AMERICAN UNIVERSITY OF BEIRUT

MOODFIT—A CROWDSOURCING INTERIOR DESIGN STARTUP:
THE PROCESSES OF ACCELERATING AND PIVOTING TO
A VIABLE BUSINESS MODEL

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MOODFIT—A CROWDSOURCING INTERIOR DESIGN STARTUP: THE PROCESSES OF ACCELERATING AND PIVOTING TO A VIABLE BUSINESS MODEL

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ACKNOWLEDGMENTS

We would like to thank Mr. Tarek Kettaneh for his continuous support and advice throughout our project. Having a long background in entrepreneurship, Mr. Kettaneh helped us overcome many problems we faced while building our startup. His practical approach to problem solving has provided us with creative and out of the box solutions.

We would equally like to thank Dr. Bijan Azad for his relentless efforts to push us towards a better direction. Dr. Azad’s systematic approach has helped our team to be more focused and determined to find the best solution whenever faced with a specific problem. Dr. Azad has also supported our team to get exposure with entrepreneurs and investors.

Special thanks to Mr. Elie Nasr of FOO. Mr. Nasr is providing us with all necessary support for us to execute our project. Being an entrepreneur himself, Mr. Nasr understands the complexity and challenges that a startup might face and is constantly sharing this pool of knowledge with us. We also thank Mohamad Sabouneh for his input on the financial part of our project.

Many thanks to Dr. Araman who believed in our team and gave us the opportunity to work together on this project. We would also like to thank him for his persistent efforts to improve and push the MBA program a step further.

Last but not least, we would also like to recognize the efforts of every member of the school of business, who without them this would not be possible; specially Maya Helou for providing us with all required administrative support.
Title: MoodFit—A Crowdsourcing Interior Design Startup: The Processes of Accelerating and Pivoting to a Viable Business Model

The startup project aimed to create a viable business that can efficiently serve an overshot segment of customers willing to decorate their apartment but who is unable to afford the traditional interior design service. The team applied the scientific approach of the lean startup method to create a viable business through putting a validation process for the development of his value proposition.

The validation process was based on the feedback of prospective clients which allowed the team to understand the attractiveness of his value proposition. The team also studied the available alternatives and the potential competition to forecast the viability of the proposed solution. Three rounds of interviews were performed to validate the business model. On the first round, the team was able to validate the existence of the problem of “expensive interior design service” for the overshot segment. The second and third round of interviews allowed the team to pivot twice before building a Minimum Viable Product (MVP) to test the business model in its last version. The last version being a crowdsourced interior design service that is ten times cheaper that the traditional service. The last version of the MVP, showed traction proving the viability and profitability of the last business model which demonstrated the importance of the validation and pivoting process.
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CHAPTER 1

INTRODUCTION ON LEAN STARTUP

As defined by Eric Ries “A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty.” (Ries, 2011)

In his book, Ries explains that “The Lean Startup” takes its name from the lean manufacturing revolution developed at Toyota by Taiichi Ohno and Shigeo Shingo. Lean manufacturing is changing the way supply chains and production systems are run. The main principles of the lean manufacturing are drawing on the knowledge and creativity of individual workers, the shrinking of batch sizes, just-in-time production and inventory control, and an acceleration of cycle times. (Ries, 2011) The lean startup uses those ideas and adapts them to the context of entrepreneurs to help them judge their progress.

Startups serve as a tool that allows entrepreneurs to learn how to build a sustainable business; the lean startup uses validated learning as a unit of progress. Assumptions and hypothesis can be scientifically validated by frequently running experiments which allow entrepreneurs to test each element of their vision. Validated learning is the process that helps entrepreneurs to empirically demonstrate that the team has discovered truths about the startup’s present or future. It helps startups to get a more concrete, more accurate, and faster feedback compared to classical business planning. It drives entrepreneurs away from perfectly executing a plan that is leading nowhere; it does not matter if a product is done on time and within budget if no one is going to need or buy it. Using the lean startup method, entrepreneurs can discover and eradicate the
sources of waste that endanger their project. This method helps entrepreneurs build a product or service that customers want and will pay for to get.

The author uses the metaphor of commuting to work where the person has a clear destination in mind; this is the vision. In order to achieve their vision, startups use a business model. This business model defines a certain ecosystem where the startup is being created; it includes information about clients, channels, competitors, created value, etc.

However, for the person to reach her destination she needs to steer the wheel in the right directions; that is iteration. Sometimes the road requires a sharp steer; that is a pivot. The steering wheel of a startup is called the “Build-Measure-Learn loop.” It is the essential tool for a startup, the main objective of a startup is to turn an idea to a product, go to the market for customers’ feedback and decide whether to pivot or remain in the same direction. All members of a startup’s team should be focused on accelerating this feedback loop.

Entrepreneurs should also keep in mind that balancing the simultaneous activities taking place within their startup is crucial. “A lot is happening simultaneously: the engine is running, acquiring new customers and serving existing ones; we are tuning, trying to improve our product, marketing, and operations; and we are steering, deciding if and when to pivot.” (Ries, 2011). This is called a portfolio of activities; as companies grow, what changes is the mix of these activities in the company’s portfolio of work. (Ries, 2011)

The lean startup method provides entrepreneurs with a clear guidance on how to make the many trade-off decisions they face, when to respond to feedback by pivoting
and when to proceed with vision, how to scale the business. Most importantly it allows them to scientifically test their predictions. (Ries, 2011)

As a matter of fact, in his paper “Why the Lean Start-Up Changes Everything”, Steve Blank stresses on the importance of this methodology when compared to the conventional business plan approach. Blank explains that a business plan is a research exercise behind a desk rather than a practical approach to solve a certain problem. (Blank, 2005)

Blank also emphasizes on the importance of entrepreneurship in building an innovation based economy. He claims that: “using lean methods across a portfolio of start-ups will result in fewer failures than using traditional methods.” (Blank, 2005). He explains that this methodology reduces the constraints, high costs, long tech cycles, structure of VCs, faced by start-ups in the past period. This methodology provides entrepreneurs with a tool that offers quick responsive development. (Blank, 2005)

We will be using the guidelines of the lean startup methodology in our project in order to be able to pinpoint and validate a specific pain. We will then tailor the adequate solution to cure this pain in the most efficient and profitable way while providing our clients with a pleasurable experience. Our team will focus on the nine elements of the business model canvas to formulate, design, and execute the solution.

In the coming pages, we will illustrate every step of the process emphasizing on our three versions of our value proposition. We will illustrate the iterations and Rationale for each of our values propositions along with the empirical data that shaped our decision making. Along with each pivot, the elements of our business model have been either revisited and tuned up or validated to make the best of our new value proposition.
“The Startup team is composed of three MBA candidates who met throughout the Program and had the opportunity to work on several projects together. This experience showed that each member had a relevant added value to bring to the work.

Tarek Jaroudi is an experienced Architect who was always able to design and put the final product in a compelling way by understanding what was expected by the clients. Working in a real estate development company in Beirut, Tarek was able to capture the dynamics of the market.

Tarek will be mainly focused on standardizing design presentations and communication means between the end users and their interior designers. He will also be responsible for the filtering of interior designers who will apply to work on the platform given his technical experience in design. Moreover, Tarek will be in charge of controlling the quality of designs and submittals.

Ghassan Abi Fadel is a mechanical engineer who works as Operations Director at a multinational industrial gas company. Ghassan's focus on efficiency and clients’ experience is essential in building an attractive model. His daily exposure to suppliers and clients is essential in developing the business.

Ghassan will be focused on providing a user friendly and reliable experience to end users. Moreover, and given his experience and exposure in business development, Ghassan will be carrying the responsibility of developing and communicating to new markets.
Mohammad Sabouneh is a mechanical engineer who worked at an oil and gas company and was attracted by finance during his MBA studies. He is currently working at a Private Equity company. Mohammad’s experience in the financial analysis of startups will help project reliable financial figures and structure a sustainable financing model.”

The team has a clear understating that a CTO or a technical co-founder is crucial to the success of the project. The CTO will supervise the process of creating an online platform and coordinating the back end and the front end of this platform.
A. Problem Definition

The idea of the startup began when the team identified a pain among newly married couples. By observing those couples, the team realized that they are employed, lead a busy life, and most of them have constraints on their household budget.

They often find themselves stuck in a long process when decorating their homes. Very few of them have the skills to do the task themselves; they are often confused when choosing and combining home deco items from multiple suppliers. Given the above reasons, newly married couples spend a tremendous amount of time searching for items to decorate their homes. They also find themselves at the end of the process stuck with an apartment that is not to their liking.

After having this observation, the team had to validate these assumptions. The team will run a set of tests in order to validate or refuse his hypothesis. The problem was defined as follow:

*Individuals do not have enough skills and time to decorate their apartment. They are also not able to afford professional interior design service.*

1. Problem Validation

In order to validate the problem, we decided to interview prospective clients while shopping for their furniture. We selected one major furniture supplier shop that
targets middle income customers and prepared a questionnaire with three main questions:

A. How do you search for furniture?

B. What are the challenges that you face when decorating your apartment?

C. Would you hire an interior designer? If No, why?

The main goal was to validate the existence of a real problem for the end users when decorating their living spaces. On the other hand, the open ended questions helped us gather valuable insights on the customer’s shopping behavior.

The main findings of the survey that was conducted on 16 prospective clients were:

- 100% of the interviewees agreed that furnishing their apartment is an issue: they cannot afford an interior designer; they don’t have the time to research and are hesitant when trying to combine furniture and home deco items.

- 50% of the interviewees used the web as their first search tool. Other suggested search tools were magazines and shops visits.

The team was also able to gather valuable insights while discussing with interviewees about their shopping experience. The main findings were the following:

- Time constraint is a real pain: some interviewees reported that they spent up to 6 months searching for furniture

- All interviewees noted that they were confused when selecting different items from different home deco suppliers. They were not able to match the colors and materials of the various items that they liked.

- Delivery, installation and lack of craftsmen were major issues for people when decorating their houses.
- 50% of interviewees mentioned the use of Houzz (an online interior design platform) when searching for ideas to decorate their homes.

- 25% interviewees mentioned that being able to look for home deco items at night or late afternoon (after working hours) would make their life easier.

As a conclusion, the team was able to validate the identified problem:

Individuals do not have enough skills and time to decorate their apartment. They are also not able to afford professional interior design service.

At the next stage, the team needed to suggest a value proposition that can efficiently tackle the identified and validated problem.
CHAPTER 4

BUSINESS MODEL CANVAS AND PIVOTING STRATEGY

The business model canvas is a tool that maps out the entire business model in one image. It is the preferred tool of startup companies since it can be easily discussed and improved when building a new business model. It consists of 9 basic blocks:

- **The customer segment** is all the parties to which the startup is creating value.

- **The value proposition** defines the products and services that are being offered to create value for targeted customers.

- **The channel** describes through which touch points the startup interacts with the client in delivering value.

- **Customer relationship** draws the type of relationship the business is creating with the served customers.

- **Revenue stream** defines through which pricing mechanism the business model is capturing value.

- **Key activities** shows which actions are crucial to perform efficiently to deliver the value proposition.

- **Key resources** show which assets are vital to best achieve the intended activities.

- **Key partners** determine who can help the startup leverage its business model; since not all key resources will be owned by the startup and all key activities performed in house.
- **Cost structure** will be estimated based on an understanding of all the previous blocs.

Once the initial business model canvas is built, it is expected to undergo several iterations and/or pivots based on the market feedback. Our business model had to undergo two major pivots which lead to three different business model canvases. The feedback of prospective clients and key partners was the driver of the different business models. Each round of interviews enabled the team to gather valuable information from customers and propose a solution that solves their problem in a better way.

Below is the Pivots Master Plan that will guide the reader through the three versions of the business model. The three versions were developed incrementally in the validation process until reaching a final business model. The final model demonstrated its viability when tested on Facebook with more than 10 potentially interested clients and 2 ongoing projects.
<table>
<thead>
<tr>
<th>Version 1</th>
<th>Value proposition</th>
<th>Key Findings</th>
<th>Rationale for Pivot</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- 3D online design tool that enables end user to decorate their room using real furniture from different nearby suppliers within their budget.</td>
<td>- The development of a 3D design tool is technically challenging.</td>
<td>- The team doesn’t have the core competencies and the key resources to develop a 3D design tool.</td>
</tr>
<tr>
<td></td>
<td>- Online Market Place for furniture.</td>
<td>- The enabling technology on the supplier’s side is not available (3D furniture).</td>
<td>- An online marketplace will fail in attracting many regional suppliers.</td>
</tr>
<tr>
<td></td>
<td>- Professional online advice for a minimum fee.</td>
<td>- Suppliers are not willing to join an online market place.</td>
<td></td>
</tr>
<tr>
<td>Version 2</td>
<td>Free* Professional online interior Design service</td>
<td>- End users are skeptical regarding a free service</td>
<td>- A free service will create trust issues with the end user.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- End users expect multiple services and price offerings</td>
<td>- End users avoid going through a complex procedure in order to get a free service.</td>
</tr>
<tr>
<td>Version 3</td>
<td>- Online Professional interior design service for as low as 300$/room</td>
<td>- Solution is valid and Attractive</td>
<td></td>
</tr>
</tbody>
</table>

*The free offering is based on a $300.00 deposit that the client will redeem after buying the furniture from MoodFit’s sponsored suppliers.

Table 1 - Pivot Master Plan
CHAPTER 5
BUSINESS MODEL – VERSION 1

A. Business Model Canvas – Version 1

1. Customer Segments:

Middle income end users decorating their home: End users who cannot afford an interior design service can experiment with 3D models of real furniture from accessible suppliers in order to decorate their spaces. They also have the option to buy the selected furniture from MoodFit’s online marketplace. They can also ask for professional advice on colors combination, products layout or style for as low as $100.00.

2. Value proposition

The value proposition of MoodFit is based on three main service offerings:

- 3D online design tool that enables end user to decorate their room using 3D models of real furniture from different nearby suppliers within their budget. This engine will provide the users with the confidence that the selected products will fit exactly their living space.

- An online Marketplace for furniture that will allow end users to buy the furniture and have it delivered to their place at their convenience.

- Professional online advice for a minimum fee. (Around 100$)

Our value proposition would offer an end to end solution to interior decoration by connecting the end users with the designers and the suppliers on one, easy to use, online platform.
3. **Channels:**

MoodFit would reach its customers through its web based online platform and design engine. All transactions of design services and furniture selling would be handled completely through the website.

4. **Customer Relationships:**

MoodFit would get its customers through marketing campaigns on the major social media and search engine platforms. It would keep its customers through organizing awards ceremonies for top designers on the platform; top designers will attract user to come back and use the service again. It would grow its customers through regularly sponsoring competitions in Top Fine Art Schools, and being present in the major design events which would provide the platform with the necessary exposure. MoodFit would be offering Special offers and discounts to attract new end-users. MoodFit should also insure a pleasant User Experience through a friendly and reliable User Interface.

5. **Revenue Streams:**

The most important revenue streams that the team needed to develop at later stages are:

- Monthly subscription: The suppliers will pay a monthly subscription fee to present their products on MoodFit (the monthly fee will depend on the number of products they want to upload).

- Commission fee: MoodFit will receive a commission fee from:
  - The suppliers on every sales transaction completed through the platform
  - The designers on any consultation transaction also completed through the platform
6. **Key Activities:**

Four key activities were identified by the team:

- Development of the 3D platform
- Creation of an installed base of designers and individuals seeking interior design services.
- Regular expansion of available products library through users upload.
- Reliable rating of products and designers
- Reliable online interior design consultancy service
- Smart filtering process of uploaded 3D furniture models.

7. **Key Resources:**

The team found that in order to succeed in delivering a good 3D design online experience, they would need two major key resources:

- The software development and maintenance team.
- The size of the library of uploaded 3D furniture models. Without enough models uploaded by furniture suppliers, the end users will abandon the platform.
- A marketing strategy to grow customer base and expand the online library

8. **Key Partners**

The team identified two major partners:

- **The furniture and home deco suppliers:** These suppliers are considered to be a critical component of MoodFit’s suggested business model. As a matter of fact, the furniture suppliers will feed the Library of the 3D engine and will fill MoodFit’s Marketplace.
- **The interior designers:** The designers are at the core of supplying a satisfactory consultancy service to our clients. The quality and reliability of the consultancy provided on MoodFit will be one of the major success factors of the platform.

9. **Cost Structure:**

The most important costs that the team needs to develop at later stages are:

- Server hosting rental
- Payroll: software development and maintenance, marketing and business development, top management, HR and other supporting departments
- Office rental
- SG&A expenses
<table>
<thead>
<tr>
<th>Key Partners:</th>
<th>Key Activities:</th>
<th>Value Propositions:</th>
<th>Customer Relationships:</th>
<th>Customer Segments:</th>
</tr>
</thead>
</table>
| - Home deco suppliers  
- Interior designers | - Creation of an installed base of designers and end-users  
- Continuous update and expansion of the library of available products  
- Continuous development and improvement of the user experience  
- Focus on user-friendly interface | An online 3D platform will assist end users to choose and combine actual home deco items from actual nearby suppliers within their budgets. The platform also offers users the possibility to get a professional advice from interior designer about the colors, materials, style, etc. in return for a small fee. | - Get customers through marketing campaigns on the major social media and search engine platforms.  
- Keep customers through organizing awards ceremonies for top designers.  
- Grow customers through regularly sponsoring competitions in Top Art Colleges and Special offers and discounts to attract new end-users | Endusers seeking interior design consultancy.  
Clients seeking design advice and cannot afford an expensive interior design service |
| Key Resources: | | | Channels: | |
| - The software development and maintenance team  
- Network of suppliers and designers  
- Brand image | | | Web based and mobile app platform and 3D design engine |
| Cost Structure: | Revenue Streams: | | | |
| - Server hosting rental  
- Payroll: software development and maintenance, marketing and business development, top management, HR and other supporting departments  
- Office rental  
- SG&A expenses | - Monthly subscription: The suppliers will pay a monthly subscription fee to present their products on MoodFit (the monthly fee will depend on the number of products they want to upload)  
- Commission fee: MoodFit will receive a commission fee from:  
  o The suppliers on every sales transaction completed through the platform  
  o The designers on any consultation transaction also completed through the platform  
- Advertisement revenue can be considered once a user base is established | | |
B. Key Findings

1. Validation of the value proposition

a. Identification of the critical assumptions

The online 3D design engine and platform solution had different critical assumptions that needed to be validated before progressing in our business model. The major points to be validated are the following:

1- The feasibility and attractiveness of an online furniture marketplace: We needed to validate that the end users will consider buying furniture without actually seeing and feeling it.

2- The feasibility of supplying an online interior design consultancy for a minimum fee: We needed to validate that the interior designers are able and willing to give online consultancy for a minimal fee.

3- The Technical feasibility of the 3D solution: We needed to validate that the suppliers are willing and able to provide us with 3D models for their home deco items. We were skeptical regarding the issue of 3D library and we already knew that building a 3D library for every piece of furniture on the market would be a real challenge. In case the 3D platform solution proved to be valid, another challenge would be to provide a reliable, user friendly solution that delivers attractive visual.

b. Validating by Understanding the Competition
The team has learned about potential online competition; similar 3D online design tools were already offered by IKEA home planner, pCon.planner and Autodesk’s Home Styler.

**pCon.Planner**

The team had learned while discussing their value proposition with one major local furniture supplier that pcon.planner (http://pcon-planner.com/) has been offering a free 3D room planner since 2004. By looking at Pcon.Planner website, we found the following value proposition:

“PCON.PLANNER – YOUR FREE 3D ROOM PLANNER

**Perfect designs for rooms:** pCon.planner is the ideal free 3D space planning tool for interior designers, retailers, manufacturers, craftsmen and planning offices. Users from various sectors, e.g. furniture, laboratory equipment, medicine and logistics, have been relying on the performance capability and ease of use of pCon.planner for many years.”

(www.pcon-planner.com)

Further researches about pCon.planner showed that the initial release was in 1998 and the stable release was in 2012. We also found that the company was able to build a library from 126 suppliers worldwide with access to millions of 3D models.

Although pCon.planner was not actually offering an interior design consultancy, the team found that building a 3D solution having reliability close to the one offered by pCon.planner would require a considerable amount R&D investment in an unknown field for the team members. The team also knew that convincing furniture suppliers to switch from pCon.planner was a big challenge. While doing more researches, we found
many other options in the market such as Room Sketcher and IKEA’s home planner. All options had their 3D online interior design offering, however, none had the wide furniture library that pCon.planner had already built. These facts shed the light on a major technical feasibility risk for our startup.

Below are some screenshots from the websites of pCon.planner, Room Sketcher, Autodesk Home Styler and IKEA home planner:

![Figure 2 - Screenshot from www.pCon.planner.com](www.pCon.planner.com)
**Live 3D Floor Plans™**

Anyone can create state-of-the-art 3D visualizations of homes and properties:

- **Create your plan**
  - either yourself or order a ready-made floor plan directly from us

- **Furnish and decorate**
  - to suit your style – spend hours or mere minutes

- **Live 3D**
  - Take a virtual walkthrough! Want to update the furniture? Change it out and view the results instantly

- **Awesome presentations**
  - Take 3D Photos, get high-res floor plans, cool panoramic presentations and much more – all at the click of a button

---

**Figure 3** - Screenshot [www.roomsketcher.com](http://www.roomsketcher.com)

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**Figure 4** - Screenshot from [www.kitchenplanner.ikea.com](http://www.kitchenplanner.ikea.com)
c. Validating by interviewing End users, Interior Designers and Home Deco Supplier

Following our market research on potential competitors and similar solutions, we had to validate the attractiveness of our value proposition by interviewing potential end users, interior designers and furniture suppliers.

During the interview, End users had to answer two major questions:

1. Would you consider buying furniture online?
2. Would you use an online interior design application?

We found that:

1. 50% (2 out of 4) customers would consider buying furniture online.
2- 75% (3 out of 4) would use an online interior design application.

Interior Designers had to answer during the interview to one major question:

1. Would you consider supplying an online interior design consultancy for a minimum fee?

We found that:

1- 100% (3 out of 3) found that an online interior design service with a minimum fee (between $100.00 and $500.00) was considered to be feasible. However, they all insisted the scope of the service should be clear in terms of deliverables and time frame.

As for furniture suppliers, they had to answer during the interview to two major questions:

1. Are you willing and/or able to supply 3D models to an online interior design application?

2. Are you willing to join a regional online furniture marketplace?

We found that:

2- One major supplier doesn’t have 3D models for his furniture. He also insisted that he would not disclose his prices on an online furniture marketplace. He considered that his pricing strategy is a competitive advantage that cannot be exposed online. A second supplier said that some of his furniture already exists on pCon.planner website and stated that he was willing to disclose the price of only parts of his offered furniture in case a furniture marketplace was created.
C. The Rationale for Pivot 1

Out of the three critical assumptions that needed to be validated, only the feasibility of an online interior design consultancy service proved to be valid. The team was aware that it is a real challenge (if not impossible) to overcome the fact that online 3D interior design platform requires an enabling technology at the supplier’s end that was not currently mature enough. Even more, the team was aware of the complexity of creating the 3D design platform.

As for the attractiveness of an online marketplace, the team was aware that many end users would prefer to see and try the furniture before buying it. On the other hand, the suppliers were not very interested in disclosing their prices online.

We clearly needed to refine our value proposition to make it more feasible and create clear value for end users and furniture suppliers.

Consequently, in order to offer a better value proposition, the team decided to pivot by dropping the 3D online design proposition and suggesting a new value proposition In fact, developing a 3D platform was expected to be very expensive and the team was afraid to lose traction if the rendering of the design is not very attractive. Moreover, the team did not have any experience or core competency in creating a 3D online design tool. Not to mention that there were already solutions provided by leading companies like pCon.planner, Autodesk’s Homestyler and Ikea’s Room Planner.
A. Business model Canvas – Version 2

The new value proposition would be to “offer a free online interior design service”. We actually assumed that we will be able to get a 15% commission fee from suppliers on sold furniture from referred clients. We also assumed that the 15% referral fee will be able to cover the interior designers’ fee while keeping the business profitable. This assumption was based on the fact that furnishing a room is expected to cost around 4,000$. However, we were concerned on how to lock a customer after he gets his free interior design. To solve this issue, the team assumed that the customers are willing to pay a certain deposit for MoodFit that covers the interior design until they actually buy the furniture. The team assumed that by providing the design service for free more clients would be interested. Although many assumptions needed to be validated, the team believed that the value perceived for the end users and the furniture suppliers is attractive and was worth validating.

The team knew that we had to review all the parts of our business model. The problem definition was the only part that was validated for now.

1. Value proposition

After the validation of the problem, the team suggested a new value proposition:

“Free Online Professional Interior Design Service.”
Our value proposition would still offer an end to end solution with the only difference that there are no tools for end users to design themselves. We believed that the real need of the end user was a well decorated space. The offering of a free interior design service will thus allow him to get his dream living space without the need to invest time or money. However, the team knew that he should allow the end user to interact with the interior designer in an efficient way that delivers an interior design customized to his taste.

2. **Customer Segments:**

At this stage, the team focused on giving more detailed attributes of their customer segments. We believed that the interested segments would be:

- Newly married couple
- An individual who just moved to a new apartment
- A couple having a newborn
- An individual moving to a New Office.

All the segments listed above are considered to be internet users.

3. **Channels: Crowdsourcing of Interior Designers**

   a. **Introduction to Crowdsourcing**

   In the case of MoodFit, the best way to deliver an interior design service that matches the client’s taste is to have a big pool of interior designers ready to bid for the requested jobs. As a matter of fact, crowdsourcing will systematically and significantly increase the possibility of matching the client with an interior designer that shares the same taste. However, in order to efficiently use the advantage of crowdsourcing, several challenges needed to be addressed. In this section, we will develop the crowdsourcing
concept and its challenges. We will then show how we can use it efficiently as an optimal channel to our clients.

b. **Definition of Crowdsourcing:**

“Crowdsourcing is the act of outsourcing tasks, traditionally performed by an individual to an undefined, large group of people or community (a crowd), through an open call.” (Howee)

c. **Categories of Crowdsourcing**

- **Microtasks:** the client will break his project into pieces. Different freelancers will work on different pieces. Ex.: Mechanical Truck (Amazon) – A production company asked to transcribe a media file for $30.00.

- **Macrotasks:** Participants get involved in a highly incentivized big scale project and choose what part to work on. Ex.: Xprize. One on-going project at Xprize is to land a privately funded robot on the moon for $30,000,000.00 (Google Lunar). ARPA crowdsourced the design and manufacture of a new armored vehicle.

- **Crowd funding:** the crowd funds your cause or project. OnKickstarter, the Micro 3D printer pledged $3.4 Million dollar and got funded 6,802%

- **Crowd contest:** A crowd works for 1 project. The winner gets the compensation. This type of contests is common in design sites. Ex.: In the book cover design contest for the “Big Shift”, 146 contestants bid for the project. The winner got the compensation of 639 Euros.

d. **The challenges of Crowdsourcing**

- **Selection:** The bigger the price, the bigger the crowd (of talented and untalented participants) and the harder is the selection of the winner.
- **Quality:** A basic crowdsourcing platform enables anyone to perform a requested job. This fact endangers the quality of the output. With no proper filtering process the quality of output is highly inconsistent and unreliable.

- **Standardization:** Crowdsourcing is still an undefined space and considered to be at the early adoption phase. The market leaders are trying to define the rules of the game. However, suppliers of crowdsourcing service may risk legal charges, ex: Uberpool, a car pooling service offered by Uber in Paris, faced legal charges one month after its introduction in November 2014.(Stone, 2015)

- **Compensation and Intellectual property:** due to the lack of standardization and the sharing nature of the online channel, participants risk to lose:
  - The intellectual property of their designs
  - Their compensation (mostly found in competition websites)
  - Many freelancers are expected to abandon the crowdsourcing website if they fail in winning projects. In this case, they are expected to only bid for projects with massive payout.

- **Inherent Limitation of the channel:** Some tasks like translation and designing logos require only human intelligence and thus, are easily achievable through the web. However, in other cases where the final product is physical, more interaction is needed which creates challenges in defining and meeting requirements (or specifications).

**Solutions implemented to overcome challenges of crowdsourcing**

- Filtering the applicants: Freelancers will have to prove talent before being able to participate in projects. Ex.: Genius Rocket, LogoTournament will curate the
submitted profiles. “GenuisRocket rejects about 95% of Applicants.”(www.crowdsourcing.org)

- Limiting the allowable number of bids: The freelancer will be able to bid only to a certain number of projects. Ex.: Elance created the concept of “connects”. The freelancer in this case, has a “quota” that allows him to bid for a certain number of projects.

- **Different quality offering levels**: Client can request higher accuracy level for additional fees.

- **Clear submittal quality criteria**: The freelancer will have to meet quality criteria in his submittal to receive compensation. Ex.: Design crowd requires High quality vectors design and high definition of preview images (300 dpi, jpg images)

- **Escrow protection**: one party deposits funds to a third party, who then releases the funds based on instructions that the client and freelancer agree to in advance. Odesk uses this concept to insure payment protection.

- **Hybrid offering**: In this case, the supplier combines the Crowdsourcing with the traditional way to create an optimized channel. Ex.: “Genius Rocket abandoned the contest-based and deployed a matching model”(www.geniusrocket.com). Clients (like Kraft, Unilever, Sony, Heinz) will be approached from a traditional way. The operations team will then make the matching with the available most suitable members.

e. **The Advantages of MoodFit compared to Traditional Interior Design**
- **More creativity:** The Interior Designer who is willing to bid for a freelancer job is expected to be more engaged when compared to employed interior designers. Also, as a matter of fact, MoodFit is expected to have more interior designers than an interior design agency which systematically increases the potential of creativity.

- **Lower Operating Cost:** Through crowdsourcing, MoodFit will be able to rip off all the unnecessary cost of fancy buildings, overhead and underutilized workforce. At the same time, MoodFit will be able to provide a tailored and optimized solution.

- **Optimized delivery time:** MoodFit will be able to provide a design and a shopping list for its customer within 2 weeks.

- **Better matching:** Having more designers on the platform makes the matching of the designer's taste with client’s taste an easier and more efficient process. Designers are not obliged anymore to deliver designs that do not fit their personal taste and interior design philosophy.

**The Challenge of MoodFit compared to Traditional Interior Design**

- **Limited Interaction with the client:** An interior design service requires a deep understanding of the client’s taste. MoodFit needs to design an online user experience that can overcome this challenge.
4. **Customer Relationship:**

   \[ f \]** How to get MoodFit customer base?**

   - **Reaching our client through our sponsored suppliers:** These suppliers are expected to be interested in promoting MoodFit on their social media pages, website and in their shop in order to have a higher retention rate of potential clients. In fact, a client who uses MoodFit for his interior design is going to be referred back to the sponsored suppliers.

   - **Reaching our clients through partnering with major local Real Estate developers:** Newly married couples and individuals who are willing to move to a new place are expected to contact the major real estate developer and will typically need an interior design service.


\[
\begin{array}{|c|c|c|c|}
\hline
\text{Factor} & \text{Crowdsourcing} & \text{Traditional} & \text{Advantage for MoodFit} \\
\hline
\text{Creativity} & + & - & Yes \\
\hline
\text{Intellectual property} & - & + & \\
\hline
\text{Cost} & + & - & Yes \\
\hline
\text{Interaction} & - & + & \\
\hline
\text{Standardization} & - & + & \\
\hline
\text{Delivery time} & + & - & Yes \\
\hline
\text{Effectiveness of Solution} & + & - & Yes \\
\hline
\text{Matching} & + & - & Yes \\
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*Figure 6 - Comparison Crowdsourcing v/s Traditional*
- **Using the affordable online marketing tools like Google Adware and Facebook ads:** Our clients are expected to be internet users and thus using this channel to reach them is expected to be efficient. Note that these marketing channels offer the option to define criteria such as age range, location and interest which helps us in reaching our target segments.

  g. How to keep MoodFit customer base?

- MoodFit will build an online community for interior design that attracts potential customers to browse our website and our social media pages (Facebook, Pinterest, Instagram) in search for ideas and inspiration for their dream home. Offering interior design ideas and tips on our website and social media pages will help in branding MoodFit as the destination for interior design solution.

  h. How to grow MoodFit customer base?

- **Offering referral discounts for our clients:** these clients will get additional discounts when referring new customers.

- Being active at major interior design events which will grow and enhance the quality of our interior designers. This fact will in return increase the adoption of MoodFit as the solution for interior design.

- Systematically expanding our geographical focus in the MENA region.

5. **Key Activities:**

The process for the **end-user** goes as follow:

- End User posts description and pictures for the room he is willing to decorate

- Gets multiple design proposals from the registered interior designers.
- Selects his favorite designer

- Interacts with his selected interior designer for 2 weeks to develop the design of his room.

- Receives a furniture plan and a shopping list with exclusive discounts within a period of two weeks.

The process for **interior designer** selection goes as follow:

- Interior designer submits his portfolio including education, experience and best designs.

- A committee of experienced interior designers fixes the criteria that qualify an interior designer to join MoodFit over which quality control department accepts applications.

- Interior designer is trained on the online interior design procedure given all required tools including standard formats and catalogues of furniture from sponsored suppliers.

- Performance is tracked to ensure that interior designer is meeting quality standards. (KPIs such as time to deliver and clients satisfaction will be monitored by the quality control department)

The process for the **home deco supplier** to join MoodFit goes as follow:

- Supplier selects the items that he is willing to provide to MoodFit’s customers.

- Supplier provides MoodFit with a digital copy of the selected items showing a picture of the item, the initial price, the main dimensions and the commission fee that he is willing to provide to MoodFit.

The Key activities in these three processes are:
- Design an enjoyable user experience
  - A simple, intuitive user interface

- Design the match making process
  - Automatically notify suitable interior designers

- Develop a win/win relationship with Interior designers
  - Interior designers fee should reflect their time investment
  - Platform should promote top designers
  - A filtering mechanism should insure only suitable interior designers are hired.

- Develop the Relationship with suppliers
  - Exclusivity contracts to increase barriers of entry
  - Simple library building process not to create a burden for suppliers when joining Moodfit.

- Develop the brand as go to destination for Interior design in MENA
  - Known as leader in online interior design
  - A major destination for interior design ideas and inspirations

6. **Key Resources:**

Since the proposed solution was still an online solution, the team knew that the software development and maintenance team remained to be a key resource. However, other Key Resources needed to be added. Below is a list of all the identified Key Resources:

- Software Development and maintenance team:
  - To deliver a pleasurable User Experience
  - To design a reliable matching algorithm
- **Intellectual property:**
  
  - To avoid losing the automated matching advantage between interior designers and end users. The matching mechanism being essential in order to increase the success rate and of the interior designer and the satisfaction of the end user.

- **Business Development:**
  
  - To build high entry barriers through suppliers exclusivity contracts
  
  - To insure the implementation of the latest technologies. (augmented reality in 2020?)
  
  - To gain access to interior design resources and build brand equity
  
  - To build a win/win strong relationship with our crowdsourced interior designers

7. **Key Partners:**

The team already knew that the interior designers and the suppliers are crucial partners. However, at this stage the team found that two other partners should be added to our list of key partners:

- **The investors:** The investors will have to bring much more than just their money in MoodFit as they will have also assist with their connections network and expertise.

- **Board of Advisors:** a board of advisors composed of the most prominent figures in the industries of interior design and online marketplace will be approached in order to recruit them as board of advisors. These advisors
will greatly affect and guide MoodFit into the right track especially in the early stages of its life

8. **Cost Structure:**

The most important costs that the team needed to develop in case the new value proposition was validated are:

- Payroll (60%): software development and maintenance, Operations control, marketing and business development, top management, HR and other supporting departments
- Marketing (15%)
- Rent and SG&A (15%)
- Other Expenses (10%)

9. **Revenue Streams:**

In case the free online interior design service was validated, MoodFit will have one major revenue stream from furniture suppliers which is the referral fee of 5% to 15% on sold furniture
<table>
<thead>
<tr>
<th>Key Partners:</th>
<th>Key Activities:</th>
<th>Value Propositions:</th>
<th>Customer Relationships:</th>
<th>Customer Segments:</th>
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<tr>
<td>Home deco suppliers</td>
<td>Selection of Interior Designers</td>
<td>Modifit offers free online</td>
<td>Reach customers through sponsored suppliers, real</td>
<td>Newly married couple</td>
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<td>Interior Designers</td>
<td>development of the UX</td>
<td>interior design service.</td>
<td>estate developers and social media</td>
<td>Someone who just moved</td>
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<td>Investors</td>
<td>Supply of available furniture to Interior Designers</td>
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<td>Keep customers through Social Media presence, good user experience</td>
<td>A couple having a newborn</td>
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<td>Board of advisors experienced in interior design and online marketplace</td>
<td>Service Quality control</td>
<td></td>
<td>- Grow customers through presence at Top Art Colleges</td>
<td>Someone who is simply trendy</td>
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<tr>
<th>Key Resources:</th>
<th>Channels:</th>
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<tr>
<td>The software development and maintenance team</td>
<td>Online Crowdsourcing</td>
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<tr>
<th>Cost Structure:</th>
<th>Revenue Streams:</th>
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</thead>
<tbody>
<tr>
<td>Payroll (50%): software development and maintenance, Operations control, marketing and business development, top management, HR and other supporting departments</td>
<td>Referral fee from Supplier (5 to 15%)</td>
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<td>Marketing (15%)</td>
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<td>Rent and SG&amp;A (15%)</td>
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<tr>
<td>Other Expenses (10%)</td>
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B. Key findings

1. Validation of the value proposition

In order to validate our new value proposition, the team decided to do the following:

- **Map out competition** (or the closest available solutions) in order to be able to have a glimpse about their business models and validate or modify our own. The competitors mapped during this process were Houzz and Laurel and Wolf.

- **Interviews** with potential end-users, interior designers and suppliers.

  a. **Mapping out competition**


    Below is the site Map of Houzz:
As shown in the site map, users can filter photos by style, room type, etc… Users can also view product, idea books, discussions and professionals. Every user has a personal space on the platform called “Your Houzz”. Users can view their favorite pictures, browse previous discussions, etc.

Under photos, people can add ideas and pictures to their idea book; they can share ideas with their friends, and get more info about any photo available.

Under product, users can browse a list of available products on the market place and have a look about their prices, description; rating, etc… users can also purchase an item directly from this section or get linked to a nearby supplier.
Laurel and Wolf: Laurel and Wolf on the other hand, make professional interior design help available to all. Their value proposition is to save time and money for their clients when doing an interior design. Laurel & Wolf is an online platform where users create a room profile, pay a one-time flat fee, and receive designs from several designers. At the end of the process, the customer will get a design scheme together with a shopping list that matches his budget.

Under home, users can browse the profiles of registered designers. They can also watch a video showing how the service actually functions, refer a friend and sign in to their personal account.

Under designers, users can filter designers either by type or by style. They can also view a sample of every interior designer on the platform.

Under refer a friend; users can refer friends in return for a $50 voucher as incentive. Laurel and Wolf are using this tactic in order to grow their customer base.
another tab, people can have an idea about the customer segments that the platform is trying to serve.

The first step in designing a room would be to start with a free home quiz. The process of a complete online interior design job is shown in the below chart.

![Figure 8 – Process of Laurel & Wolf](image)

As shown in the process the client gets an end to end solution for his interior design job.

After doing the mapping process, the team compared both processes to the traditional interior design process. The original process shows four main steps: the dream, the reality, the design, and finally the purchase.
Houzz is being able to cover the first step and the fourth step of the process by providing people with photos and ideas to help them visualize their dream homes and allowing them to purchase those items directly on the platform or through nearby stores. However, even though Houzz has professionals on its platform, it doesn’t offer an online interior design service.

On the other hand, Laurel and Wolf are focusing on the 3rd and 4th steps. They offer clients an online style quiz and ask you to fill a lifestyle questionnaire which can help gathering all the information needed before starting the interior design process. The scope of the online design is well defined in order to be delivered efficiently through the platform: after choosing his favorite interior designer, the end user will be able to develop the concept with him for 2 weeks. At the end of the two weeks, he will receive a furniture plan and a shopping list from available online furniture marketplaces.
While Laurel and Wolf were able to build an online interior design solution they didn’t focus on the first and last step of the interior design process: they didn’t offer a library for users to get inspired and they didn’t offer a marketplace.

What MoodFit will offer is an end to end solution to the whole design process. In order to be able to provide a free interior design service, MoodFit needed to make sure to link its revenue stream to home deco suppliers who will be paying MoodFit a referral fee on each purchase made through the platform. This referral fee had to cover all the costs including the designers’ fee.

Below is a description of the online interior design service as offered by MoodFit:

![Figure 9 - Process for MoodFit (as per 2nd business model)](image)

**b. Interviews**

**Building the interviews guidelines:** In order to be able to validate the above solution, the team had to run interviews with different customers from different targeted
segments. In order to gather relevant data, the team decided first to answer the below questions suggested in the book “Talking to Human” (Constable, 2014):

- My target customer will be:
  
  o Someone who just moved
  
  o Just married
  
  o Newborn
  
  o New Office
  
  o Trendy

- The problem my customer wants to solve is:
  
  o Customers do not have enough time, skills, and budget to create pleasant living space

- My customers’ needs can be solved with:
  
  o Free professional interior design service

- Why can’t my customer solve this today?
  
  o Interior design service is expensive

- The measurable outcome my customer wants to achieve is
  
  o An interior decoration scheme and a shopping list

- My primary customer acquisition tactic will be:
  
  o Through associating the website with known brands that want to attract newly married couples for their wedding list

- My earliest adopter will be:
  
  o Young married couple moving to their new apartment

- I will make money (revenue) by:
- Getting commission on the items bought by individuals from sponsored suppliers

- My primary competition will be:
  - Traditional Interior Design service
  - Laurel and Wolf
  - Houzz

- I will beat my competitors primarily because:
  - I will be providing an end to end freemium solution.

- My biggest risk to financial viability is:
  - Pricing tactic: Need to create balance between the cost of interior designers and the income from the commission of suppliers:
    - Interior designers may not be willing to get paid what is viable for the platform
    - Suppliers may not be willing to give a commission that is viable for the platform

- Identification of the critical assumptions
  - Customers sharing their space may not be efficient.
  - Shopping list generated by interior designer may not be actually available in the market (minor risk)

- Demand for interior designers higher than supplied. We cannot anticipate the demand. Any failure in launching might destroy the platform.

- What assumptions do we have that if proven wrong would cause this business to fail?
  - Balance between interior designers fees and commission
- The viable product is up to the customers’ expectations

Accordingly, the team prepared a set of questions for end-users, interior
designers and home deco suppliers:

- Questions for end users:
  o Have you ever designed a house? If no, are you considering designing
    one?
  o How did you search for ideas?
  o Did you search online? Do you recommend any website?
  o Did anyone assist you? If yes, who and why?
  o Do you know any interior designer? If yes, why wouldn’t you hire him?
  o Do you consider hiring an interior designer? If no, why?
  o In case the cost is an issue, how much are you willing to pay to design
    one room?
  o Would you consider using an online professional support for the stated
    price?
  o How much did you pay (or would you pay) to decorate your home?
  o Would you consider a free online interior design service?
  o Would you consider buying furniture online? If yes, would you consider
    importing? If no, why?

- Questions for interior designers:
  o How do you identify your customers
  o How do you promote your work
  o How does the process of interior design go?
  o Do you consider giving an online interior design service?
- If no, why?
- If yes, how much are you expecting to get paid per room and how much
time are you willing to dedicate?
- Can you describe a potential process for online interior design service?
- How many apartments’ interior design projects can you handle
  simultaneously?

Questions for home deco suppliers:
- How do you market your product
- Do you use web based tools for marketing?
- If yes, which ones do you have and which ones are the most effective?
- If no, why?
- Do you consider selling your items online? If no, why?
- Do you consider referrals from professionals (architects and interior
designers) in your marketing strategy?
- If yes, what is their commission

b. The findings of end users:

High income interviews:

- Number of interviewed end users: 30 persons
- 58% of the interviewed were females
- Average age: 34
- Monthly Household income: Above 10,000$ per month
- 100% Already designed a house or were involved in decorating a living
  space
- The searching tools that they used:
- 46% searched online
- 27% Searched in magazines
- 27% Searched the market
- 54% asked for assistance in designing (relatives, partner, friends)
- 50% did know an interior designer
- 64% would consider hiring an ID
- 0% did hire an interior designer because of the high cost issue
- 58% would purchase online furniture
- 61% would consider using an online interior design solution
- 70% of respondents said that they had no minimum willingness to pay.
- 100% were skeptical about the freemium offering and reacted by asking how we would make money.
- 30% of respondents suggested an average of 9,500$ per room.

**Mid income interviews**

- Number of interviewed end users: 30 persons
- 40% of the interviewed were females
- Average age: 34
- Monthly Household income range: 4000$ to 7000$
- 100% are currently designing or have already designed and furnished their house or were involved in decorating a living space
- The searching tools that they used:
  - 80% searched online
  - 63% searched in magazines
  - 100% searched in the market
- 80% were confused when selecting their furniture
- 100% considered that time was a serious constraint
- 70% asked for assistance in designing (relatives, partner, friends)
- 30% did know an interior designer
- 100% didn’t consider hiring an interior designer
- 90% didn’t hire an interior designer because of the high cost issue
- 40% considered buying furniture online
- 60% preferred seeing and trying the furniture before buying
- 90% would consider using an online interior design solution
- 395$ is the average willingness to pay per room if designed online.
- 100% were skeptical about the freemium offering and reacted by asking how we would make money.

**Major conclusions for end users:**

1- One major finding regarding the free service was that they would be very skeptical regarding the offering. End users stated that they prefer to pay a minimum fee and get discounts on furniture rather than to go through the complicated “Freemium” process.

2- The high income segment has practically no constraints regarding his willingness to pay. However, this segment is expecting very high quality of interior design. On the other side, the mid-income segment is highly sensitive to price and is ready to sacrifice some of the traditional interior design offerings in order to get a free Interior Design service.

**Our solution should focus on the mid-income segment.**
3- The hypothesis regarding the problem suggested was revalidated for the middle income class. Our target middle income customers don’t have the skills to decorate their living space, enough time to search in the market for furniture and the budget to hire professional interior designer.

4- One major point to be addressed is that end-users should have the option of visiting the furniture shop to have a feel of the furniture before buying.

**The findings for Interior designers:**

- Number of interviewed interior designers: 2
- The first interviewed interior designer has an experience of 15 years
- The second interviewed interior designer has an experience of 7 years
- Both have a management position in their company
- Both designers get their customers through referrals
- Both designers promote their work through word of mouth
- 1 interior designer considered having his own website
- Both agreed on the feasibility of offering an online interior design solution
- Both insisted that the scope of the service to be offered should be well defined and clear for the customer.
- Both mentioned that the interior designers that join the platform should be well experienced to be able to deliver a consistent satisfactory service.

**Major conclusions for interior designers:**

1- Interior designers validated the possibility of offering an online interior design service.

2- Interior designers seemed to be interested in supplying an online interior design service.
3- A clear scope of service and a good selection for interior designers is essential.

**The findings for suppliers:**

- Number of interviewed suppliers: 5
- 4 are managing partners and 1 is the marketing manager.
- All are present in the market for more than 5 years.
- 100% use online marketing
- The mentioned marketing tools are: Facebook, Instagram and Website. One supplier uses radio station
- 20% considered direct online selling
- 60% had some of their prices disclosed online
- 80% mentioned that their main revenue is through referrals from interior designers.
- 20% didn’t consider paying a referral fee.
- 14% is the average referral fee that they accepted.

**Major conclusions for suppliers:**

1- The majority of suppliers seemed to endorse the concept of paying a referral fee.

2- Some suppliers seemed to be hesitant regarding the disclosure of their price online and considered it to be a competitive advantage that should not be shared.

3- All suppliers were actually considering and using online marketing.
C. Rationale for Pivot 2

The team found that the results of the last iteration are leading to a more valid value proposition. However, the major pivot that the team needed to do before developing a complete detailed business model was to drop the free interior design service. In fact, the team has learned that customers will question a free interior design service. Even more they will easily understand that the revenue that MoodFit will get from furniture suppliers is higher than the design service that itself. Thus, the freemium interior design will not be valued and will raise skepticism from the customer’s side. The team decided to simply decouple interior design from the supplied furniture shopping list. The end user will be paying a minimum design fee starting 300$ while benefiting from exclusive discounts from sponsored furniture suppliers.
A. Business Model Canvas – Version 3

1. Value proposition

Based on the findings of our first pivot, the new Value Proposition was the following:

“Online professional interior design for as low as $300 per room (around 1/10th of the cost of traditional interior design service) with exclusive discounts on furniture.”

2. Customer Segments

No major change was needed following the last pivot.

3. Channel

No major change was needed following the last pivot. MoodFit was still going to base its service on crowdsourcing interior designers.

4. Customer Relationship:

a. How to get MoodFit customer base?

Following the last pivot, the interior design service offered by MoodFit was not free anymore. Thus, in order to get a wider customer base, the team found that he needed to offer incentives targeting the early adopters. The newly married couples would get special discounts once referred from Real Estate developers. The team would also offer special discounts for the clients reached online. As an example the first 100 users would get a 50% lifetime discount on interior design services.
b. How to keep MoodFit customer base?

Along with the online community for interior designers, MoodFit would offer a 100% money guarantee policy. Offering this policy will guarantee that all our clients will keep coming to MoodFit for future interior designs and will do a positive word of mouth marketing.

c. How to grow MoodFit customer base?

Along with being active in Design events and expanding geographically, MoodFit would offer referral discounts for its clients. These clients will get additional discounts when referring new customers.

5. Key Resources:

No changes needed to be made on this section of the business model. The focus was still on delivering a pleasurable user experience through a well-developed reliable easy to use website.

6. Key Activities:

The process for End users, interior designers and furniture suppliers was slightly modified. The End user will not need to ask for the redemption of his initial deposit. He will simply pay the design fee after choosing his favorite interior designer. He will also receive a discounted shopping list at the end of the design process. The end user will be able to receive the discount from the furniture supplier by simply showing the discount code generated on his shopping list.

As for the sponsored supplier, MoodFit will aim to get exclusivity contracts in order to insure that our customers will get the lowest prices when referred by MoodFit
and that suppliers will only work with MoodFit as their sole online interior design service partner.

7. **Key Partners:**

No changes needed to be made regarding MoodFit’s key partners: The furniture suppliers, the interior designers, the investors and the Board of Advisors.

8. **Cost Structure:**

At this stage, the value proposition had reached a maturity level that enabled the team to develop a detailed cost structure with reliable figures. Having access to the data of local startups in the online business, we forecasted the following cost structure:

<table>
<thead>
<tr>
<th></th>
<th>FY0</th>
<th>FY1</th>
<th>FY2</th>
<th>FY3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>$3,000</td>
<td>$12,000</td>
<td>$24,000</td>
<td>$48,000</td>
</tr>
<tr>
<td>Rent</td>
<td>$3,000</td>
<td>$24,000</td>
<td>$36,000</td>
<td>$48,000</td>
</tr>
<tr>
<td>Accounting &amp; Audit</td>
<td>$0</td>
<td>$6,000</td>
<td>$12,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Legal Expertise</td>
<td>$0</td>
<td>$6,000</td>
<td>$12,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Hosting &amp; Servers</td>
<td>$300</td>
<td>$12,000</td>
<td>$18,000</td>
<td>$24,000</td>
</tr>
<tr>
<td>Hardware</td>
<td>$0</td>
<td>$12,000</td>
<td>$6,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>$0</td>
<td>$12,000</td>
<td>$6,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Stationery</td>
<td>$600</td>
<td>$6,000</td>
<td>$9,000</td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,900</strong></td>
<td><strong>$90,000</strong></td>
<td><strong>$123,000</strong></td>
<td><strong>$168,000</strong></td>
</tr>
<tr>
<td>D&amp;A</td>
<td><strong>$8,400</strong></td>
<td><strong>$12,600</strong></td>
<td><strong>$10,800</strong></td>
<td></td>
</tr>
<tr>
<td>Payroll Schedule</td>
<td>FY0</td>
<td>FY1</td>
<td>FY2</td>
<td>FY3</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>C-Level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghassan Abi Fadel</td>
<td>$0</td>
<td>$36,000</td>
<td>$48,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Tarek Jaroudi</td>
<td>$0</td>
<td>$36,000</td>
<td>$48,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Mohamad Sabouneh</td>
<td>$0</td>
<td>$36,000</td>
<td>$48,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>CTO</td>
<td>$0</td>
<td>$36,000</td>
<td>$48,000</td>
<td>$60,000</td>
</tr>
<tr>
<td><strong>Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Web Developer 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Backend)</td>
<td>$12,000</td>
<td>$24,000</td>
<td>$28,800</td>
<td>$33,600</td>
</tr>
<tr>
<td>Senior Web Developer 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Frontend)</td>
<td>$12,000</td>
<td>$24,000</td>
<td>$28,800</td>
<td>$33,600</td>
</tr>
<tr>
<td>Junior Web Developer 3</td>
<td>$9,000</td>
<td>$18,000</td>
<td>$21,600</td>
<td>$26,400</td>
</tr>
<tr>
<td>(Backend)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior Web Developer 4</td>
<td>$0</td>
<td>$9,000</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td>Junior Web Developer 5</td>
<td>$0</td>
<td>$0</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td>Junior Web Developer 6</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$18,000</td>
</tr>
<tr>
<td>App Developer 1</td>
<td>$0</td>
<td>$9,000</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td>App Developer 2</td>
<td>$0</td>
<td>$0</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td><strong>HR/Marketing/Accounting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$24,000</td>
</tr>
<tr>
<td>Office Manager</td>
<td>$0</td>
<td>$9,000</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td>Accountant</td>
<td>$0</td>
<td>$0</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td><strong>QA / Customer Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agent 1</td>
<td>$0</td>
<td>$9,000</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td>Agent 2</td>
<td>$0</td>
<td>$0</td>
<td>$18,000</td>
<td>$21,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$33,000</td>
<td>$415,200</td>
<td>$548,400</td>
<td></td>
</tr>
<tr>
<td>Head Count</td>
<td>7</td>
<td>11</td>
<td>16</td>
<td>19</td>
</tr>
</tbody>
</table>
9. Revenue Streams:

The team was also able to develop an initial complete revenue stream model
d. Payment flows

Payment flow for Interior Designer:

- Client chooses his favorite interior designer and pays a fee
- Fee is retained by MoodFit until the end of the process
- At the time of delivery, MoodFit releases the fee to ID after taking its share

Payment flow for Interior Designer:

- Client takes his code to make the purchase
- Once the code is used, the client receives his discount and MoodFit gets notified
- When notified, MoodFit will automatically receive its fee from the suppliers

e. Revenue and Pricing Hypothesis

Starting with the conservative assumption of 4 projects in the first month and a monthly growth rate of 15%, Moodfit is expected to generate revenue of $800K in the third year and become profitable. Moodfit will break even on its 6th year of Operation.

Detailed financial figures are available in appendix 01.
## Key Partners:
- Home deco suppliers
- Interior Designers
- Investors
- Board of advisors experienced in interior design and online marketplace

## Key Activities:
- Selection of Interior Designers
- Development of the UX
- Exclusivity contracts with suppliers
- Supply of available furniture to Interior Designers
- Service quality control

## Value Propositions:
MoodFit offers online interior design service for as low as 300$ per room with exclusive discounts on furniture from featured suppliers.

## Customer Relationships:
- Reach customers through sponsored suppliers, real estate developers and social media.
- Keep customers through Social Media presence, 100% money guarantee, good user experience.
- Grow customers through referral discounts and presence at Top Art Colleges.

## Customer Segments:
- Newly married couple
- Someone who just moved
- A couple having a newborn
- Someone have a New Office.
- Someone who is simply trendy.

All the segments listed above are considered to have a middle-income, to be internet users and to live in the MENA region.

## Key Resources:
- The software development and maintenance team
- Intellectual property
- The initial investment of around 75k$ (approximately 110k$)

## Channels:
- Online Crowdsourcing

## Cost Structure:
- Payroll (60%): software development and maintenance, Operations control, marketing and business development, top management, HR and other supporting departments
- Marketing (15%) (approximately 11%)
- Rent and SG&A (15%)
- Other Expenses (10%)

## Revenue Streams:
- Referral fee from Supplier (5 to 15%)
- Percentage on interior design fee (20%)
CHAPTER 8
THE TESTING PHASE

Following the previous iterations, the team needed to have a feel of the reaction of end user regarding the service offering according to the last business model. Thus, we needed to develop a Minimum Viable Product and track the traction of the end users.

The first idea was to create a landing page followed by a website offering the basic service. However, the team found that there was a better way to test our value proposition by creating a Facebook page that is both cheaper and faster to build. The Facebook page would offer all the basic services: the end user could post the job, get bids from interior designers, choose the favorite interior designer and get the furniture plan and a shopping list.

1. Landing Page

A landing page is a single page to which users get redirected either from a call to action button or from online ads.

There are two types of landing pages:

1- Capture market insight
2- Warm up tool for potential future clients

The team decided to create a landing page for both above reasons. The content of the first version of our landing page would contain the following information:
MoodFit: Interior design, A Luxury for Everyone

We believe that through an online channel we can bring interior designer talent to EVERY space

MoodFit offers online professional interior design for as low as 300 $ per room.

Register now and benefit from a 50% lifetime discount on all your designs (up to 5 requests per year):

Name: ____________________
E-mail: ____________________
Phone number: ____________________ (optional)

Beta Version Launching date: 01/11/2015

The landing page would be run on Facebook ad. It would allow the management team to collect data about how attractive the idea is to the users. It will also help them grow an installed base and get the contacts of potential future clients. In return, MoodFit will be offering a 50% lifetime discount as an incentive for people to register on the landing page. Following the feedback of 5 potential end users, we found that the information could be less technical and more appealing. Consequently, we modified and updated our landing page.

While the emphasis was on providing luxury for everyone, the focus now is on personalized, affordable and easy. Our aim was to have an approach that is less
technical and that brings the readers' attention to the ease of the experience. Our landing page in its modified version would have the following information:

**Online Personalized Interior design, Affordable and Easier than Ever**

Adding a pleasurable experience to your living spaces

Get your Interior Design for as low as 300 $ per room

Register now and benefit from a 50% lifetime discount on all your designs

(up to 5 requests per year)

Name:____________________

E-mail:____________________

Phone number:______________

Beta Version Launching date: 01/11/2015

---

2. **Minimum Viable Product**

A Minimal Viable Product (MVP) has a goal of maximizing learning while minimizing risk and investment. The main goal of an MVP is to help the company better understand and validate hypothesizes and assumptions. Minimum stresses on the fact that it should require the minimum investment in resources, time and money. Viable stresses on the fact that the product should have a minimum amount of features that solve the main problem of the end user.

a. **A minimalist Website**
We suggested at first a Wizard of Oz MVP. This type of MVP means that the team should manually take care of the process. The end user would enjoy the experience without being aware of the manual process. Our MVP would be a website that includes three main features:

- **Browse for Ideas**
  - By room
  - By designer
  - By style
  - By supplier
  - By location

- **Ask for Design**
  - Ask for design
  - Choose which room you want to design
  - Complete lifestyle questionnaire*
  - Register
  - Meet your matched designers
  - Upload photos of your space
  - Upload pictures of furniture you want to keep

- **My Selection**
  - Favorite designers
  - Stuff I liked
  - My uploads

*The lifestyle questionnaire will help the platform, to understand the style and needs of the client and render the matching mechanism highly efficient. Each client will be matched with a number of interior designers who best fit his taste and requirements.
<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- How many people live at this residence?</td>
<td></td>
</tr>
<tr>
<td>2- Do you have pets?</td>
<td></td>
</tr>
<tr>
<td>3- Do you have children? If so, what are their ages?</td>
<td></td>
</tr>
<tr>
<td>4- Phone number to reach you if any further information is needed</td>
<td></td>
</tr>
<tr>
<td>5- What colors are you generally attracted to?</td>
<td>a. Cool Tones (blues, greens, purple)</td>
</tr>
<tr>
<td></td>
<td>b. Warm Tones (red, orange, yellow)</td>
</tr>
<tr>
<td></td>
<td>c. Neutrals (white, beige, brown)</td>
</tr>
<tr>
<td></td>
<td>d. Pastels (mint, green, light pink, lilac)</td>
</tr>
<tr>
<td>6- Do you have any favorite furniture brands?</td>
<td></td>
</tr>
<tr>
<td>7- Are there any brands that you would prefer your designer to avoid?</td>
<td></td>
</tr>
<tr>
<td>8- What are the names of the people, or the name of the person we are designing for?</td>
<td></td>
</tr>
<tr>
<td>9- What do you use this room for?</td>
<td>a. Work/Study</td>
</tr>
<tr>
<td></td>
<td>b. Watch television</td>
</tr>
<tr>
<td></td>
<td>c. Play (arts and crafts, games, etc.)</td>
</tr>
<tr>
<td></td>
<td>d. Dine</td>
</tr>
<tr>
<td></td>
<td>e. Host/Entertain</td>
</tr>
<tr>
<td></td>
<td>f. Sleep</td>
</tr>
<tr>
<td></td>
<td>g. Other</td>
</tr>
<tr>
<td>10- How do you want the room to feel?</td>
<td>a. Cozy</td>
</tr>
<tr>
<td></td>
<td>b. Formal/Elegant</td>
</tr>
<tr>
<td></td>
<td>c. Bohemian</td>
</tr>
<tr>
<td></td>
<td>d. Playful</td>
</tr>
<tr>
<td></td>
<td>e. Calming/Serene</td>
</tr>
<tr>
<td></td>
<td>f. Clean/Streamlined</td>
</tr>
<tr>
<td>11- How many people do you need to seat in this space?</td>
<td>a. 0-4</td>
</tr>
<tr>
<td></td>
<td>b. 4-8</td>
</tr>
<tr>
<td></td>
<td>c. 8-12</td>
</tr>
<tr>
<td></td>
<td>d. Other</td>
</tr>
<tr>
<td>12- Who shares this space?</td>
<td>a. Partner</td>
</tr>
<tr>
<td></td>
<td>b. Kids</td>
</tr>
<tr>
<td></td>
<td>c. Pets</td>
</tr>
<tr>
<td></td>
<td>d. Roommates</td>
</tr>
<tr>
<td></td>
<td>e. Guests</td>
</tr>
<tr>
<td>13- Are you interested in repainting?</td>
<td>a. Yes/No</td>
</tr>
<tr>
<td>14- Are you interested in wallpaper?</td>
<td>a. Yes/No</td>
</tr>
<tr>
<td>15- Do you need windows coverings?</td>
<td>a. Yes/No</td>
</tr>
</tbody>
</table>
At the end of this exercise the team had a very clear idea about the way the platform functions and about the content and processes. However, the platform was now more of a beta version and more than $10,000 of investment was needed to create it.

The team decided to take a step back and design a simpler MVP. We found that the available features of a Facebook page can deliver the minimum requested service. The team was aiming to create traction on the Facebook page by building awareness around the concept, getting projects, and learning from the experience. The page will help the team capture clients' needs, likes and dislikes, and requirements.

b. A Facebook Page

The team found that a Facebook page can provide us with the tools needed to test an online interior design service. Even though the tools are not optimized, every step of the process could be performed on Facebook. Some steps would definitely require a manual intervention from our side.

When creating the page, the team used the cover photo to describe the online interior design process in 3 easy steps. The cover photo is shown below:
Figure 14 - Cover Photo on Facebook Page

The team used the page info section to describe the process in more details as shown below:
We then posted an example on the timeline of the page to show the end users how to post a job. The example is shown below:
We also used the Facebook page to create brand awareness and trust by regularly posting interior design tips and information. We also used the page to promote an interview on our startup with one regional Arabic newspaper. The page was able to attract more than 400 users and got us two jobs to test our concept and 4 interior designers to bid. The first job was posted on the timeline. 3 interior designers suggested mood boards for the client. The client chose one Interior Designer who submitted two

Figure 16 - Example for Posting a Job on MoodFit's Facebook Page
options for him. The client chose one option. The interior designer is currently in the phase of selecting furniture for this client. The second client is currently discussing with his partner the options submitted by 3 interior designers and is expected to answer in 1 week. Screenshots for both projects are shown below:

**First Client:**
Learning from Facebook page:

- **Introducing the designers to end users:** Users are very keen to know the profile of the interior designers that bid for their job. We requested from interior designers to send us a portfolio. We gave them an example to insure that designers follow a similar standard.

- **The issue of Privacy:** The Second client requested to post his job privately. We created a Facebook account “MoodFit Booth” now “M Booth” to enable him to post his job request privately and we invited the interested interior designers to join the conversation and suggest mood bards.

- **Emphasizing on discount from furniture suppliers:** both clients were keen to know more about the discounts that they will get from furniture suppliers. They insisted that it is one factor that contributed in making them choose the online interior design solution.
- **Standard format for submittals**: We found that every interior designer had his own different way in presenting his mood boards and designs. Thus, we felt the need of communicating a standard format for interior designers to use in their submittals.
CHAPTER 9

PREPARING FOR THE FIRST PITCH

The team has so far gathered enough information and pivoted enough times to have a complete set of material for their first pitch.

The problem is that people do not enough time and skills to decorate their homes. They also do not have enough money to hire an interior designer.

MoodFit is offering online professional interior design for as low as $300 per room. This value proposition would help end users solve their problems.

3. The platform functions as follows:

- End users discover their style by browsing uploaded library
- End users upload pictures of their spaces
- Multiple interior designers upload mood boards for users to choose from
- End users choose their favorite designer
- End users communicate with their interior designer for a period of two weeks to develop the design
- At the end of the process, end users receive a furniture layout and a shopping list with exclusive discounts

4. Benefits for end users:

- Designer touch at an affordable price with a pleasurable user experience
- Save time given the short process of two weeks
- Save money on their furniture as a result of the exclusive discounts

5. Benefits for interior designers:

1- More exposure which is backed up by the users’ ratings
2- More revenues; interior designer will benefit from their idle times for work on these projects
3- More efficiency given the fact that interior designers do not need to interact face to face with end users
Our early adopters will be newly married couples with middle incomes. On a later stage, MoodFit will be targeting the MENA region.

6. **MoodFit will reach its customers through:**

1- Social media: MoodFit early adopters are heavy users of social media
2- Real estate developers and brokers most newly-wed buy new homes
3- Architecture and interior design influencers
4- Sponsored suppliers who will benefit from more sales
5- Interior design schools to recruit new graduate talents

7. **MoodFit competition**

Traditional competition:

1- Do it yourself
2- Furniture suppliers from a free decoration service
3- Traditional interior design agencies

Online competition:

1- Houzz
2- Laurel and Wolf

Online competition is not considered to be a threat because it is only operating in the west. Cultural barriers and the lack of MENA market knowledge will render this competition minimal.

MoodFit has several competitive advantages. Each competitive advantage help MoodFit beat its competition in different key success factors. The table below shows MoodFit's position compared to competition.

<table>
<thead>
<tr>
<th>Key Success Factor</th>
<th>DIY</th>
<th>Tradition ID agency</th>
<th>In house Supplier ID</th>
<th>Houzz</th>
<th>Laurel and Wolf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>MF Wins</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### MoodFit revenues:

1. Percentage commission on interior design job
2. Referral fee from suppliers

### The management team:

<table>
<thead>
<tr>
<th>Quality of Interior Designs</th>
<th>User Experience</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handled By</td>
<td>User Experience</td>
<td>Profitability</td>
</tr>
<tr>
<td>Tarek Jaroudi</td>
<td>Ghassan Abi Fadel</td>
<td>Mohamad Sabouneh</td>
</tr>
<tr>
<td>Experienced in Architecture</td>
<td>Operations Management</td>
<td>VC firms</td>
</tr>
<tr>
<td>Design Standards</td>
<td>Ease of Use</td>
<td>Pricing</td>
</tr>
<tr>
<td>Will Work on</td>
<td>Reliability</td>
<td>Payment methods</td>
</tr>
<tr>
<td>ID filtering</td>
<td>Communication and Marketing</td>
<td>Contracts with suppliers</td>
</tr>
<tr>
<td>Designs control</td>
<td>Quality control</td>
<td></td>
</tr>
<tr>
<td>control</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Each member of the management team will be responsible for specific tasks. The variety of skills within the team makes the combination holistic. However, the team believes that a technical member should be added in order to be able to handle issues related to the online platform.

#### The roadmap

- The process of validation, iteration and pivoting that took place so far
- MVP
The team is planning to get traction on the MVP in order to be able to get funding at the beginning of May 2015. The team will then registers a legal entity, create a beta version of the platform, recruit more interior designers, develop suppliers market and lunch publically during the month of September.

The team needs an initial funding of $75,000 in order to perform the following tasks:

- Build and Launch Website
- Software development and maintenance
- Marketing Expenses
- Operations control
- Top management
- HR
- Office rental
- SG&A expenses
REFERENCES


