts through valuable backlinks from high authority domains.

Content Marketing

Frameable's blog focuses on writing high-quality evergreen content. That is, informative articles that are unlikely to become outdated. The blog targets issues associated with picture framing that have a high number of Google searches. This builds the Frameable brand as an authority on picture framing. We also seek opportunities to be guest bloggers on photography and interior decorating blogs.

SEO

The website has been optimized for search engines. Our rank on search engine results will gradually climb as buzz about the business builds. The company will initially target long tail keywords, which are less competitive. Over time, we'll target more simple and concise search terms. SEO is potentially a lucrative source of users, but it is more of a long-term strategy for the firm that will occur naturally by executing other inbound marketing techniques.

Other Inbound Marketing Techniques

The tactics above are ones with which we have already successfully experimented. We will continue to test other inbound marketing techniques, since they provide free traffic to the site. Other techniques that we intend to experiment with include direct email campaigns, making infographics, local portals, webinars, podcasting, Q + A sites, social bookmarking, forums, online video, and comment marketing.

Paid Advertisements

Frameable has already experimented with paid advertisement campaigns on Facebook and Google's platforms. This taught us a number of lessons about prospective customers. For example, advertisements that emphasized the comparatively low price of our frames were much more effective at converting clicks to sales compared to ads emphasizing how ordering a frame would only take a couple of

minutes. Also, providing specific use cases, such like having framed photos waiting for you when you get back from holiday, were more effective than remaining general about our service's convenience.

Paid ads provided insights about how to market to our customers. However, they did not generate positive ROI. As a result, we are putting our paid ad campaigns on hold until we have more resources to optimize for conversions.⁵

Scaling Marketing Through Partnerships

As the company grows, we will be able to form partnerships with other photo sites that do not offer picture framing. Imagekind, a local Seattle company, successfully sold to Cafepress in 2008 after partnering with brands such as Snapfish and Flickr.

Operations

The company sources frames from south China. The Founder spent Fall 2011 studying in Hong Kong, and used that opportunity to shop for frame suppliers. Upon finding an ideal candidate, months were spent cultivating close relationships within the company. The company's key supplier provides 5 x 7 frames for \$1.75-\$1.85, and 8 x 10 frames for \$2.73-\$2.85. This price includes the frame, a glass pane, a stand, mounting supplies, bubble wrap, and a white box that is used to ship the frame to the customer.

Frameable's operations are based in the Founder's home. There are four individuals that have agreed to assist with order fulfillment on an as-needed basis.

Inventory

Our existing inventory is kept in a public storage facility. To start, our selection is relatively small – two sizes in three different colors. As we build traction, we will expand our selection, offering more sizes, colors, and matting.

Scaling Operations

Northwest Framing is the largest picture framing business in the Pacific Northwest. They operate stores under the brand names Museum Quality Picture Framing Company, Beard's, and Frame Central. They also provided fulfillment for online picture framing companies, including Shutterfly and ImageKind. We have already met with the President of NW Framing and he has agreed to provide fulfillment services for Frameable. The company has agreed that they would be willing to provide fulfillment services when sales reach approximately 40 per day. However, given the lower margins that a partnership would necessitate, we do not anticipate engaging NW Framing in the near term. In addition, individuals close to the company have expressed interest in helping with order fulfillment in exchange for minimum wage. Regardless, the Founder continues to keep open lines of communication with the President of NW Framing as the company matures.⁶

⁵ Based on conversations with CEOs, effective paid ad campaign require minimum investments of \$50,000-\$100,000 in order to optimize for conversions.

⁶ President and COO Steve Dodd also provided written permission to use the company name in this Business Plan.

Traction

As was already stated, the company has generated \$5,000 in revenue as of the end of March 2012. The company will continue to focus on targeting individuals over the internet. SEO, evergreen content, as well as expansion onto smartphone and tablets are expected to buoy traction in 2012.

A trademark was filed for Frameable in the beginning of February 2012.

The Founder has been, and will continue to be, aggressive in meeting with prospective partners in the picture framing space. We seek support for framing operations located in the Pacific Northwest, and photo websites that don't already offer framing services. We have already developed a list of prospective partners, and a number of them have already been contacted.

Financials

The following table shows the company's operating model for the first three years of operation:

| INCOME STATEMENT | | | |
|------------------------------------|----------------------|----------------------|------------------------|
| <u>Revenue</u> | 2012 | 2013 | 2014 |
| Average Sale Price Per Frame | \$ 23.00 | \$ 25.00 | \$ 21.00 |
| Total Number of Sales | 7,030 | 26,662 | 62,914 |
| Total Revenue | \$ 161,690.38 | \$ 666,560.34 | \$ 1,321,190.79 |
| <u>Cost of Goods Sold</u> | | | |
| Frame Supplies | \$ 15,747.24 | \$ 65,696.19 | \$ 117,601.17 |
| Incoming Shipping and Customs | \$ 3,163.51 | \$ 13,197.89 | \$ 21,477.49 |
| Paper and Ink | \$ 6,678.52 | \$ 25,329.29 | \$ 41,219.42 |
| Total Cost of Goods Sold | \$ 25,589.26 | \$ 104,223.37 | \$ 180,298.07 |
| <u>Gross Profit</u> | \$ 136,101.12 | \$ 562,336.97 | \$ 1,140,892.72 |
| <i>Gross Margin</i> | 84% | 84% | 86% |
| <u>Operating Expenses</u> | | | |
| SGA | \$ 3,233.81 | \$ 13,331.21 | \$ 26,423.82 |
| Personnel | \$ 15,000.00 | \$ 60,000.00 | \$ 95,000.00 |
| Outgoing Shipping | \$ 38,665.09 | \$ 146,643.27 | \$ 346,026.16 |
| Partnership Commissions | \$ - | \$ 14,997.61 | \$ 89,180.38 |
| Rent | \$ 2,400.00 | \$ 64,516.00 | \$ 131,048.00 |
| Total Operating Expenses | \$ 59,298.90 | \$ 299,488.09 | \$ 687,678.35 |
| <u>Operating Income</u> | \$ 76,802.22 | \$ 262,848.88 | \$ 453,214.37 |
| <i>Less: Taxes (35%)</i> | \$ 26,880.78 | \$ 91,997.11 | \$ 158,625.03 |
| <i>Less: Chg in WC (Inventory)</i> | \$ 7,100.76 | \$ 3,714.65 | \$ 5,742.55 |
| Free Cash Flow | \$ 42,820.68 | \$ 167,137.12 | \$ 288,846.79 |

Assumptions

- **Revenue Growth** – Factors both traffic from SEO, marketing partners, and mobile devices.
- **Average Sale Price** - Frameable will expand selection of frames, which will result in an increase in the average sale price. Frameable's current frame selection does not include larger frame sizes. However, this will be offset as more sales are made on mobile devices. When sales are made on mobile devices, payment systems are not managed by Frameable and can charge up to 30% of revenue.
- **Framing Partner Expense** – The model assumes that NW Framing will not be required to handle Frameable's operations. By the end of 2014, sales of approximately 80 frames/day will require around 13 man hours (assuming one frame per 10 minutes). The Founder and his four on-call assistants will be able to handle this volume without any problems.
- **Cost of Goods Sold** – The baseline for the cost of goods sold is based on the company's existing orders.
 - Consistent with the increasing average sale price mentioned above the cost of frames are expected to increase as larger frames are offered. We have already received bids for larger frames.
 - Labor prices have been increasing in China at rates between 10% and 20%. Some of this expense is offset by increasing productivity and other operating expenses remaining stagnant. The model assumes 10% increases in frame and freight expenses.
- **Marketing Partner Commissions** – The model assumes that partnerships will begin to drive sales in the middle of 2013. Marketing partners charged 15% of a unit's revenue. The model assumes 30% of sales will come from partners in the second half of 2013, and 45% of sales in 2014.

Funding

To date, the business has been bootstrapped with \$15,000. By a wide margin, the most significant expense is inventory. Having worked in both venture capital firms and commercial banks, the Founder thinks that Frameable is a better match for a line of credit than a seed investment.

The framing business is seasonal. Similar framing companies have reported between 30% and 50% of revenues occurring between Thanksgiving and Christmas. What's more, they noted significant bumps in business during other holidays such as Mother's Day. A line of credit would help to smooth fluctuating cash flows from uneven product demand.

Exit Strategy

With successful marketing execution, the company would be an attractive acquisition candidate for a company offering photo services that do not include framing. Examples include: Flickr, Picasa, and Canvas Pop. That said, Frameable is solely focused on becoming the go to destination for framing photos online by growing sales and strengthening the company's brand.