

Sentièl Watches: An Analysis from a Design Innovation Methods' Perspective

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Abstract

Sentièl Watches is a collective e-commerce effort of three students. Our goal is to find an innovative way to use persuasive technology to increase sales across a variety of consumer goods; increasing so-called *impulsive purchases* by lowering cognitive thresholds. The first step is through our website and Instagram Profile, offering watches. The purpose of this paper is to examine how methods such as the *Business Model Canvas*, *Get-Keep-Grow*, and *Product-Market-Fit* can help Sentièl Watches grow its operations.

The initial Business Model can be described as a hybrid of the *Premium Business Model* and the *Value-Added Reseller*, selling directly to end-users (B2C). The value proposition is to offer mid-range minimalist quartz watches (50-150 euros) that stand out because of their branding and low-threshold ordering process.

Considering the initial target demographic of students and young professionals, Instagram is the place to be. We regard our Instagram followers as a group of interested people, and narrow them down by age, gender, interests, education, and country, to precisely target this segmented demographic using the Instagram Ads platform. Newsletters, seasonal sales, and Instagram ads will help us maintaining a good customer relationship.

We believe that an average selling price of 60 euros a watch is reasonable, considering the competition. The Net Profit is estimated to be around 108,000 euros annually, based on the estimated exposure, conversion rates, and the size of the target demographic.

Finally, a business plan to validate our business model and product-market-fit is discussed. Since Instagram is a key component of the Business Model, we should initially aim for 5.000 followers, which would result in 100 orders (hypothesis). If the Instagram Ad costs exceed one sixth of the product retail value, we may need to pivot from our value proposition, or increase prices. To what extent the product really fits the market, is to be examined after the initial period of 100 products sold.

Keywords: Product-Market-Fit, Business Model Canvas, Get-Keep-Grow, E-Commerce, Case Study, User Experience Design Research

Adopting a New Online Strategy with Sentièl Watches

A significant majority of Dutch young adults are frequently active on social media (NOS, 2020). In fact, this Dutch generation is the second most technology-savvy of all EU countries (Dutch Central Bureau of Statistics, 2020). How can e-commerce use new channels to grow their businesses, using Design Innovation Methods?

In order to answer this question, I consider an e-commerce initiative that aims to better align online behavior of students and young professionals with online marketing tools and product offerings (Sentièl Watches, 2020). This startup, Sentièl Watches, is a collective effort of an Erasmus University student (Business Economics), a Leiden University student (Law studies), and me (Presspective Media Group, 2019). The current online presence (Figure 1, Appendix A) focuses on watches (Appendix B), but our goal is to find an innovative way to use persuasive technology (Cialdini, 1984) to increase sales across a variety of consumer goods; increasing so-called *impulsive purchases* by lowering cognitive thresholds.

The purpose of this paper is to examine how methods such as the *Business Model Canvas* (Osterwalder et al., 2004), *Get-Keep-Grow* (Blank & Dorf, 2012), and *Product-Market-Fit* (Osterwalder et al., 2014) can help Sentièl Watches grow its operations. Throughout this paper, I highlight themes provided in the course DAB200 Design Innovation Methods (Eindhoven University of Technology, 2020). Finally, I propose a plan on how we can test our Business Model and validate the Product-Market-Fit.

Figure 1

Desktop Homepage of Sentièlwatches.com, Showing the Initial Product Offering



Note: This image is subject to change. Date: 03-04-2020.

Business Model Canvas Preliminary Analysis

In this section I examine the key components of the existing business strategy. To this end, I use the Business Model Canvas, as proposed by Osterwalder et al. in 2004. Sentièl Watches uses SMART goals (Doran, 1981) to achieve its objectives.

Preliminary Business Model Canvas

The project kicked off as a spin-off of a previous project (Presspective Media Group, 2019). The lessons we learned during this 2019 project we incorporated in a new business model (Figure 2). We decided to use the Premium Business Model (high margins) as a starting point, and add value by offering

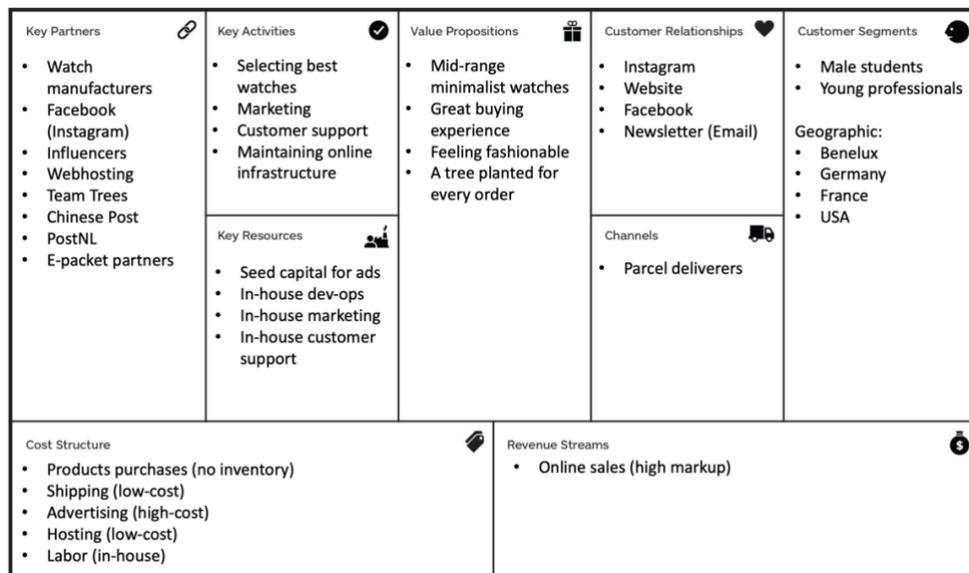
an excellent buying experience (Appendix C), operating as a Value-Added Reseller (VAR) of the Original Equipment Manufacturers (OEM's).

The value proposition is to offer mid-range minimalist quartz watches (50-150 euros) that stand out because of their branding and low-threshold ordering process (Almquist, Senior, & Bloch 2016). Later on, the idea arose to include 'one tree planted' (Sentièl Watches, 2020) for every order, because we believe this speaks well to our audience. Since our team consists of male students, we decided to target this demographic first. It is easier to align customer needs if you can more easily relate to them. Considering this initial target demographic (students and young professionals), Instagram is the place to be (Mohsin, 2020).

Looking at Maslow's Hierarchy of Needs, the needs Sentièl Watches addresses are at the top of the 'needs pyramid'. Accessories within this price range align with the needs 'Esteem' and 'Belonging' (Maslow, 1943), since the focus is more on fashion than on necessity (Sentièl Watches, 2020).

Figure 2

Preliminary Business Model Canvas, Sentièl Watches



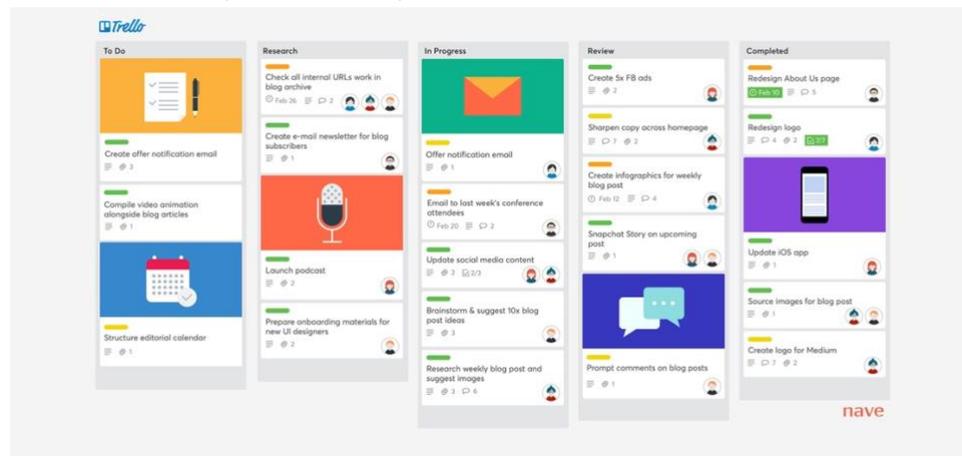
Note: This canvas was created before the start of the analysis in this paper. See page 8 for the final version. The suppliers are confidential and therefore not further specified.

SMART Goals

We use Trello (Figure 3) to keep track of our progress. Trello is an online Kanban tool which has built-in functions for SMART Goals (Drake, 2019; Doran, 1981). We agreed to give all 'cards' a very specific name, e.g. 'Create welcome newsletter for new subscribers' rather than 'create newsletter'. Most tasks are related to marketing and dev-ops (Key Activities). If necessary, we decompose a task using a check list, e.g. 'write newsletter text', 'make it look pretty', 'create conditions', and 'create unsubscribe button'. This way, the task is measurable. Of course, a task should be realistic as well. 'Grow business with 50% in next two weeks' is not realistic. Finally, all of our tasks have a deadline to achieve the tasks in a timely manner.

Figure 3

Trello Board Example (Kanban) by Atlassian 2019



Note: This board was created as an example by Siderova in 2019. The Sentiël Watches board is very similar in structure.

Get-Keep-Grow: Online Marketing Methods to Attract Customers

Let's have a look at the Get-Keep-Grow method as described by Steve Blank et al. in 2012. Applying the Get-Keep-Grow method requires a deep understanding of Product-Market-Fit, customer relations and customer channels (Bubenheim, n.d.).

Get: Instagram Ads and Influencers

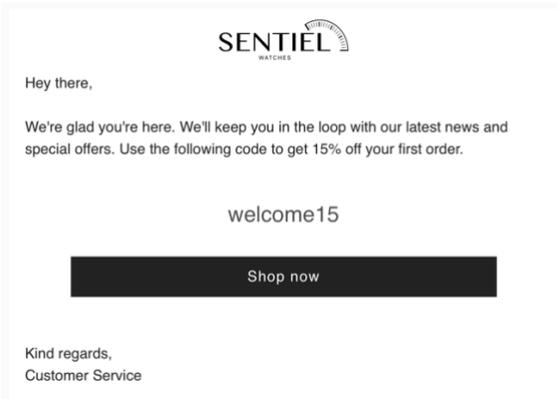
The initial step to get customers is to gain traction on Instagram. Our approach is to provide high quality content that is not yet focused on conversion, but rather on brand awareness. We consider our followers as a group of interested people, and narrow them down by age, gender, interests, education, and country to precisely target them using the Instagram Ads platform. Over time, we hope more and more people consider ordering our products. To convert to sales, we are planning to collaborate with Instagram influencers that have a large base of followers that coincide with our followers. This collaboration will be commission-based, to avoid large upfront investments. This way, we use the power of social proof to convince our audience to buy (Cialdini, 1984).

Keep: Newsletter, Seasonal Sales, and Instagram

Using newsletters, seasonal sales, and Instagram ads will help us maintaining a good customer relationship. We use MailChimp to distribute newsletters to existing customers, using conditional logic and personalized campaigns (Mailchimp, n.d). Next to that, seasonal sales and product updates will help to keep our audience engaged, both through email and Instagram, which are free to use. Additionally, we provide coupons to stimulate second time purchases as well (Figure 4).

Figure 4

Thank You for Your Order (Email), Sentièl Watches



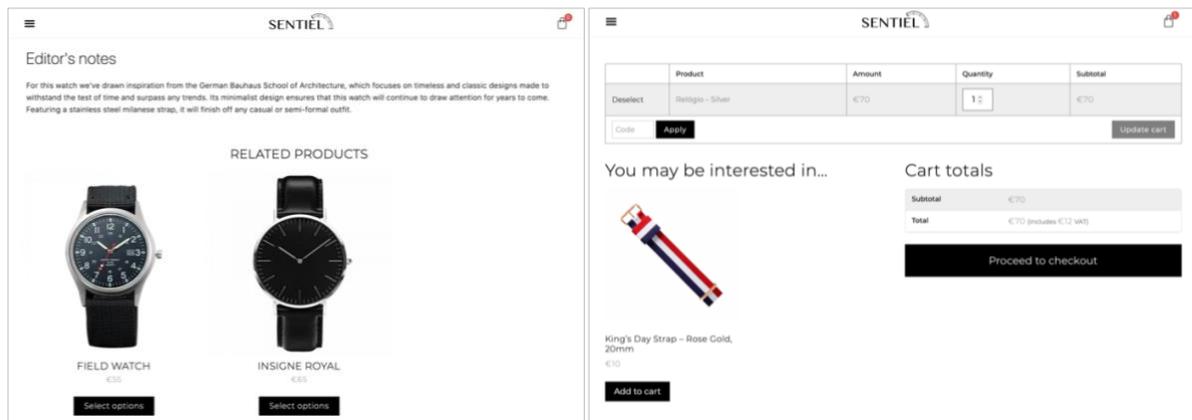
Note: In order to comply with GDPR legislation, it is required to add an 'unsubscribe' button to promotional emails.

Grow: Second Strap for Free, Up-Selling & Cross-Selling

To encourage people to spend over 100 euros, we offer a second strap for free for all orders exceeding 100 euros (Sentièl Watches, 2020). Furthermore, we utilize the methods of up-selling and cross-selling (Figure 5) to increase product awareness and per-customer sales value (Levine, 1996).

Figure 5

Examples of Up-Selling and Cross-Selling on Desktop Version of Sentièlwatches.com



Note: The up-selling is displayed on the product page, whereas the cross-selling is displayed on the cart page.

Product-Market-Fit

Product-market-fit is established when our value proposition, channels, and customer needs are in alignment. Therefore, it's helpful to analyze existing product offerings of competitors in relation to production costs, which are fixed. Since we cannot change production costs, we should address the costs aspect from a marketing perspective. Narrowing down the customer segment and improving the user experience are the most effective (Osterwalder et al., 2014).

Competitors Analysis and Estimated Income

We believe that an average selling price of 60 euros a watch is reasonable, considering the competition (see Tayroc; Mats Meier; MVMT; Daniel Wellington, n.d.), which all offer similar quality watches for higher prices, or higher quality watches for even higher prices. Taking into account all expenses and taxes, the expected Net Income is calculated in Table 1. The Net Income is 50 percent of the Revenue, which is considered a high Net Profit Margin (Investor Words, n.d.). This means that there is room to lower the price if we believe this can increase sales (Furr & Dyer, 2012). To establish the best pricing, we may need to calculate the Price Elasticity of Demand (Marshall, 1920).

Table 1

Revenue and Income Hypothesis for 100 Products Sold (To Be Validated)

Revenue		
	Products Sold	€ 6,000
	Total Revenue	€ 6,000
Expenses		
	Product Purchases	€ - 700
	Product Shipping	€ - 200
	Product Returns	€ - 150
	Instagram Ads	€ - 1,000
	Instagram Commissions	€ - 500
	Hosting & software	€ - 50
	Total Expenses	€ - 2,600
Operating Income		€ 3,400
Taxes		
	EU VAT	€ - 800
	Pre-Tax	€ 400
	Total Taxes	€ - 400
Net Income		€ 3,000

Note: This calculation is based on internal documentation and correspondence with business partners.

Target Demographic

We narrow down our target demographic by country, gender, age, Instagram usage, and more (Table 2). Around 4 million people can be considered our target demographic. To estimate the full potential of the startup, we have to make an assumption (Eisenmann, Ries, & Dillard, 2011). Let's assume that we can reach 10 percent of the target demographic (exposure), and convince 1 percent to order a watch (Hootsuite, 2019). This would result in 3,600 sales with a value of 216,000 euros. The Net Profit would then be around 108,000 euros annually.

Table 2*Target Demographic Segmentation of Sentièl Watches*

Segmentation	Percentage	Number of people
Benelux, France, Germany, USA	6.5%	500 million
Male	50%	250 million
15-29 years	17%	42,5 million
Instagram usage	80%	34 million
Follow a brand on Instagram	50%	18 million
Shop on Instagram	20%	3,6 million

Note: This calculation is a very rough estimation, based on different sources (Eurostat, n.d.; Instagram, n.d.; Hootsuite, 2019).

Revisited Business Model

Based on the insights so far, let's update the Preliminary Business Model Canvas (Figure 6). The revenue and costs estimations are added, as well as a market size estimation. Based on Table 1, I conclude that our personal savings are sufficient for initiating the first 100 sales (seed capital). From there on, reinvesting profits will keep the operations moving. Since we make use of commission-based marketing in collaboration with influencers, and we do not keep an inventory, upfront investments are low. Lastly, our value proposition stays the same, but will be subject to more validations.

Figure 6*Business Model Canvas, Sentièl Watches*

Key Partners  <ul style="list-style-type: none"> • Watch manufacturers • Facebook (Instagram) • Influencers • Mollie (Payments) • Webhosting • WooCommerce • Team Trees • Chinese Post • PostNL • Other E-packet partners 	Key Activities  <ul style="list-style-type: none"> • Marketing • Selecting best watches • Customer support • Maintaining online infrastructure 	Value Propositions  <ul style="list-style-type: none"> • Mid-range minimalist quartz watches • Great buying experience • Feeling fashionable • A tree planted for every order 	Customer Relationships  <ul style="list-style-type: none"> • Instagram <ul style="list-style-type: none"> • Get / Keep • Newsletter (Email) <ul style="list-style-type: none"> • Keep • Website <ul style="list-style-type: none"> • Grow (Up-selling) 	Customer Segments  <ul style="list-style-type: none"> • Male students • Young professionals <p>Geographic:</p> <ul style="list-style-type: none"> • Benelux • Germany • France • USA <p>Shop on Instagram</p> <p>3,6 million</p>
Key Resources  <ul style="list-style-type: none"> • Seed capital for ads • In-house dev-ops • In-house marketing • In-house customer support 		Channels  <ul style="list-style-type: none"> • Website (direct sales) • Parcel deliverers 		
Cost Structure  <ul style="list-style-type: none"> • Products purchases (low-cost; no inventory) • Shipping (low-cost) • Marketing (high-cost) € 108,000 • Hosting (low-cost) • Labor (in-house) 		Revenue Streams  <ul style="list-style-type: none"> • Online sales (high markup) <p>€ 216,000</p>		

Note: The suppliers are confidential and therefore not further specified.

Future Validation Plan

I order to validate the product-market-fit, I propose the following sequential tests (Lean Startup); the so-called 'lines in the sand' (Furr & Dyer, 2012).

5,000 Instagram Followers

Since Instagram is a key component of the Business Model, we should aim for 10.000 followers, which would result in at least 100 orders, following the logic that one percent of followers orders one or more watches as previously stated. However, orders may also originate from word of mouth, printed ads, and/or internet searches. Let's therefore set the bar at 5,000 followers. If at this point we are not able to generate 100 orders, while taking into account a customer consideration delay, we may need to pivot from our value proposition.

Instagram Ads

Instagram Ads are the costliest component of our Business Strategy. Therefore, we should evaluate the clicks-conversion-rate (Nicholas, 2020) on a weekly basis. If the Instagram Ad costs exceed one sixth of the product retail value (Table 1), we may need to pivot from our value proposition, or increase prices.

Commission-based Sales

Instagram Influencer collaborations will be commission-based (affiliate marketing), meaning that there is no additional risk involved (no cure no pay). The worst thing that can happen is that we do not generate additional sales. Therefore, setting a target may be a bit arbitrary. However, since we have to start somewhere, let's consider the exposure estimation as considered before, and set the bar at one order for every 1,000 followers the influencer engages with. The commission is set at 5 euros for every order. We keep track of this using coupon codes, in order to pay influencers and see who is selling the best.

To what extend the products really fit the market, is to be examined after the initial period of 100 products sold (Table 1).

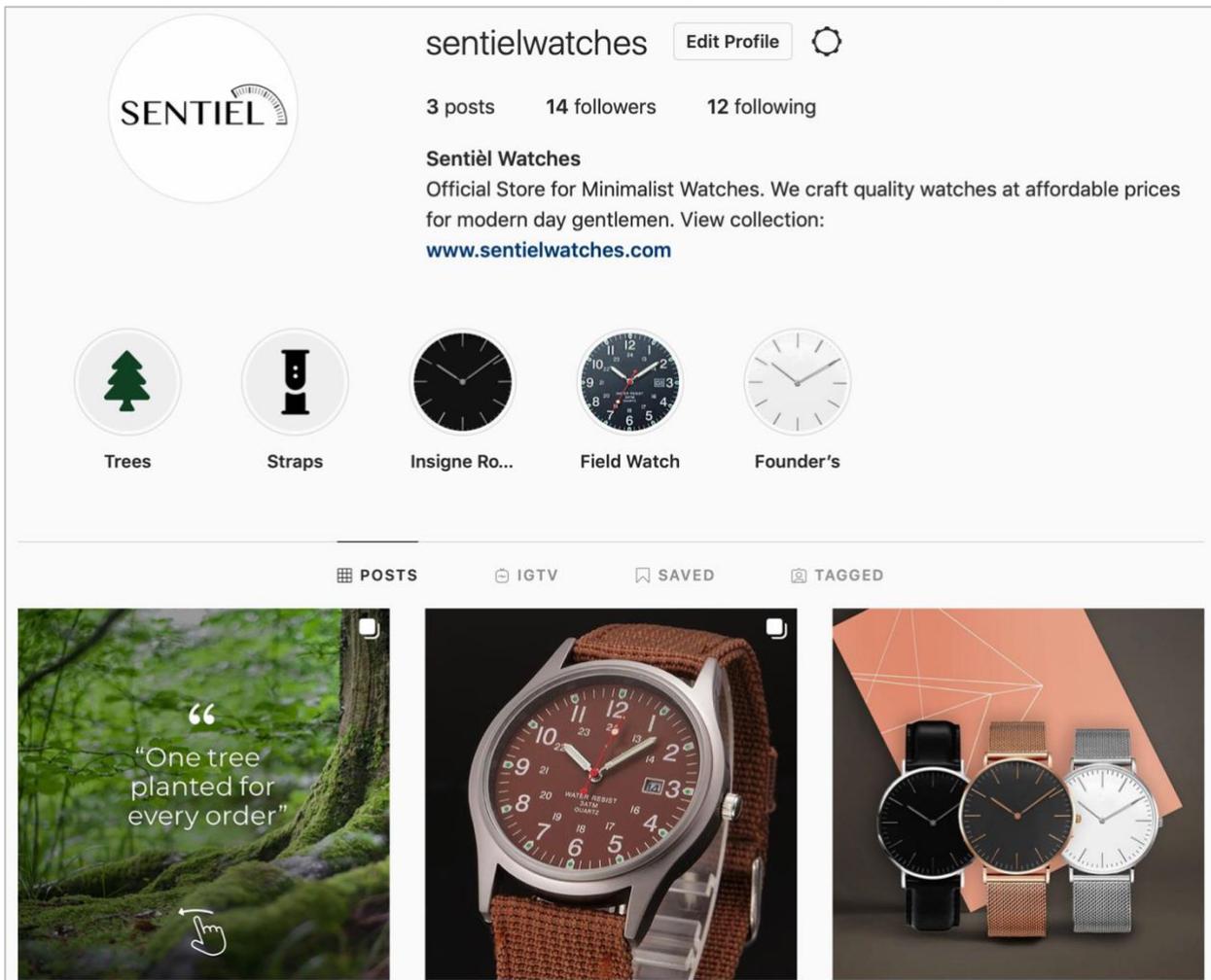
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Appendix A

Desktop Instagram Profile Page of Sentièl Watches, Showing the Initial Product Offering



Note: This image is subject to change. Date: 03-04-2020.

Appendix B

Desktop Product Overview Page of Sentielwatches.com, Showing the Line-Up



Note: This image is subject to change. Date: 04-04-2020.

Appendix C

Additional Selling Points on Product Page of Sentielwatches.com

FIELD WATCH

The Field Watch has a more rugged look, and features a cotton NATO strap, which allows you to separate from the crowd.

€55

COLOR

-  Free worldwide shipping
-  9-18 business days express delivery
-  One new tree planted
-  Complimentary strap over €100
-  30 day money back guarantee
-  2 year warranty
-  Secure checkout
-  Includes VAT & duty

Note: This image is subject to change. Date: 04-04-2020.