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# Warby Parker: How to grow while expanding sustainable business model

PaderCon

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# Driving Question & Mandate

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How can Warby Parker grow and continue to meet their social commitment in a sustainable way ?

Develop a strategy to continue the company's growth path and expand their sustainable commitment program throughout the world

# Our Solution at a Glance

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1. Expand store network in US and introduce new product (line) while keeping low prices
2. Strengthen distribution network in developing countries through NPO partnerships

Costs: \$ 60m

Benefits: \$ 75m

# Agenda

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- **Analysis of Status Quo**
- Evaluation of Alternatives
- Detailed Implementation Plan
- Future Outlook
- Conclusion

# Sustainable Business Model with excellent customer service

## Vision:

*“Sell classically crafted eyewear at a revolutionary price...while addressing social challenges”*

### Business Model

- Eyewear manufacturer/designer and distributor
- 1 million glasses sold
- “Buy one pair, we donate one pair”
- Partnerships with NPOs

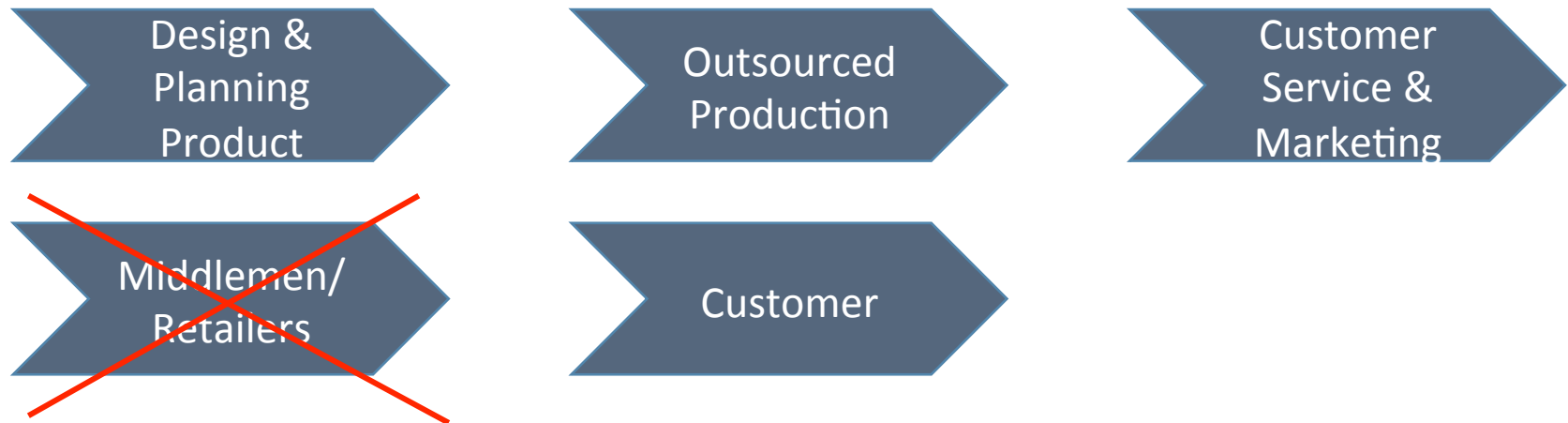
### USP

- Beautifully designed products at a lower price (\$100/pairs)
- Excellent **customer service** in order to keep customers a lifetime
  - Free shipping & returns
  - Payment of optometrist bills
  - Customer Calls are answered within 96%

➤ **Business Model adding value to the customer & community**

# Your Value Chain & Product Portfolio

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## Product

- \$100 / pair      Industry average: \$263 / pair
- Own designers for individual stylish design

➤ **Warby bypasses the middlemen/retailers**

# How do you sell your product?

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- Online Shop ➔ virtual showrooms & free orders for try-on
- Partnerships with non-profit organizations
  - Community Enterprise Solutions
  - Vision Spring
  - 24 countries (5% donations in the US)
- 6 Showrooms
- 8 stores inside boutiques / retail locations
- 7 exclusive Warby Stores ( Books etc)
- Warby Parker Class Trip ➔ mobile store

➤ **High sales / square foot in showrooms and stores**

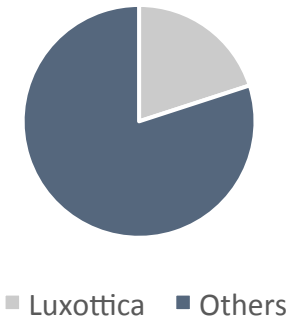
# Which competitors are in the market?

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## Market

- **Industry:** \$16 billion US prescription glasses
- **Luxottica:** market leader
  - Ray-Ban, Persol & Oakley

## Market share



➤ Your brand outperforms the competition in price and vision

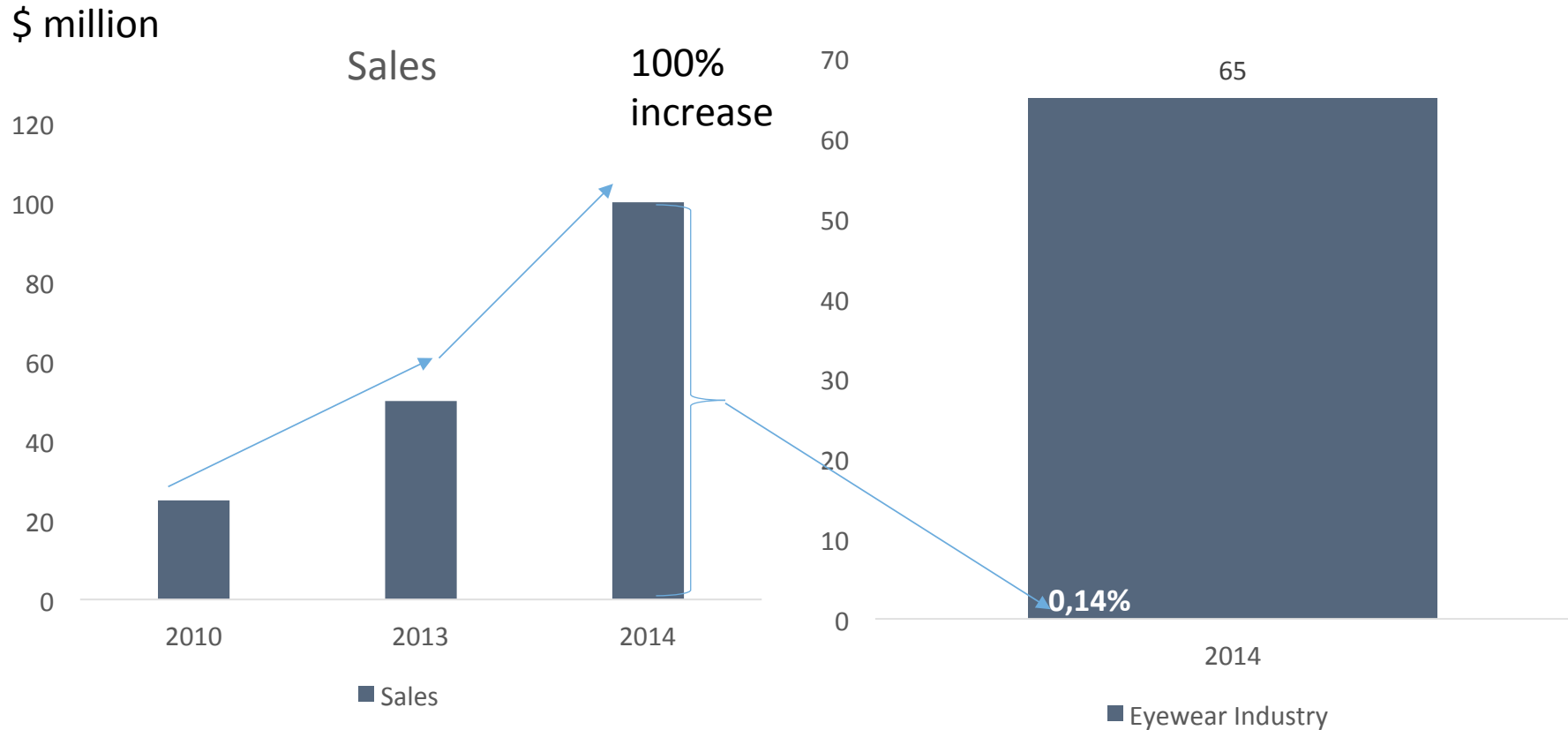


# Financial Grid:Basis

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- Strong Balance Sheet
- Strong Gross Margin
- Strong Revenue Growth

# Financial Grid: Sales and Market



➤ **0,14 % of the market and Strong Sales increase of 50%**

# Financial Grid: Challenges

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- Double Sales and Market Share
- ...and sustain Gross Margin

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# Paths to sustainable success

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**1. Profitable growth in developed markets**

**2. Expand distribution in developing countries**

# Ways to grow

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## Profitable growth in developed markets

Geographic  
expansion













Expand product  
portfolio

Raise average  
prices

- Fit with company values
- Long-term orientation
- Cost
- Feasibility

# Ways to grow

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	Geographic expansion	Expand product portfolio	Raise average prices
Fit with company values			
Long-term orientation			
Cost			
Feasibility			

# Ways to grow

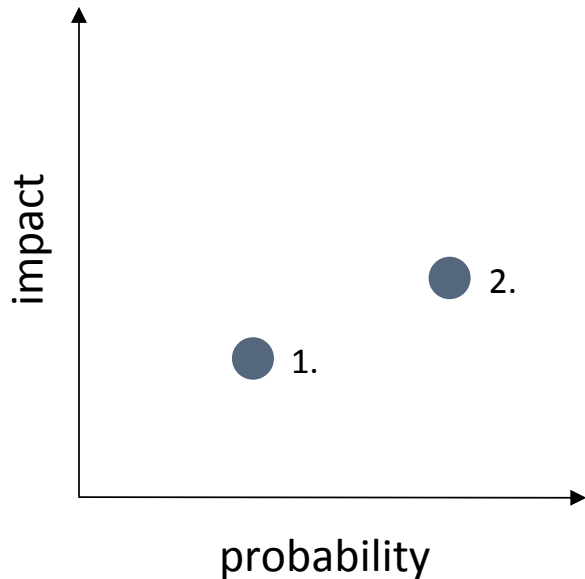
	Geographic expansion	Expand product portfolio	Raise average prices
Fit with company values	●	●	●
Long-term orientation	●	●	●
Cost	●	●	●
Feasibility	●	●	●

➤ **Geographic expansion within US & introduction of new products**



# Contingencies

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1. Hearing aids not perceived as lifestyle device  
→ Test markets
2. Competition lowers prices as well  
→ Focus on USP

# Ways to help

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## Expand distribution in developing countries

Own distribution

Partnerships with  
NPOs

Partnerships with  
commercial retailers

- Reach
- Fit with business model
- Sustainability
- Cost

# Ways to help

	Own distribution	Partnership NPOs	Partnership retailers
Reach			
Fit with business model			
Sustainability			
Cost			

➤ Focus on NPO partnerships to maximize social impact

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# How To Grow Further in the USA

## Store Openings

- Open three new stores in metropolitan areas ( around 1,500 sq. ft./store)  
**\$3,000,000/store**
  - Recruitment: 7 employees per store
    - background: Retail, Lifestyle brands  
**\$ 245,000/store**
  - Offer in-store services:
    - Repair of glasses: little details for free  
**\$ 100,000**
    - Lent glasses to customers when broken  
**\$ 100,000**
- 
- SUM **\$ 10,335,000**

➤ Brand Visibility → Capitalize excellent Revenue / sq. ft

# Further Features

## Partnership with Optometrists

- Partnerships with optometrists
  - Customers get online vouchers for free eye measurement

\$ 3,000,000

## Production

- Introduction of new product line: “Reuse, Recycle”
  - Use only recycled materials
  - Track carbon footprint
- Introduction of new product line: “Glasses for a Lifetime”
  - Customized glasses from own customer’s material
    - Old skateboards, old piece of the 1<sup>st</sup> car,...)
    - Recruitment: 1 expert
    - Machine

\$ 5,000,000

\$ 200,000

\$ 1,000,000

➤ Strengthen Lifestyle Image

# Further Features

## Donations

- Customers can donate their old glasses to developing countries
  - Receive 5% discount
- Promote feature stories online
  - Show impact of donations

\$ 2,000,000

## Advertising

- Website → word-of-mouth (“Reuse, Recycle”, “Glasses for a Lifetime”)
- Extend
- Universities
  - Approach fashion conscious students

\$ 15,000,000

➤ Illuminate Positive Impact of Actions Taken

# Product Expansion: Hearing Aids

## Hearing Aids

- Design: transfer up-to-date, trendy design/image to new product
- Business model:
  - Outsource manufacturing
  - Own Design \$ 10,000,000
  - Recruitment: 10 employees \$ 500,000
- Donations to developing countries

➤ Fits in Product Portfolio



# Partner up with NPOs in Developing Countries

## Developing Countries: Distribution

- Criteria of partners:
  - Social-Responsibility: share the same passion for contributing something to the society
  - Excellent distribution network
- possible partners: Red Cross, Oxfam, Local Education Institutions
- Expand Vision Spring partnership: Expansion to 10 more countries
  - Send volunteers to developing countries and train locals to sell glasses:
    - 15 volunteers/country \$ 12,500,000

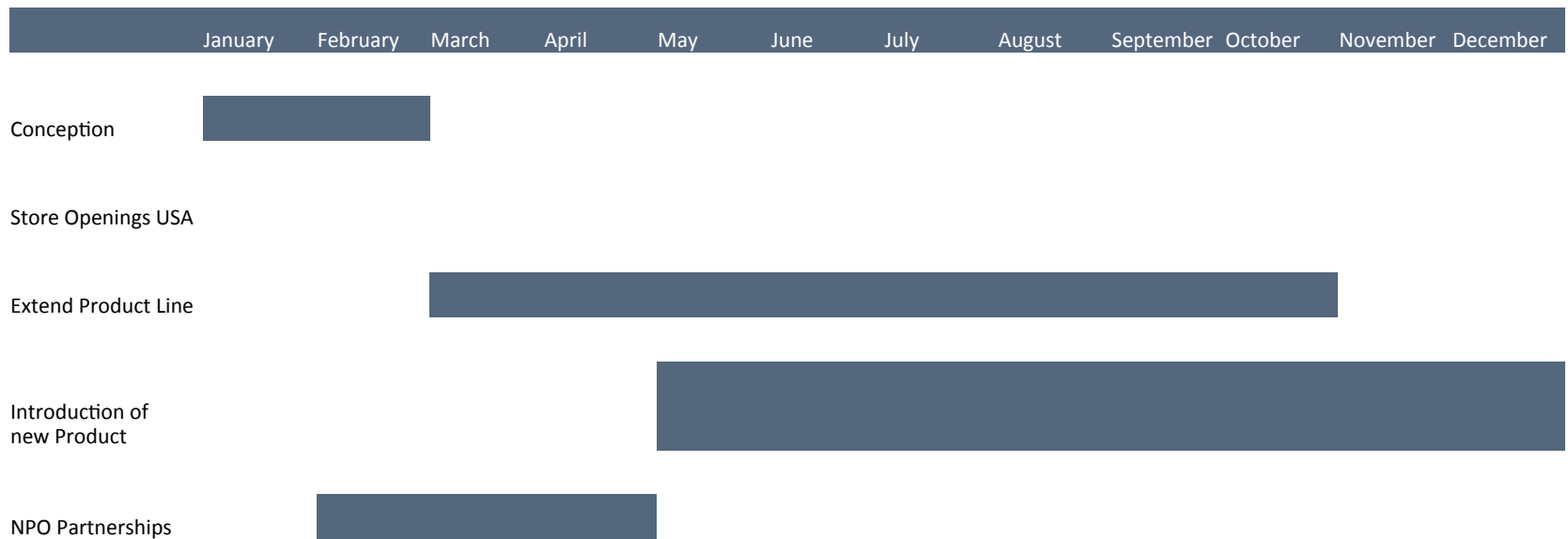
➤ Doing Good

# Costs Benefits

	Costs	Benefits
Store Openings USA	\$ 10,335,000	\$ 13,019,652.31
Partnerships Optometrists	\$ 3,000,000	\$ 3,779,289.49
Production "Reuse, Recycle"	\$ 5,000,000	\$ 6,298,815.82
Production "Glasses for a Lifetime"	\$ 1,200,000	\$ 1,511,715.80
Donation of Glasses	\$ 2,000,000	\$ 2,519,526.33
Marketing	\$ 15,000,000	\$ 18,896,447.47
Hearing Aids		
- Design	\$ 10,000,000	\$ 12,597,631.65
- Recruitment (10 employees)	\$ 500,000	\$ 629,881.58
Distribution Developing Countries	\$ 12,500,000	\$ 15,747,039.56
<b>SUM</b>	<b>\$ 59,535,000</b>	<b>\$ 75,000,000</b>
<b>Profit</b>		<b>\$ 15,465,000</b>

# Timeline

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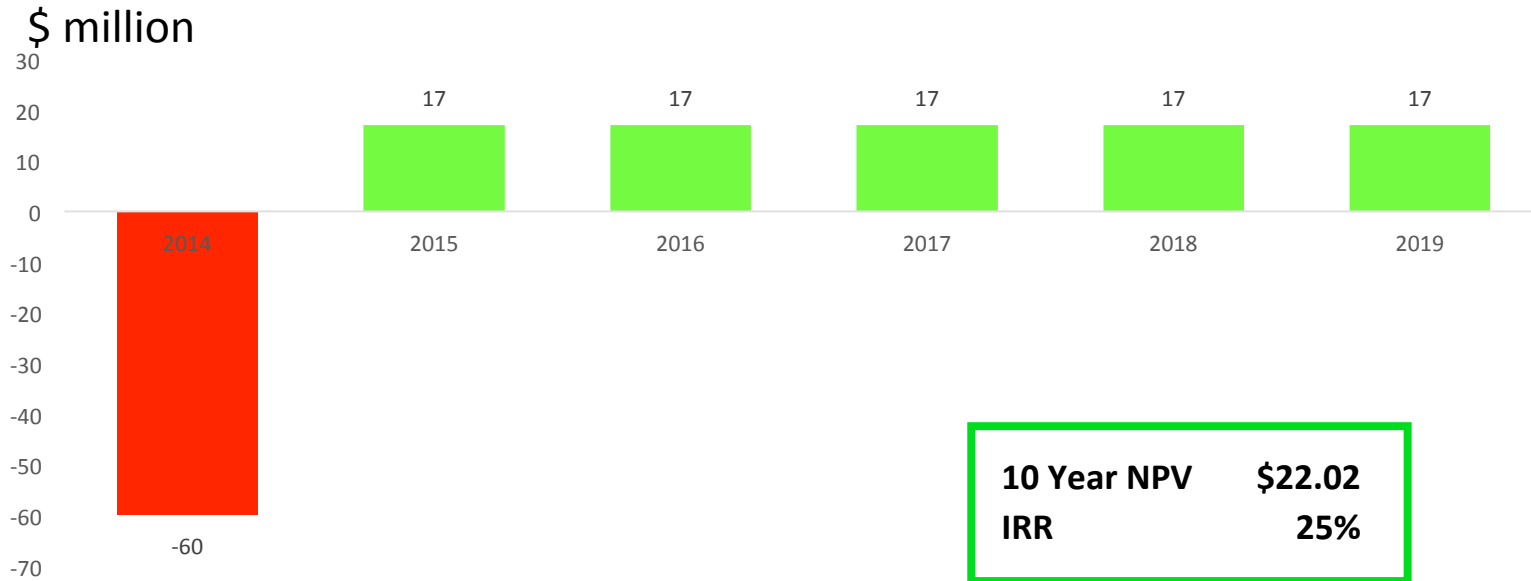


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# Project Evaluation: Sustain Growth



## Key Assumptions

Initial Capital Expenditure	60
Cost of Capital	15%
Incremental Revenue: Increase	100 % beginning with \$ 50 million
Incremental Pre Tax Margin	10%
Tax Rate	40%
Straight Line Depreciation	

# Impact on Top Line Revenue

	2014	2015	2016	2017	2018	2019	2020
\$million							
Initial Revenue	\$ 100.00	\$ 180.00	\$ 324.00	\$ 583.20	\$ 1,049.76	\$ 1,889.57	\$ 3,401.22
Impact Sustain Growth Revenue	\$ 50.00	\$ 75.00	\$ 112.50	\$ 168.75	\$ 253.13	\$ 379.69	
<b>Total Revenue</b>	<b>\$ 100.00</b>	<b>\$ 230.00</b>	<b>\$ 399.00</b>	<b>\$ 695.70</b>	<b>\$ 1,218.51</b>	<b>\$ 2,142.69</b>	<b>\$ 3,780.91</b>
Market Share	0.14%	0.32%	0.64%	1.29%	2.58%	5.15%	10.30%

## Key Assumptions

Initial Revenue growth at 80 %

Impact Sustain Growth at 50%

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