



383 Chapel St. | Ottawa Ontario | 1 613 292 3826

### **Value Proposition**

At vinyltees the **value** we offer is simple: Customers can have their own custom design brought to life by an artist live through our **virtual studio** on our website in less than fifteen minutes. The result is a unique design for \$40 that can go on any medium the customer desires.

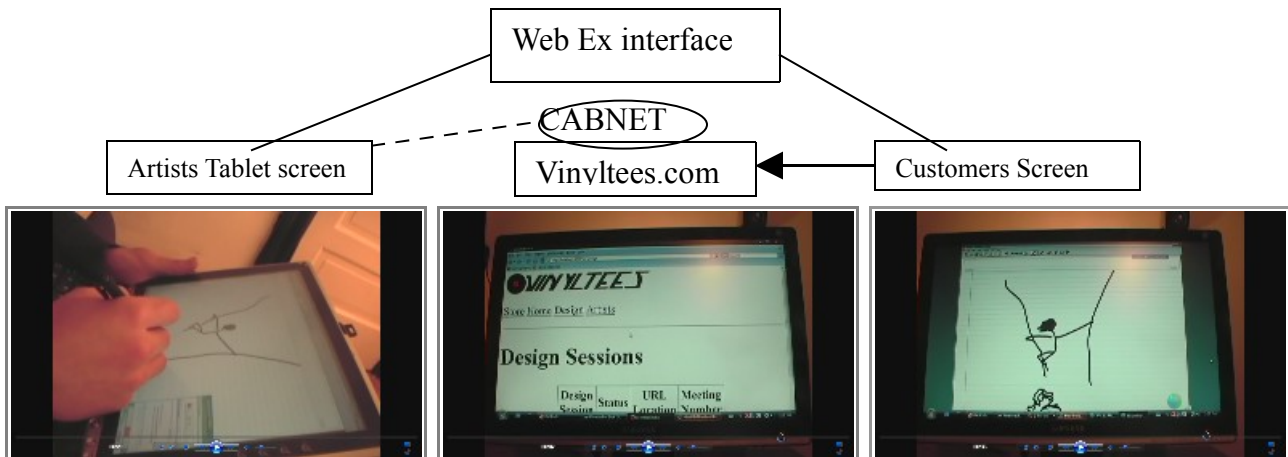
### **Our Mission**

Vinyltees designs started out as many businesses do; a way to make something that is not available. In the beginning it was making one of a kind tee shirts for friends and family over the Internet. Soon it became clear that Vinyltees is not just a tee shirt company. It is the beginning of the 21<sup>st</sup> century **virtual design studio**. Our mission is to offer customers stunning digital designs that can be transferred to any medium: tee shirt, print, book jacket, or even a wall. We provide a simple and affordable way for people to turn their design ideas into reality.

### **The Virtual Studio**

Communicating over the internet is nothing new. The infrastructure we use with our customers is already proven, inexpensive and scaleable. To facilitate and manage the virtual studio, vinyltees uses Webex technology run by Cisco systems. Webex allows our artist to share their screen with the customer in real time. All artists are equipped with tablet laptops with a pressure sensitive screen that allows the artist to hand-draw digital designs. While sharing the screen the customer

has audio contact with the artists through built in Voip in Webex, or via a toll free telephone number. This is a diagram to illustrate how the customer interacts with the artist through the Vinyltees virtual studio.

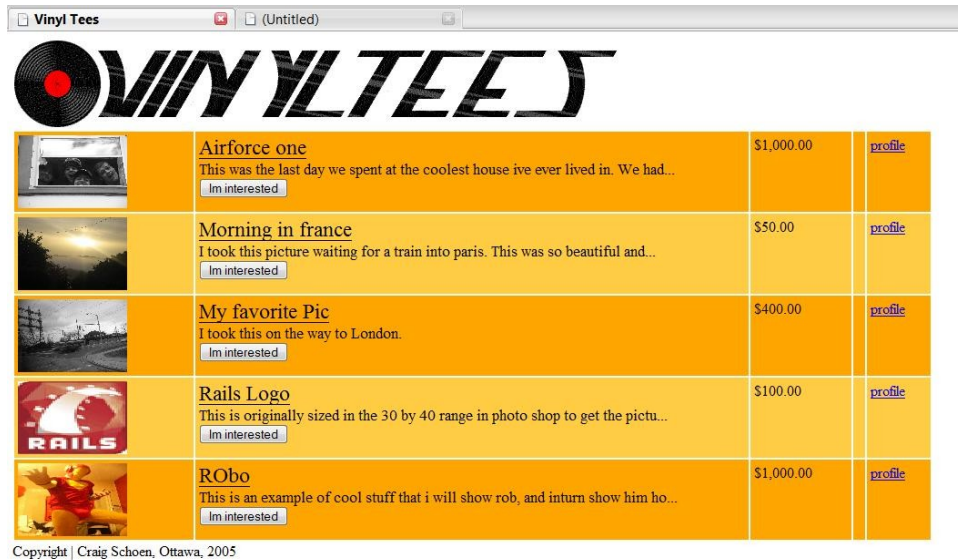


**The virtual studio is divided into two parts.** The first part is the web ex interface that strictly handles live communication and screen sharing between the artist and customer. The second part is the website itself that handles all other business processes. This includes customer order processing, store updating, and payment. After the artist completes the design, it is uploaded to the Vinyltees servers via **CABNET** (customer automated backend network) and goes directly into the customers **shopping cart** as well as into our **online store**. The virtual studio is designed in this way to allow Vinyltees artists to focus specifically on the design with the customer allowing Vinyltees.com to handle all other business processes.

### **Online Store**

The designs that Vinyltees sells in the online store are known as **public designs**. These are designs that customers have created with our artists in the virtual studio and are available for other customers to buy in our online store. Unless expressed otherwise by the customer all designs are public and will be sold on the website. The incentive for customers to agree for designs to be public is that they receive a royalty of 50 cents for

every sale of their original design on Vinyltees.com. The design can be sold to another customer in a variety of media, such as an 8 by 10 print. Below is a screen shot of the online store currently under development.



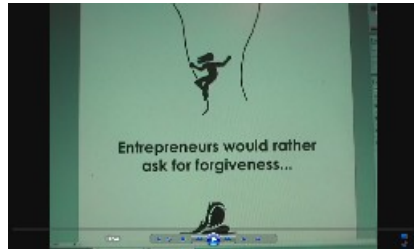
## Logistics

Vinyltees has the ability and resources in place to take the virtual design studio and make it scalable and global. This will be accomplished using a hub system. For Canadian operations the hubs will be located in Ottawa and Vancouver. There are two reasons for this choice of location: close proximity to both art and design schools, and nationwide coverage. It is extremely important for human resources for the hubs to be located near a continuing fresh supply of artists. The distance between hubs allows for better regional coverage of both East and West coasts.

## Hubs

The Vinyltees hub is comprised of a **physical storefront, production and shipping centre, and design studio.**

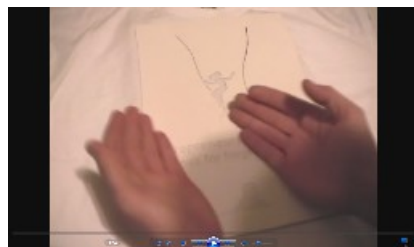
- Production: Once a digital design is uploaded by an artist from the virtual studio it is stored in CABNET and can be accessed by workers in the hub.



There are two types of product that the production centre can create: **physical** and **paper** medium. The **physical** medium is an adhesive vinyl cut out, which allows the cutters to make exact copies of the digital designs that can be painted onto various media. In the future Vinyltees will replace cutters with automated design machines. This is an example of a design being cut into vinyl.



This vinyl can be attached and painted to any surface, a wall, car, or a tee shirt as shown in the two pictures below.



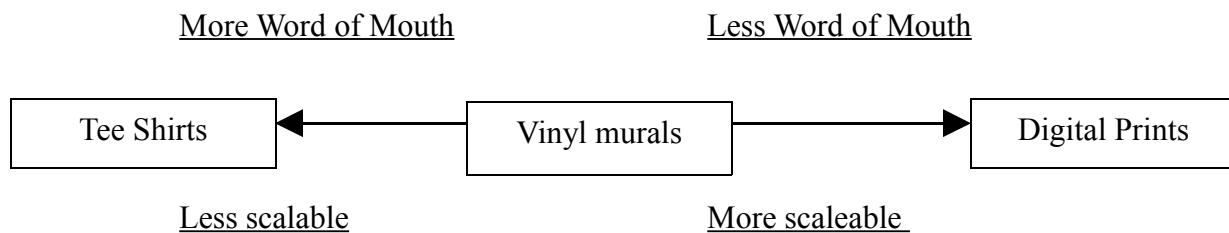
Specifically for tee shirts after the vinyl is cut, the design is printed to silkscreen using a photo emulsion technique that allows the tee shirt to be mass produced with little effort. When production is at capacity local tee shirt printing businesses will have access to the CABNET backend system via vinyltees.com to fill and ship the orders to our customers. The **Paper** medium orders will be printed and shipped onsite using an industrial print machine.

- Shipping: To reduce costs products will be created and shipped from the hub closest to the shipping address. Most products will be shipped through Canada Post in bubble wrap protected envelopes standard to Canada Post and other carriers. Rush deliveries will be fulfilled by Canada Post Express and will cost extra for the customer.
- Physical Storefront: Each hub will have its own physical storefront where Vinyltees can promote and sell its designs and tee shirts. This also allows a venue to run children's and adult design classes to encourage creativity and design facilitated through vinyltees virtual studio. With a storefront complementing vinyltees.com customers can have their designs created by artists face to face as well as by using the virtual studio.

### **Scaleable Business Model**

The most valuable inputs into vinyltees and its competitive advantage are the ideas of the customers. Instead of depreciating in value, ideas increase in value over time with no added inputs. The production of those ideas will be automated and standardized using the vinyltees hub system to increase efficiency. The engine of the business is the opportunity for the customer to earn financial rewards for their ideas. This system creates a reason for

customers to return. The notoriety generated by the popularity of an artist's design on the Vinyltees online store as well as the royalties earned for each sale give the artists a reason to return. Vinyltees transforms the designs into any medium ranging from tee shirts (most labour and resource intensive) to digital copies of designs (least labour and resource intensive). It is the range and type of mediums vinyltees offers that allows this business to be scaleable. In the vinyltees product line, tee shirts and apparel are the least scaleable (meaning that an increase in customer orders will result in more resources being used) but offer great benefits in mobile marketing and word of mouth advertising. On the other end sending published digital copies (.pdf) is not as mobile and word of mouth oriented but is very scaleable. There is a trade off resulting from the fact that tee shirts are least scaleable but offer greater returns thorough brand recognition around the world and word of mouth sales.



### **Marketing**

The strongest marketing assets for Vinyltees are the designs themselves. This is the reason our main focus is on tee shirts because they are portable, everybody wears them, they are extremely mass customizable, and create word of mouth conversations with potential customers. There are **two main forces** vinyltees uses to market and promote our products cheaply and effectively.

The first is that customers and artists are our best marketers and product ambassadors. The reason for this is our incentive system. Customers receive a royalty of 50 cents per sale and artists receive a royalty of 80 cents per sale. Both groups have invested interest to promote their product and increase its sales on our website. The first specific target for these incentives will be popular bloggers around the world. The first step is to make a list of bloggers reaching every major social and tribal group online. Then design their tee shirt for free and sell it on vinyltees.com. In return the bloggers would put a link to vinyltees.com and promote their tee shirt to their audience for royalties. This marketing opportunity opens up vinyltees as a facilitator for all social groups.

The second force Vinyltees will use is the ownership of the idea. Vinyltees owns all designs and material in creating designs. To allow these designs to add to the marketing mix vinyltees will create a limited creative commons license. Meaning anyone can base video, audio or other artwork on a Vinyltees design for free. The only requirement is that the artist must credit Vinyltees by adding a link to our website. Vinyltees will offer cash prizes for people who can make the most popular videos on Youtube based on Vinyltees designs. Youtube has already committed to begin sharing advertising revenue with video creators in the next couple years. In this case the money from Youtube would be sent to Vinyltees increasing profits.

### **Artists**

It is competitive advantage for vinyltees to primarily employ art students, industrial design students and amateur artists as virtual designers for many reasons. The first reason is that there is an abundance of artists especially located close to the production hubs. Second, they will be familiar with digital design software through school training which

reduces the cost of employee education. Third, we offer artists pay through our incentive system. They receive 50% of the design fee, as well as an 80 cent royalty for every design sold on Vinyltees.com. With this payment system, Vinyltees receives payment first and pays out last, helping to control cost and cash flow. Finally, artists can work from anywhere with an internet connection at any time leaving them to make their own work schedules.

### **Artist Ambassadors**

In both Ottawa and Vancouver, Vinyltees will hire one art student ambassador at each school to be the main line of communication between artists and Vinyltees. As well, they will be in charge of recruitment and ensuring artists have divided their schedules equally, ensuring artists are online during business hours. The student ambassador will also receive incentives on the sales of their group.

### **Financial**

The main financial policy of Vinyltees is to pay its artists almost all by sales incentives. This allows Vinyltees to collect customers' payment from the online store and store front first and then pay employees.

### **Opportunity**

Based on Vinyltees current customers and the size of the market we can reach, Vinyltees would bring in \$27,940,000 in two years. This is based on a projection of employing 60 artists and each artist completing a design once every 2 days.

**Costs and Profits:**

60 artists complete 10000 designs @ \$40 each:	\$400,000
5000 public * 300 tee shirts sold @ \$15 each:	\$22,500,000
5000 public * 200 paper prints sold @ \$13 each:	\$13,000,000
5000 public * 30 digital prints sold @ \$5 each:	\$750,000
	<b>Gross Profit</b>
	<b>\$36,650,000</b>
Customer royalties @ \$0.50 per sale	\$1,325,000
Artist royalties @ \$0.80 per sale + \$200,000	\$2,320,000
	<b>Total Royalties</b>
	<b>\$3,645,000</b>
Ink and paint	\$500,000
Vinyl and paper	\$800,000
Clothing – 1,500,000 tees @ \$2.00 each	\$3,000,000
	<b>Total Materials</b>
	<b>\$4,300,000</b>
Equipment and lease	\$500,000
Website and server	\$60,000
	<b>Total Cost</b>
	<b>\$8,710,000</b>
	<b>Revenue</b>
	<b>\$27,940,000</b>

## **4 year plan Timeline**

### **Year One:**

April 2008: Recruit two artists staying in Ottawa over the summer.

April 2008: Complete beta test of website.

May 2008: Launch Vinyltees.com.

May 2008: Begin designing tee shirts for customers in the Ottawa Market area.

June 2008: Evaluate and find a commercial lease in downtown Ottawa.

July 2008: Gain contract to make all frosh tee shirts for Carleton U. and U. of Ottawa.

August 2008: Move into lease and begin building the Ottawa Hub for Vinyltees.

September 2008: Hire a student ambassador and begin recruiting session for artists.

September 2008: Set up tee shirt exhibition at the University Centre.

October 2008: Launch Vinyltees long sleeve shirts and hoodie line.

November 2008: Promote Vinyltees as an affordable Christmas gift.

November 2008: Sell gift certificates for any purchase online or in the storefront.

December 2008: Drop fliers in the metropolitan centres of Ottawa advertising online  
Christmas card design and printing with Vinyltees.

### **Year Two:**

January 2008: Begin recruitment session at Carleton University and Algonquin and hire  
ambassador at both schools.

February 2008: Start search for Vancouver location for Western Vinyltees Hub.

March 2008: Begin talks with West 49 apparel company to put Vinyltees virtual design  
centers in their stores.

April 2008: Go to Vancouver and build second Hub and recruit artists from the local university.

**Year Three:**

Start up another Hub in Los angles to branch into the U.S.

**Year Four:**

Start up another hub in Miami to gain continental coverage.