

2020



 *Eclothes*

SUSTAINABLE MARKETPLACE

## **VENTURE LAUNCHPAD**

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## **Table of Contents**

<b><i>Executive summary</i></b> .....	<b>3</b>
<b><i>Team</i></b> .....	<b>5</b>
<b><i>External Analysis</i></b> .....	<b>7</b>
<b><i>Strategic plan</i></b> .....	<b>10</b>
a) <b>Mission, vision and values</b> .....	<b>10</b>
b) <b>Product Market Fit – Validation</b> .....	<b>11</b>
c) <b>Business Model Canvas</b> .....	<b>12</b>
d) <b>Porter’s 5 Forces</b> .....	<b>13</b>
e) <b>SWOT</b> .....	<b>15</b>
<b><i>Sustainability at a glance</i></b> .....	<b>16</b>
<b><i>Marketing Plan</i></b> .....	<b>17</b>
a) <b>Initial Analysis</b> .....	<b>17</b>
b) <b>Goals and budget distribution</b> .....	<b>17</b>
c) <b>Customer Analysis</b> .....	<b>18</b>
d) <b>Strategy Analysis</b> .....	<b>21</b>
e) <b>Digital marketing action map</b> .....	<b>23</b>
f) <b>Control: analytics, data &amp; tracking</b> .....	<b>25</b>
<b><i>Operations Plan</i></b> .....	<b>27</b>
a) <b>Value Chain</b> .....	<b>27</b>
b) <b>Phases implementation</b> .....	<b>27</b>
c) <b>Process Flow Chart</b> .....	<b>28</b>
d) <b>Blockchain Architecture</b> .....	<b>30</b>
<b><i>Financial Plan</i></b> .....	<b>31</b>
a) <b>Introduction</b> .....	<b>31</b>
b) <b>Revenues structure</b> .....	<b>32</b>

c) OPEX Structure .....	32
d) Investments.....	33
e) Project Financial Plan.....	34
f) Creating Value for shareholders.....	35
<b>Bibliography .....</b>	<b>37</b>
<b>Appendix.....</b>	<b>38</b>
a) Appendix 1: P&L .....	38
b) Appendix 2: Balance Sheet.....	39
c) Appendix 3: Cash-Flow Statement .....	40
d) Appendix 4: Eclothes collaboration main conditions with Brands.....	41
e) Appendix 5: MVP - Web.....	42
f) Appendix 6: Instagram and Ads .....	44
g) Appendix 7: Potential Partners .....	46

## 1. Executive summary

The fashion industry is made to become unfashionable; this is the definition Coco Chanel gave about fashion industry. This is applicable to the fast-fashion model that have been applying till today. Despite profitable, it is harmful for the environment and it is not sustainable in the long term. The wave we are living in right now shows us that the model should be slowdown. We have found a sustainable as well as profitable model we will exploit.

The trends surrounding this business has been a way of determining the industry itself. Fashion has become an important part of identity, for the people it is kind of differentiation and self-assimilation. Fashion industry empower the people to show off about their differences, while you are part of something bigger, named a group, a culture, or a movement.

This industry is highly competitive, complex, and globalized, what means that the manufacturing is highly diversified. One example of this over diversification is that Inditex, Uniqlo and The Gap Inc. has each one more than 1.000 suppliers\*.

The apparel industry is about €1 Trillion worth worldwide, with more than 300 million people working directly and indirectly for them and is one of the most important industries when it comes to the development of poorer countries.

But there is also a flip side of the coin, this industry is the second more polluting industry in the world. To put some context, we will show you some worry numbers; there are kind of 350.000km<sup>2</sup> of land dedicated to cotton crop (which is approximately the size of Germany), there is a waste of water of about 93 billion m<sup>3</sup>, and last but not least, half a million of fibre is being thrown off into the ocean, which is the equivalent to 3 million barrels of oil. All these issues must be tackled to accomplish a sustainable fashion industry.

Let's talk about business. Our model is a simple one, we develop a website where brands show whatever they want, and we will be in charge of making them visible through marketing strategies (mainly digital).

This strategy means that we are going to be spending tons of money till that money comes back. We have structured our project in phases to validate our business model with the MVP, after that the following phases will be established. This way, we are able to validate if this marketing expenditures worth enough to continue allocating money into the business.

If so, our base-projections shows that we will need to allocate capital to two different investments. First one, the website design as we are going to be using Shopify till the business model is validated.

This investment will come along with hiring people with data analytics background to help us identify new opportunities as they come up. The second investment is related to acquiring a distribution centre to centralize the bestseller garments and fulfil in a more appropriate manner the peaks of demand.

\*The information is available in the Company's Annual Memories

As I was mentioning, these important investments come along with new functionalities that will put us as a well-positioned marketplace in sustainable apparel business. The market itself is changing and is changing rapidly, so we will take advantage of this rapid growth in sustainability-related purchases.

The first phase will be financed entirely by us, as we consider the skin in the game of the founders with the project must be total. After that, when the phase one is completed we will go to the next one raising capital.

As our main flow of resources is the fee we charge to the brands, our margins will be low, even negative till we get enough economies of scale to leverage our results.

So, to put it bluntly, our breakeven point is the Q4 of 2022, but on a yearly basis we will get an overall positive result in year 2023. The same when it comes to operating cash-flows that will turn around in 2023.

The IRR of the dividends, meaning the money you put vs what you get is 40%, without taking into account that you will still hold the stake of the company.

**Join the revolution with us!**

## 2. Team

To develop the project, the team is key. When analysing the success of a project, the combination of hard work and a well-established team are the ingredients for the success. You as an investor will complement this team and we are glad to see you working together to be stronger day by day.

The team is composed by José Manuel Jimenez Marin, Juan Alfonso Mera Zouain and Rubén Rodríguez Cabezas. Of course, we cannot forget the support and unconditional help Carmen Reina and Pablo Valcárcel have done as the mentors of the project, cheering us when necessary and proposing great ideas in order to succeed better. Moreover, Carmen and Pablo have been the “unifier” of the project, establishing follow-up meetings where we put all the ideas together, validating them in an agile manner, proposing new ones and keeping running without losing the perspective, the deadline and the horizon of our goals which are focused on the long-term.

Each of us, has had a role in the development of this project:



**Jose Manuel Jimenez Marín** is the CEO and the one who is in charge of Marketing and Sales. He is an Aerospace Engineer with an MBA by Escuela de Organizacion Industrial, Madrid. The team altogether has decided to nominate him as a CEO due to his experience developing Digital Marketing Campaigns; he has been involved in several marketing campaigns and has been creating a company during this pandemic to help named Safe from Covid. He also has several courses in Digital Marketing Strategies. As our strategy is based on Digital Marketing to reach customers and serve them, he is the best one to take the lead in this digital environment.



**Juan Alfonso Mera Zouain** is the COO. He is an Industrial Organization Engineer and is also an MBA with background in operations as Operation Manager in a tobacco factory in Dominican Republic. His experience as a Manager of a great factory is key as he has been in charge of making possible the company’s strategy. He has an out of the box thinking that can help eClothes to boost the potential it has. He can put at stake all the experience he has in developing new ways of been more sustainable in processes we follow. He has been working, along with Jose in the development of the website. Also, he develops a strategy that comes along with Blockchain and Big Data & Analytics tools to incorporate them in our future website.



**Rubén Rodríguez Cabezas** is the CFO and will be in charge of Finance and B2B relations along with Jose, this is due to Rubén's almost 4 years' experience in Zara. He has a great knowledge of the fashion industry that can be applied when it comes to support our strategy. He is Economist and has an MBA with a specialization in Finance. New ways of boost profitability through capital mix optimization and new financing sources. Rubén has been the one who has been studying the market for a better

comprehension of the needs and wants that should be covered.

The stronger the team, the stronger the project. We have built eClothes to make it happen. Join the Revolution with us!

### 3. External Analysis

The fashion industry is a relatively young industry that became an industry itself in the nineteenth century. Till that moment people themselves were the ones who made their own garments in most of the cases.

The model right now is as follows; all the designers launch their bets into the market about what they think will be the trendiest garments of the next season, but the most influential designers' designs are too expensive to be purchased by the majority of people. That's why after that, retailers try to make their own bets or even copy the bets of these designers in a more affordable way to the middle-class people.

The most affordable and the fastest, the better for the industry. The industry has achieved a change in the people's mind when it comes to consume habits, 10-15 years ago the act of going shopping was more an occasional event related to the change in season or the run out of the garments we had\*.

The summary of the industry's chronograph is as follows; before the 18th century the people were providing themselves their own raw materials in order to produce their own garments. After the Industrial Revolution some innovations were taken in the industry, providing more work division and enhancing productivity. During the years the fashion industry was covered by a few designers who made special garments for the élite, this was called Haute Couture.

These enabled some differentiation over years and brought a change after the Second World War (WWII) in the 50's with a movement called prêt-à-porter. This movement represented a new identity and brought new brands into the market, the problem of this was that this differentiation came with kind of medium-high prices not affordable by all the people. By the way, after WWII the countries seemed to start recovering, and this recovering caused a new renaissance and a new era, the consumer society era. The full expression of the prêt-à-porter came in the 70's.

With the market irruption of Zara in the 70's, something new was coming. They introduced a new business model now called fast-fashion model. This model was useful and "necessary" when it comes to democratizing the access to all social classes to fashion and changed the people's mind radically. However, fast-fashion model is a model in which sustainability does not take place, the amount of water needed to produce a pair of jeans or a cotton t-shirt is astonishing and bad for our world's sustainability.

Fast-fashion model is based on just-in-time system. The companies that are implementing this system realized that they had not keep basing their business on inventory but in the demand. By doing this,



they could reduce their inventory, what means that they reduce their investment and their capital needs in the short-term.

Today, the online market is changing almost everything, we can now order to any company in the world and this change is impacting directly to companies and benefiting consumers.

After this quick overview of the industry’s history we will tackle the problems the industry is facing ahead.

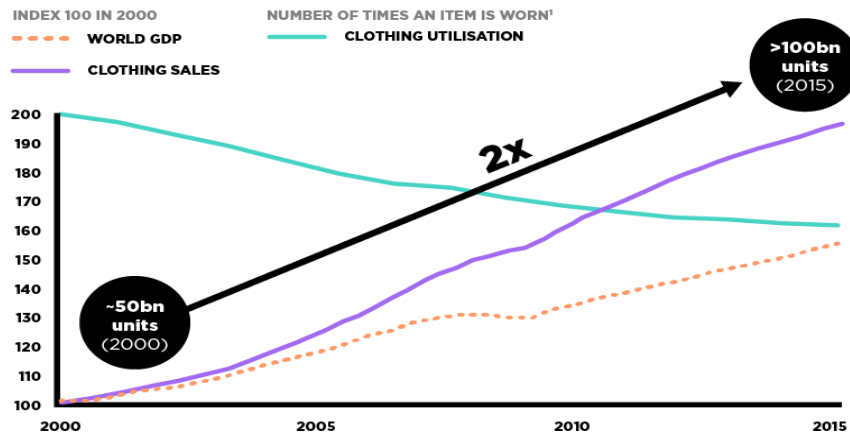


Figure 1 - Growth of clothing sales and decline in clothing utilisation since 2000 // Source: Ellen MacArthur Foundation

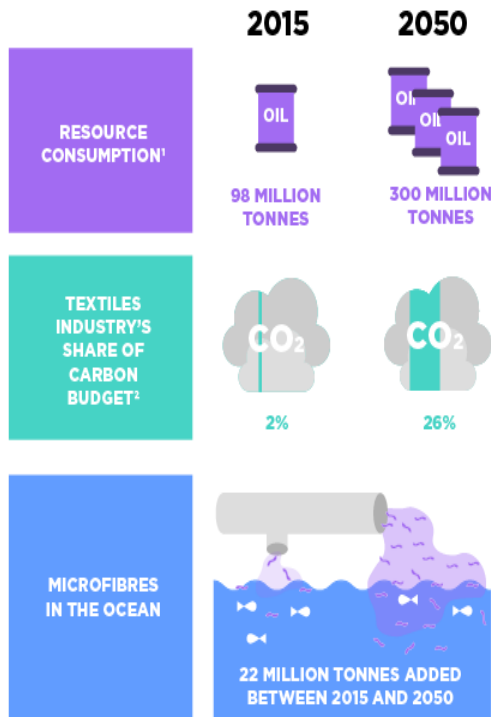
As we can see in the figure 1 the units sold has doubled in 15 years while the utilisation of the garments has decreased by 40%. Comparing with GDP evolution, the fashion industry has outperformed the growth of the GDP.

This good news to the sector is not food news to the world, in the figure 2 we can see the foreseeable impact of the industry to the environment according to the Ellen MacArthur Foundation.

The situation is dramatic, the production of 1 kg of cotton garments uses up to 3 kg of chemicals and the textiles production uses almost 100 billion m3 of water annually, representing right now 4% of the global freshwater withdrawal.

The established companies are already making effort in the reduction of the negative impacts this sector causes, but that is not enough. For example, Zara is trying to fulfill his commitment through his Join Life collection made by eco-friendly materials and processes. This commitment will be amplified each year with new commitments till 2025, when they think their garments will be 100% eco-friendly.

Another company who is acting on this is Mango, the spanish multinational shows its commitment with the SDG in his sustainability report 2018.



C&A is another good example of this, they are striving each year to maintain and increase the number of products offered with Cradle to Cradle Certification\*, which is one of the most recognized certifications globally given to companies who produce safer and more sustainable products for the circular economy. Apart from that, they partnered with C&A Foundation, with which they work closely to force actions in good environmental direction.

Figure 2 - Negative future impact of the industry // Source: Ellen MacArthur Foundation

When it comes to come up with a solution, we have a great example in Britain. Mamoq is a marketplace that has enabled the access to a wider sustainable apparel market in Britain. With some big players such as Inditex, LVMH, H&M, and so on, new companies whose aim is to offer sustainable and conscious products expects some barriers of entry when competing due to their small size, what Mamoq has offered to this companies is a way to compete face to face with this big players trough his own portal.

Many initiatives have been taken to change this situation but are not enough as “The 2019 Ethical Fashion Report” shows.

## 4. Strategic plan

### a) Mission, vision and values

#### Mission

Our mission is to offer to the small sustainable brands, who are fighting to bring sustainability to this industry, a platform where they can show them off, we will manage the distribution and online movements to ensure that people get what they want when they need. To do it so, we trust on technology and we will focus on new issues that can boost our productivity.

Alongside it, we will be able to reduce the cost of the products our clients want, enabling them to purchase in a more conscious way. And all this, with high levels of transparency. The companies that wanted to sell through our platform should fulfil some facts:

- The raw materials used must be 90% natural raw materials and sustainable.
- Recycle collections
- We trust in local markets
- No animal suffering processes
- Organic stuff (with no chemical)
- Transparency
- Our certification (it brings us kind of differentiation)

#### Vision

We want to change the environment where we are living today, the way people think about sustainability and the way they purchase. Enable this mindfulness and share it across the world to make this world a better place to live is our key goal.

Education and proactivity are a key factor in this development, only through consciousness we will reach a total change in our environment.

#### Values

We are different, we are eClothes. We do not wait for change, we make it possible, that is in our DNA.

- Experience: We want to create a perfect environment for our customers to buy in our website. Customer satisfaction is our obsession.

- Clarity: We are clear, it is not about quantity, it is about quality. Quality in design, quality in processes, quality in our management. Value management, sustainable management, and responsibility for all of our **stakeholders**.
- Loyalty: Loyalty is one of the scarcest values today, to be loyal means to be in great and bad times accompanied your customers and brands. We want to be friends of them and make them understand how important they in our project are. We need us!
- Opportunity: It is time to change, it is time to support small brands that tries every day to change the world. The fashion industry needs people like you.
- Transparency: A key aspect in this industry is the transparency and the traceability, if a brand is not capable of guarantee a sustainable garment, will not be part of eClothes.
- Humility: All changes need leadership, but leadership is something that goes along with humility. Humble to acknowledge the error, humble to listen everybody, humble to fall and strengthen day by day...
- Education: One of the most important things when it comes to change is education. Education is not only about knowledge and wisdom but also about values and impartiality. We want to be, through our initiatives and our blog, part of thus education that, undoubtedly, will help all of us in making better decisions.
- Sustainability: is not only about environment; we believe in a three-pillar-sustainable project. Environmentally, socially, and economic-financially. With that three pillars being fulfilled at the same time we will not be able to create a real-sustainable model for the long-term.

#### **b) Product Market Fit – Validation**

To confirm the feasibility of our project we have surveyed 165 people, 75% are women and most of them between 22-45 years old. From the survey we have concluded the following:

- Most agree to prefer to make environmentally friendly shopping.
- They are willing to change their consuming habits to a more sustainable one.
- They are willing to pay more for a sustainable garment.
- They are conscious about the environment.
- Most of them stop buying products that they know are harming the environment.
- They think only some companies are improving their products to make them environmentally friendly.

On the other hand, we had also done some research in the internet, and we found an investigation from KPMG where we can see that the main concern that consumers have is the relation between quality and price.

To finish our validation process, we are proud to say that we have open conversations with small and medium sustainable brands that are willing to be part of our project. They think that our project is a solution for them and what will make them value being part of the project or not is how much visibility we will give them with our marketing plan.

c) **Business Model Canvas**



In this section we will discuss what our business model is like. First, as a Marketplace, we need to satisfy two different types of customers, on the one hand, the end customers who will buy our garments and, on the other, the brands that will provide the products.

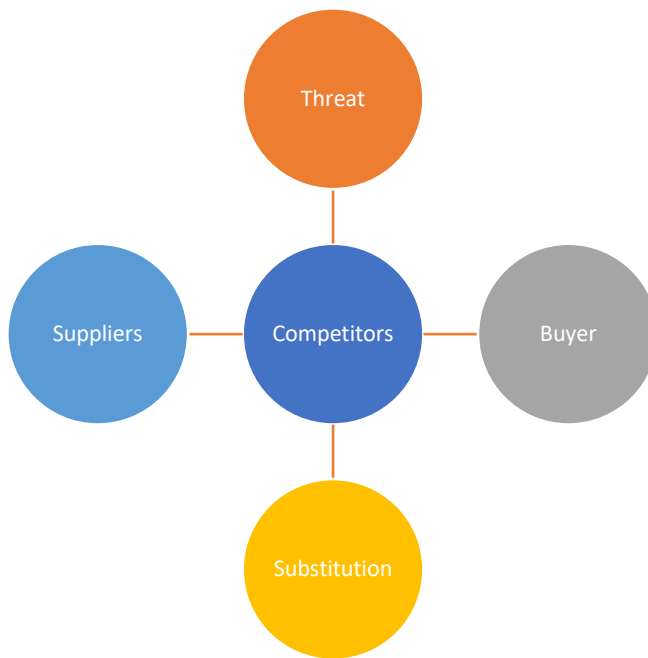
We provide both of us with a value proposition mainly through our platform, where we will give visibility to brands and allow end customers to find the garments that best suit them. This platform will have a system of analysis of trends and consumer tastes that will allow brands to be much more precise in the creation of their products; It will also have a recommendation system based on different demographic variables, habits, tastes, etc. that will allow customers to receive recommendations once they create their account.

All this will be done only through the online channel, that is, the web [www.eclothes.es](http://www.eclothes.es). And, to interact with customers, we will mainly use social networks where we will have influencers as ambassadors who will generate a lot of engagement with our followers.

To carry out these activities, we will need the key help of partners such as brands, NGOs, etc. that will complement us with our key activities: logistics and marketing, carried out thanks to key resources such as our employees and the platform.

To do this, all this will generate costs associated with platform maintenance, salaries and operations that will be supported thanks to fee revenue in sales and revenue from other activities.

**d) Porter's 5 Forces**



**Competitors:** As almost every business in the world, we also have some competitors, which in this case we recognize their efforts to make a world a better place by offering and selling products that are environmentally friendly. As the sustainable clothing business is growing, there is room for much more businesses to come in and we should work together towards eradicating traditional fashion,

not because of their design or brand, but because of the highly contaminating processes they use to manufacture their products.

Below I will mention some of the main competitors and what they are doing as a business:

- **DoTheWoo:** Is in the process of liquidation due to bankruptcy.
- **Fairchanges:** This company was established in 2013, it has been recognized by 15 international awards. They believe in the local consumers without having an intermediate retailer in the process. Brands can register directly on their website and offer their products to consumers. They don't have any special product; they just focus in sustainability.
- **Veganized:** This is a small marketplace that offers 12 sustainable brands, with an average price higher than the sector. This will be our more direct competitor because they are concentrated in clothing only.

- **Fieito:** Prices are excessively higher than other competitors, they offer a lot of products including toys and home accessories. According to SABI, they are in a complicated financial situation decreasing sales and negative EBITDA in the last 2 years.
- **MAMOQ:** Mamoq is an ecommerce marketplace that provides a thoughtful alternative to mainstream fashion by offering a vetted selection of style-forward brand committed to sustainable and ethical production. Their sales are increasing every year, although they have been raising more capital in order to keep investing and growing.

These are our main competitors according to our research but as you can see throughout our project, we have a different strategy and aspirational implementations which will open a different path for us. The sustainable fashion industry should be something that we all work together to grow in the short terms, reducing the carbon footprint we put out there and causing less harm to the environment.

**Threat of new entries:** This is a problem right now because all the big brands producing garment that are friendly with the environment, and as they mass produce their prices are much attractive than small brands, so this is a high threat for us.

**Suppliers:** In our case, we don't think this is a problem, because as we have mentioned before small brands are atomized and have a lack of visibility, and that is in our favour to convince them to use our platform to get their product to the customers.

**Buyer:** This is a special case because prices will be higher in our marketplace and main reason is because it is more expensive for the brands to produce because they are small, that is against us because customers can prefer to buy brands that are massive producers and thus cheaper.

**Substitute products:** Products that can substitute ours are basically traditional fashion, and this is a big threat for us because in general prices are much more attractive than sustainable fashion and this is something that in the long term we need to work with our brands and their suppliers to see how we can be more competitive towards the big brands.

e) **SWOT**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Our culture.</li> <li>• Innovation strategy.</li> <li>• Marketing strategy to position the company.</li> </ul>	<ul style="list-style-type: none"> <li>• The company needs capital investment.</li> <li>• We have only few brands for the moment.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Sustainable culture is getting bigger and stronger.</li> <li>• SME's need companies like ours to help them grow.</li> </ul>	<ul style="list-style-type: none"> <li>• Big brands like Zara and H&amp;M are producing sustainable lines.</li> <li>• The fashion industry is a FMCG and it has seasonality, which it needs constant innovation in designs, etc.</li> </ul>

This SWOT analysis is aligned with the 5 porter forces and what the fashion industry means to consumers. We have a challenging path in front of us that if we do things right, we can succeed because although it is challenging, we have opportunities and strengths that are in our favour. In our case, our competitors are not the big fashion companies, our main competitor is the traditional and high polluted fashion industry, and as the sustainable culture is getting stronger this is a business with a high growth potential.



## 5. Sustainability at a glance

Our strategy is based on sustainability, and this sustainability lays upon three main pillars: financial sustainability, environmental sustainability, and social sustainability. These three pillars are dependent of each other and three of them must be fulfilled at the same time. If not, the project will fail.

**Financial sustainability** is the one which will allow us to keep investment in the business while returning value to investors. Financial sustainability will come along with optimization of working capital and promoting strong cash position as the Covid-19 crisis has stand out the importance of having enough cash to be able to pay the current liabilities (WC). As we will mention below in the next chapters, the IRR for investors is 83% based on our projections. We have put first the financial sustainability because it is the one which will allow the next two pillars to be completed. Impacting not only shareholders and customers but also all the stakeholders is key. We approach two ways of doing it: social impact and environmental impact.

Let's start with the **environmental sustainability**. Our model brings customers the chance to buy sustainable garments without paying an astonishing amount of money. We make it possible defining and choosing the brands that are sustainable and not expensive at the same time, as we think sustainable fashion should be for everyone. Environmental perspective is key for us. We established some key features any company must fulfil in order to be in our marketplace. This way we align our customers' worries with the opportunity it represents for the brands.

We believe timeless garments represents kind of a future of the sustainable apparel market. Garments that fits you without being worry about the new trends surrounding fashion industry, with patterns and colors that can be utilized independently of the season.

**Social sustainability** is the final pillar of our strategy and it matches well with what I said about the features to be tackle in order to be in in our marketplace. The brands we work with must have a positive community impact supporting local areas to develop themselves.

We are taking conversations to support a non-profit organization, named "Amigos de la tierra", with the development of a new project that will come up soon. We will be pleased of presenting it when the deal gets ready. With all this in a nutshell, the main idea to think of is that when it comes to sustainability, we cannot be selfish and think only in profits, but also we cannot be thinking of environmental and social sustainability with no financial viability. The correct mix of this two will make our project strong enough to perpetuate it through time.

## **6. Marketing Plan**

### **a) Initial Analysis**

Eclothes is a sustainable fashion marketplace in which we strive to get small sustainable fashion brands to position the property in the minds of their target customers in a very mature market with high barriers to entry.

Our company has as its main value sustainability and responsible production and consumption. So, our marketing campaigns are based on raising awareness and attracting customers to this community, where sustainability and responsible business come together to give them the products that best suit their needs.

Our goal will be to create multiple campaigns. On the one hand, we will do branding campaigns for the Eclothes platform and, on the other hand, we will be responsible for campaigns oriented to the target of brands that are in the Marketplace. In this way, we will be much more accurate in our campaigns.

In addition, we must bear in mind that our business connects supply and demand so we will have to have a strategy and equipment for brand acquisition (B2B).

In short, our customers will interact with us through the platform's own website and blog, as well as through social networks.

### **b) Goals and budget distribution**

The goal of the marketing campaign is to boost both the number of end and brand customers on the other side. In this way, we will be able to offer a higher quality service that meets the needs of supply and demand.

Due to the coronavirus situation in which we are, people are less willing to purchase products, so the best thing we can do is to adapt ourselves. That is why we have decided that the best option to launch our product will be with the school comeback in September. Despite of the marketing department, we need to take in consideration that we cannot be efficient in this moment due to the stop of all the industry in the world. This way we can take advantage of the quarantine situation to start with some advertising initiatives and impact customers' minds, mainly in social media.

The most important initiative we are about to launch our social media initiatives, by them we will start approaching our target audience letting them know our existence. The uncertainty by which we are surrounded represents a direct impact on businesses and economies but, tough times represents also great opportunities. The lock down of the economy implies such an opportunity because people is more sensitive to the media. More time is spent in front of the mobile phone or computer, enjoying contents and watching videos, comparing products and sharing the products we more like it or more impact have on us.

With the launch we will take advantage of the “school comeback”, a period when families as a whole increase their expenditures to come back to normal after holidays. Apart from that we will be benefited from the consecutive Black Friday and Christmas period, where fashion products become an important part of peoples’ presents.

The entire marketing plan is based on achieving a number of tangible goals. Our main sales goal will be to reach 20 million euros of turnover by 2025 and, to do so, we will need to increase both the number of customers and the number of purchases per customer. On the one hand, we will go from 100 customers in the first quarter to 40,600 at the end of 2025 and, on the other hand, from 1 purchase per quarter per customer to 2.51.

However, in order to execute it, we will have to make an investment in the acquisition of that client. In the first quarter, we have set a CAC of 30 euros to be more aggressive in the acquisitions of these customers when we are barely known. This CAC will decrease to 19.50 by the end of 2025 as we optimize our conversion funnel.

### **c) Customer Analysis**

#### **Segmentation**

When it comes to segmentation, we must analyse the client through different perspectives. By doing it so, we will be able to identify opportunities, help us to define our target audience, it will also ease our competence identification and it let us adapt better to our client’s needs. Geographically, we are going to launch the product in Spain, so this reduce the complexity of selling to different countries with different behaviours and preferences.

We must keep in mind that we are a Marketplace and we host many brands. In this way, we have an inaccurate target. However, thanks to market research and surveys we have managed to identify which is our buyer-person that we will discuss later.

In addition to our buyer-person, we must take advantage of the that our brands have their own targets and it is something that when we carry out campaigns we can enhance. Therefore, we will carry out marketing campaigns for both branding the platform with our own target and customized campaigns for the brands that are on the platform.

### Positioning

Once we have chosen the target we will be focusing on, we have to provide them with the most value offer we can. By thinking how we can offer an extra value to the people we are targeting we can find a formula to position our brand in customer’s mind.

As we have explained and will be explaining all over this report, our approach to the market is simple: we want to offer the best fashion products while maintaining sustainability and competitiveness in terms of price (not the cheapest but affordable products). The price is what the client sees, but the value is what the customer perceives when it comes to the product attributes. That is why we have focused a lot on doing a great communication plan through the coming months to make them perceive this value.

### Target audience – Buyer Persona Analysis

	<b>Name</b>	Marta Alcántara Gutiérrez
	<b>Age</b>	32 years old
	<b>Job</b>	Human Resources Local Manager
	<b>Location</b>	Madrid, Spain
	<b>Studies</b>	Bachelor’s Degree in Psychology

#### Motivations

- Be recognized at work.
- Live without worries.

#### Goals and needs

- Be beauty being sustainable.
- Stand out.
- Take care of her style.

#### Attitudes

- Pro-active attitude toward products.

- Always learning about new ways of being sustainable.
- Can be influence by specialized magazines.

### Behavior

- Fashion companies' follower.
- Buying fashion products once a month at least.
- At least once a week looking for new products on websites.

### Pains

- Environment damage with any of the product she is using.
- Waste of money when it comes to new product purchases.
- The fear of being cheated.

### **Customer Journey**

#### Awareness: Social media, Word of mouth

- Customer activities: look for friend & family advice and alternatives.
- The customer needs to understand better their needs.

#### Consideration: Social media, websites, word of mouth and promotions

- Compare different solutions that are in place in the market.
- The client now knows what they are looking for.

#### Decision: Website, Email reminders, store positioning and promotions

- Select the product they have been looking for, add to the cart and make and order.
- Purchase in store.

#### Delivery and use: Delivery service, messaging or contacting, package tracking

- Receive / pick up an order effortlessly and when needed.
- Delivery service and help assistance.
- Refund possibility making consumer more protected.

#### Loyalty Word of mouth, social media, satisfaction surveys

- Share the client experience.
- Feedback.
- Increase the value of purchasing again.

## d) Strategy Analysis

### Business and communication goals

Before tailoring a strategic communication plan, we must deliver the main goals we are following.

As we are committed to launch a new startup called Eclothes, we have to understand our target audience as we have done before in this work. This understanding will help us to lay out the strategic communication goals needed to reach our target audience. Our main goal is to help our target audience to understand the benefits coming from using our value proposition: not only be fashionable, but also take care of our environment.

We want to create awareness in our customer minds through a good positioning strategy. To do it so, the key thing to bear in mind is the competence. All are focused on delivering the most fashionable and “quality” products, but no one cares about our environment as much as we want to do.

That’s why our communication plan will be based on these attributes we have.

### KPI’s

We have to create different KPI’s depending on the stage where we are. That’s why we are going to separate them in the following table.

KPI’s	Awareness	Consideration	Decision	Delivery & Use	Loyalty
<b>Main</b>	Number of people reached	Number of people talking about our brand (#)  Number of new visits to <a href="http://www.eclothes.es">www.eclothes.es</a>	Conversion rate  Sales increase	On time delivery  Product review success	Number of complaints  Customer satisfaction (Social Media)
<b>Secondary</b>	People talking about us in Social Media	Number of app downloads	Number of people who keep the product in the shopping cart	Minimum wait  Number of complaints	Number of new affinity cards

## **Communication plan strategic lines**

Our strategic plan is divided in different actions to take. We will be using a mix of communication tools in order to maximize not only the short-term sales but also the awareness and knowledge about our product in customer minds. Of course, all these strategies must act as only one when it comes to coherence and start-up of the project.

In the point of sale, we are going to create closeness with the client through different ways:

### Direct Sales Staff (B2B)

Here we have the branding team. This team will support and capture brands to become part of the Marketplace. It will be responsible, depending on the bargaining power, to obtain agreements with the brands where fees and other matters such as price drops for promotions, etc. are established.

### Website Newsletter

We are going to share the new trends, brands and related to fashion in our weekly newsletter. We are going to launch in the website a 10€ discount for the first 1.000 people joining the new newsletter about our fashion trends and products.

### Social Media

Here we can find different app such as YouTube, Instagram, Facebook, Twitter, niche blogs... Social media allow us to focus directly on our target as it enables us to ask for target special groups of people such as women between 25-45 years old.

Through these initiatives we want to teach our potential customers not only the benefits coming from our product but also the ways in which they can use to boost their benefits. We have to understand the benefits of partnership with influencers. So, we will be working with some of them in order to spread our brand thanks to their social branches.

### Sales promotions

During the first quarter, apart from the codes we gave to consumers who share the photo with our slogan, we are going to implement different promotions. These promotions will take place only initially in the first quarter to boost sales and after that we will quit progressively doing it because it does not improve the brand loyalty in the long term. We need to increase the loyalty through a growth in Eclothes brand.

## Offline advertising

We must not forget this latest, the traditional one. Using this form of advertising we will be able to achieve a greater impact and dissemination that thanks to creative campaigns like Netflix, a digital company, has done in buildings through the world.

### e) Digital marketing action map

#### **Content marketing: Blog, Youtube**

The fashion sector is a sector that moves millions of people around the world. It is true that the population that consumes fashion items often knows how they work and how they are used or at least that is what companies believe.

However, the reality is that every day users search through social networks like YouTube or even WordPress (blogs) tips, tutorials, etc. about the fashion industry. They do this both to be aware of the latest trends and to make proper use of the products they buy or follow recommendations from experts or influencers (third parties). Then, having influencers in YouTube will help us to reach their community which is defined and known.

This is a great opportunity to attract many undecided customers and to retain customers. We therefore believe that Eclothes should enhance this type of resources. Depending on the strategy we discussed, we will start to boost our blog that will be included on our website as well as our YouTube channel.

#### **Social Media**

As with YouTube, here we will hire influencers to connect with our goal to deliver videos with content on recommendations and advice on our new products. To do this, we thought that our star influencer is Maria Pombo, who has more than a million followers on Instagram. Maria Pombo fits Eclothes' profile and values, being a person who wants to care for the environment while living a healthy life, being in the age range of our target audience. On top of that, he constantly advises his followers on beauty and fashion tips, having an audience that usually follows his advice quite a lot.

As a sales force strategy, these influencers will be paid a fixed (since not all sales they generate will be direct) plus a commission for each sale they generate directly through our website, thanks to an exclusive code. In addition to the commission paid to the influencer, these codes should be considered to have other discounts for customers.



Because we are a marketplace and we have a lot of brands, we have to choose each influencer with the brand which better fit with him. By this way, each brand will work with a specific influencer with the same values and style as this brand, having a better engagement with this target audience.

Thanks to social networks, we can find what our best segmentation is and what customers want and expect from us, as well as a number of other tangible and intangible advantages. For example, we will be able to engage with the customers and better fit what they need and expect from us.

## **SEO / SEM**

On the one hand, in SEO, we must focus on our target audience and adapt the content of the web to the right keywords. To achieve this positioning, we will use synthetic and long keywords (naturally) because the competition is very high, and we need to differentiate ourselves:

-Head Tail Keywords: sustainability fashion, fashion marketplace, sustainable brands, sustainable clothes, ...

-Long Tail Words: t-shirts, jeans, pullover, skirt, sweater, ...

SEO provides a number of advantages such as organic positioning, however, it is much more difficult to carry out and can cause us to lose effectiveness in the campaign if we do not support it with advertising material. SEO is like open a shop in the middle of the desert.

On the other hand, regarding to SEM, one of the advantages it gives us is the speed of the results, which, as we said, is essential in the promotion of a new product/brand. Also, it will provide us with a positioning of great visibility, which will help us to acquire relevance on the display.

In addition to those keywords, we must add others negative that allow to eliminate some words and concepts that are associated with our keywords and that make us appear in searches that we do not want. For example, they are negative keywords, in the short term: cheap clothes, promotions, 24h shipping, etc.

## **Mobile, Display**

In the short term, we do not contemplate the creation of an app due to the low number of customers and the high cost of amortization. We will manage everything from the web that will have interface for computers and smartphones.

In addition to all the previous organic growth, we will run campaigns that will arrive in the form of print ads over the network. So, to grow our leads through inorganic growth, we'll turn to Google Ads, Facebook and Instagram Ads.

The display is an online advertising format in which the ad is displayed on a target web page. This display can be presented in a large number of formats and with various technological options. These displays will be introduced at the same time as the product has been launched, so our goal will be to make branding, that is, that customers know the new product line and position us in their minds. Also, we will create ads with a specific target for some of the brands of the marketplace.

Although it does not reach an audience as wide as television, there is no doubt that this type of advertising has a number of advantages over this one, making it even more attractive:

- Increased accuracy when impacting the target audience.
- Reduced investment.
- The campaign tracking is more complete, and the reports are more elaborate, in addition, it allows to know in a much more accurate way the direct impacts.
- Allows you to generate greater engagement with users.
- Because of all of the above, the ROI is higher.

To make branding we need to achieve a high number of impacts per user and, for this, we will campaign using the CPM payment model (Cost Per Mille), especially initially. Once Eclothes has positioned itself in the minds of consumers, our goal will be to make sales so we will have to move on to a CPC (Cost Per Click) model, which will allow us to make proportional investment in advertising with sales. Finally, we should not forget that for Google there is a display of the ad when you see at least 50% of the ad, so you'll have to be very aware in the display design.

#### **f) Control: analytics, data & tracking**

Due to the opportunity that come up in the social market media when it comes to advertising, we want to be there and use all the information and tools as possible to boost our brand in the consumer minds. After explaining what it is about, we will explain the money we put in each of these strategies in one of the appendixes.

**Google Ads** offer us their great universal platform with millions and millions of users to be used as a window to new potential customers. It has a great advantage over other kind of advertising methods, the people they can reach at reasonable price.

We have decided that the best option to be promoted here is with “search campaign”. This kind of campaign is based on what follows, imagine a customer is looking for a face make-up cosmetic and they introduce face-up in the search, what they are going to find out is that our brand is the first one over the rest. This enable us to be chosen over the rest of our competitors, or, at least to increase our

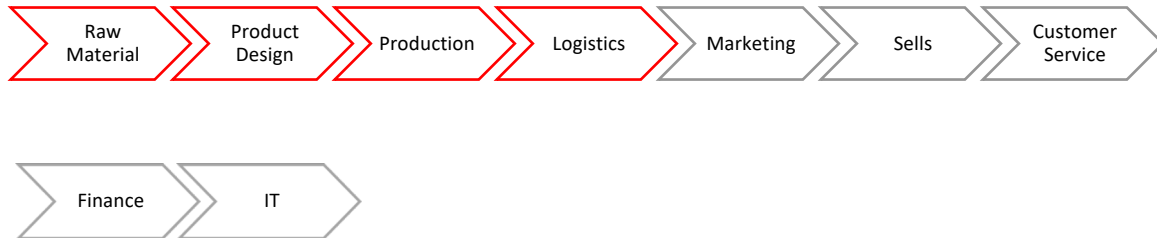
odds. Apart from “search campaign” strategy we also will finance digital displays. This is not going to be our core strategy as we rely more on the next initiatives we will discuss now.

**Facebook** and **Instagram** are the two social media companies where we will be putting many efforts. That’s why because these two social media platforms enable us to convey our message (advertising) through a chosen target audience. We can choose the target audience by segmenting them before launching the ad. Imagine that you want to reach to 25-35 years old middle-class women that are interested in fashion and sustainability, you can chose whatever you want in order to maximize the profitability of the ad you are launching.

We will be using also tools as **Google Analytics** to analyse our website traffic. This free tool is key to analyse the performance we have over time because it is composed by tools that enable us to visualize number of visitants, number of visits, average duration of the visit, the average of page views by visitant, geographic and sociodemographic reports... We want to measure not only the traffic, what we will try to boost, but also improve the conversion rate over time, in order to increase our sales.

## 7. Operations Plan

### a) Value Chain



After the platform is developed and we have incorporated brands with whom in this case we have a B2B relationship, our goal is to gain traffic in the platform and sell. In the beginning, as you can see on the Value Chain, what it's in red is responsibility of the Brand itself, what we do is offer them our platform to sell their products. Initially we will not have a distribution center, and the brands will have to send the orders to the clients directly. However, it is in our plans to have a distribution center in order to have more control of the customer. In the first phase of our project, marketing will have the main role of attracting customers and intensify sells. Customer service will be responsible of following up on customers and making sure that everything is good.

### b) Phases implementation

The project is going to be divided in three main phases: testing, implementation and growing. Main reason to do it this way is to avoid a big investment specially in the beginning and reduce risk. In our case, it is an advantage that there are a lot of platforms that are accessible as a user and moneywise. Below you can see in detail how the development process for each phase:

- I) **MVP and Website development.** In this first phase we are going to develop a Minimum Viable Product to test our project, this will be done through Shopify and it is furthered explained how this will work in the MVP process. This phase will be running the first year of the project, in December 2020 we will start developing the website in order to be completed for September 2021 and ready to start in phase 2. During phase 1 our main extra will be a strong marketing strategy that will benefit all the brands that are part of our project and it is furthered explained in the marketing plan.
- II) **Website Implementation.** In phase 2 we will start operating with our developed website and offering all the extras through Big Data application to our partners and brands. In this phase, besides focusing in marketing, we are going to be doing recommendations to our customers based on previous purchases and navigation, we are going to offer the brands live information of their

brand traffic and what the customers are looking for, this way they can work on products that people want to see and buy. On the other hand, we will implement an Artificial Intelligence Chatbot, always available to customers 24/7 to help them in whatever they need. This phase will start in the beginning of year 2, that is September 2021.

III) **Logistics Center and Blockchain.** The most ambitious phase that we want to have ready for year 3, is to have our Logistics Center where we can store products for the brands and be in charge of the whole delivery process. This way we will have complete control of our customer and make sure that our service is what they are expecting always. In order to do this, we will start in year 2 investing and getting ready for our logistics center. The main idea is to buy a warehouse of around 1.000 sq. meters and also invest in some small trucks and other transportation methods to move the products. On the other hand, in this phase we will also implement a blockchain validation method starting from the raw material until the product gets to the customer, that way customers can track and see the origin of the raw material, how it was manufactured and transported until it is on his hands.

IV) **Aspirational phase.** In this phase our objective is to reflect our aspirational goals in the long term and how we want to keep moving forward towards implementing new technology and making the experience of our customers better. Some of the features we have planned to implement in this phase is virtual reality on our website, customers can upload a picture of them and they can try the clothes they want to buy and make sure the size they are selecting is the correct one. Another thing we have planned is a Virtual showroom and 3D printing in one of the main streets of the city, this will let us show people our compromise with new tech, innovation and the environment.

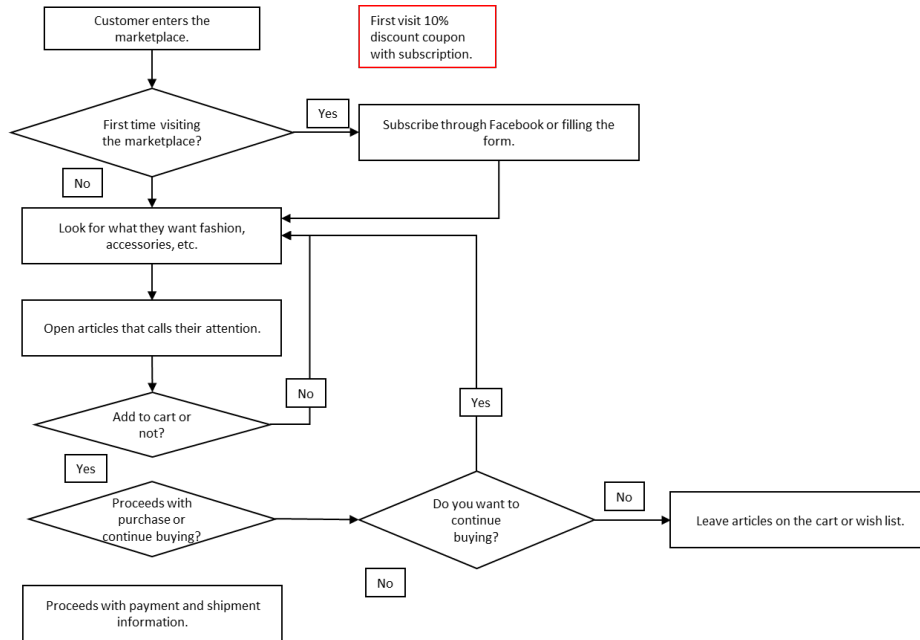
### c) Process Flow Chart

We have three main processes that in the first phase of the project will be direct responsibility of Renaissance. These processes are the Customer that enters our platform, Brand recruitment and logistics after the customer buys on the platform. Below we will present the flow charts and explain each one of them.

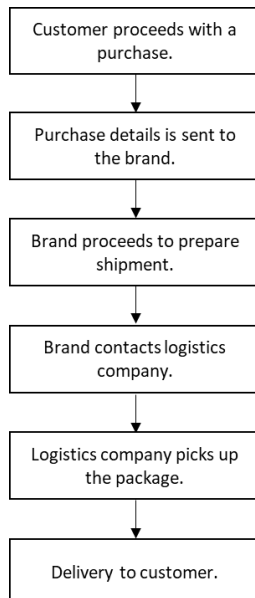
#### a. Customer and platform interaction.

The first time a person enters the platform, if it's the first time we will offer a 10% discount if they subscribe to our website through Facebook or filling their name, sex and email. If the customer it's not interesting in the offer, they can navigate through the marketplace anyway. Customers will seek the different sustainable fashion and accessories we offer and click on items they are interested. Then they will decide if they will add it to the cart or not. If they add something to the

cart they can proceed with the order or keep purchasing other items until they are ready. If they don't want to buy the items in that moment, items will be saved in the shopping cart, or they can also add them to their wish list.



Graph 1 – Customer and platform interaction

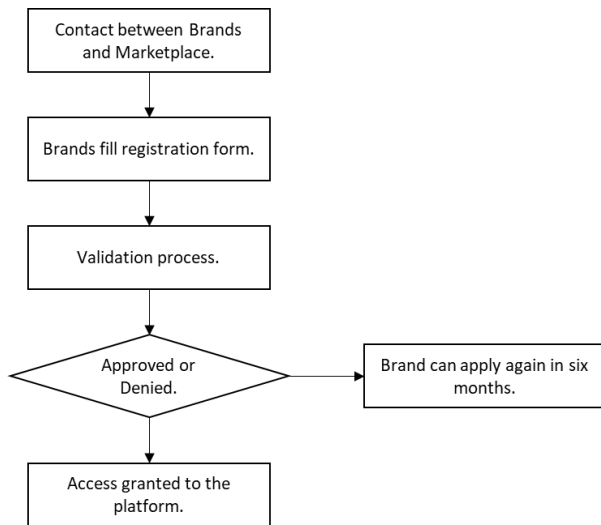


b. Logistics after a customer proceeds with a purchase order.

As mentioned before, logistics will be responsibility of the brands during the first phase of the project. However, it is our responsibility to make sure that clients receive their products as they had ordered. After the customer proceeds with an order, an alert will be sent automatically to the brands in order for them to start preparing the order and send it to the customer. Brands should keep the platform updated in order for the client to have all the information regarding their order.

Graph 2 - Logistics after a customer proceeds with a purchase order

c. Brand recruitment process.



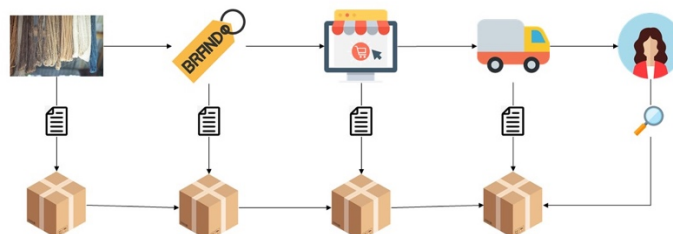
Graph 3 -Brand recruitment process

For our brand recruitment process, we will contact brands directly, but also brands might get interested in us after we start growing. After this first contact brands should fill a registration form, then we will proceed to evaluate the company and make sure that they meet our requirements to be part of the marketplace. If approved, they will have immediate access to sell their products in our platform. If they don't meet the requirements, they will have the chance to fix any issue that caused them to fail the approval request and apply after six months since their last application.

d) Blockchain Architecture

Our blockchain system will be implemented in phase 3 with our logistics center. We will do it through Amazon Web Services and the idea is to track the products from the origin that is raw material, until it is on the customers hands. Our goal through this is to in some way calculate an estimate carbon emission number of the whole process and let our customers and the world know how much they are saving the world by purchasing sustainable products. In order for this to get done, it will take time and investment, our partners will need to get onboard on this project and our goal is to be able to control 100% of the process through blockchain.

## Blockchain Architecture



## 8. Financial Plan

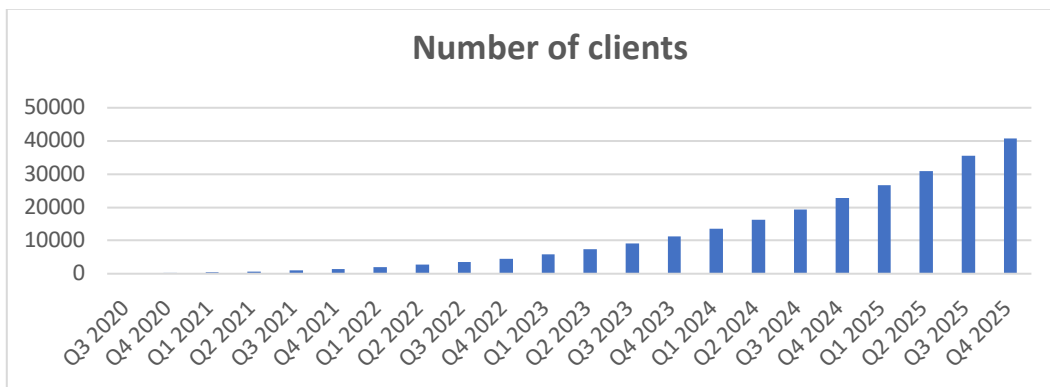
### a) Introduction

The Financial Plan implementation success will come with the effectivity we will be able to reach in the development of our daily basis operations and with the strict fulfilment of the plans developed in the Marketing Plan.

Our complete obsession lays upon “controlling our controllable”, we cannot control business cycles, either the new situations the pandemic brings us; nonetheless, we can establish goals about the number of customers we want to reach, as well as designing strategies that make those clients more willing to make more purchases in our website.

The circumstances we are right now will benefit our business as an only-online-run business. The online market is here and will be part of our lives forever, it is a structural change. This change will be complemented with the social awareness about environmental problems we are suffering. This is a huge opportunity.

To be more accurate with our main goals, we want to increase the number of customers 21% on average till Q4 2.025. Those are, on our judgement, conservative numbers, as online and sustainable purchases will increase in the coming years. To put it bluntly and give some perspective, the greatest industry players (such as Zara and H&M) are committed to sell 90% of their products within their sustainable category. This is a huge change in the industry.



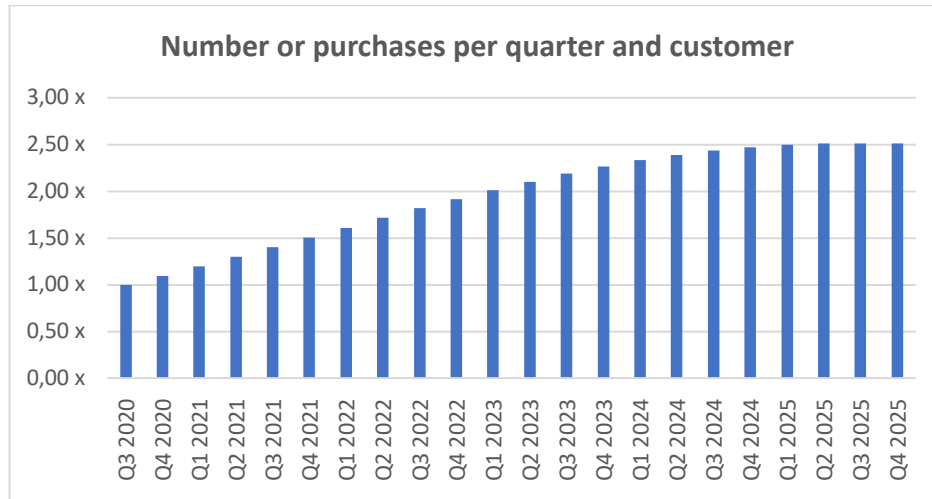
*Graph 4 – Number of total clients reached based on our estimations*

So, we are talking about reaching almost 41.000 people in 2.025. This could sound disproportionate but take into account that we are in a country with more than 40 million people, and this represents



a 0,1% of the total. Our goals are the minimum entitled to be done, as we see more opportunities ahead, we will tackle them step by step.

Our CAC will be 30€ and our goal is to put it in kind of 20€ at the end of our strategic plan in 2.025. As we are bigger the word of mouth takes place and we will be good positioned to increase the number of purchases our customers will do. We will be measuring that in a quarterly basis.



*Graph 5 – Number of purchases done by our customers*

By doing these simple things we will be able our goal of being moving around 20€ millions in 2.025.

**b) Revenues structure**

Our revenue structure will come from the fee we are collecting from the sales. We will begin with a 15% fee per purchase. Our idea is to increase it as we are launching new tools and functionalities, for example in 2.023 we will be in charge of the delivery and as we assume all the costs derived from this service, we will increase the fee we ask.

**c) OPEX Structure**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<i>Salaries</i>	73,481%	68,049%	60,187%	40,156%	23,594%	14,435%
<i>Platform maintenance</i>	0,464%	2,394%	2,241%	0,664%	0,398%	0,248%
<i>Marketing &amp; Sales</i>	22,963%	27,044%	36,132%	20,900%	19,866%	16,785%
<i>Overhead</i>	3,093%	0,479%	0,274%	0,081%	0,049%	0,030%
<i>Offices</i>	0 %	2,035%	1,166%	0,345%	0,207%	0,129%
<i>Delivery</i>	0%	0%	0%	37,854%	55,886%	68,372%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Graph 6 - OPEX Structure*

Here you have the evolution of the OPEX structure we will exhibit as we grow and continue in our strategy implementation. First, the salaries will be a huge proportion of the total OPEX, this is normal as we hire data analytics people to start developing what will be our website, with all functionalities from recommendation functionalities to payment gateway. As we start selling more, we could benefit from economies of scale and reducing the amount of money that goes to salaries.

The other important expenditure is the marketing and sales budget, as it is the core of our strategy to grow. Thanks to that we will be able to fulfil the goals we talked before regarding to number of customers and number of purchases. Our marketing expenditures will be focused on both, B2C and B2B. The proportion of the sales aiming each of these sides will depend on the necessity we have; nonetheless, we have consider that a good starting point is a 3:1 ratio, what means that for each 3€ we spend in B2C segment we will spend 1€ in B2B segment to target and increase the loyalty of brands. Our strength comes from the universe of clients we offer to our brands as well as the brands we offer to our clients. But we have to acknowledge that when it comes to brands portfolio, having a big one can hinder our B2C customers experience as it turns out our website a difficult one to surf.

The third important expenditure to take into account is the delivery expenditures. We understand this expenditure as a key and fundamental tool to enhance our client-brand experience, nonetheless we want to work to make this sale smaller as we reach economies of scale.

#### **d) Investments**

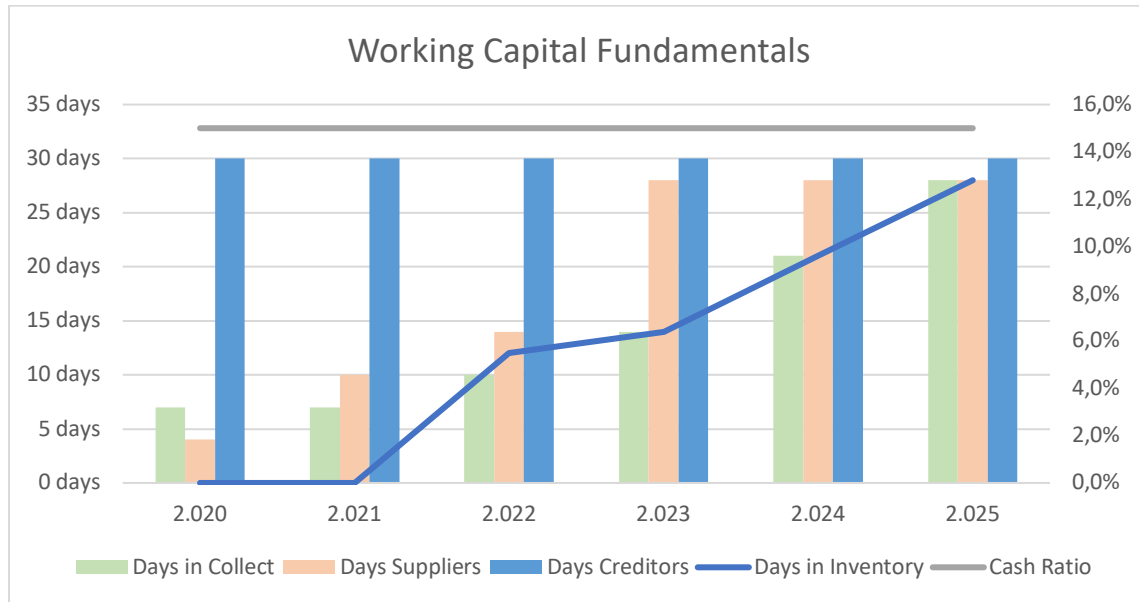
Our main investment is the one we have to do in order to launch our own website. As you know, we will be working with Shopify during the first year due to the simplicity, cost efficiency and tool-provider purposes. While we use Shopify, we will be working on developing our own website with more tools and functionalities.

We have budgeted 49.000€ in 2.020-2.021 to launch it at the end of the year, more concretely in September to harness from the “Back to School” and Christmas campaigns. For the next 4 years, the maintenance investments will reach an amount of 51.800€.

The second investment we have budget is the opening of a distribution center that will enhance our capabilities in serving the consumer and will improve their experience with us, benefiting eClothes and the brands within our platform. The total amount of investment will reach a total of 410.000€ in 2.022 and the maintenance amount sum a total of almost 45.000€ in the next 3 years.

Both investments are the pathway to differentiate our value proposal from others in Spain and create a precedence to export the model across Europe.

The Working Capital investments are also important in the development of our strategy, with the working capital being negative we will be able to finance small part of our resources from our creditors and suppliers. Here a brief review of it:



*Graph 7 - Working Capital*

**e) Project Financial Plan**

To be clear, we will use a mix of capital financing composed by our own capital and external capital sources. Now, we are committed to deploy 28.000€ of our own capital and will ask for a credit of 7.325€ that will be backed by some stock market investments we have in our personal portfolio.

This bring us the necessary flexibility to try whether our business model works or not. If all goes as projected, in 2.021 we will need more capital to finish our website project and continue investing in digital marketing strategies that can bring more clients to our platform. We have consider a European Fund instrument to finance small and medium size companies named SME Instrument, we will get 50.000€ with no commitment to be give back if we fail, we have assessed as a bank loan in the balance sheet for simplicity purposes, even though we do not pay any interest for having this support. Banking support will be always part of our strategy but without losing the sight on Debt Repayment capacity (no more than more than 3,5x Debt/EBITDA).

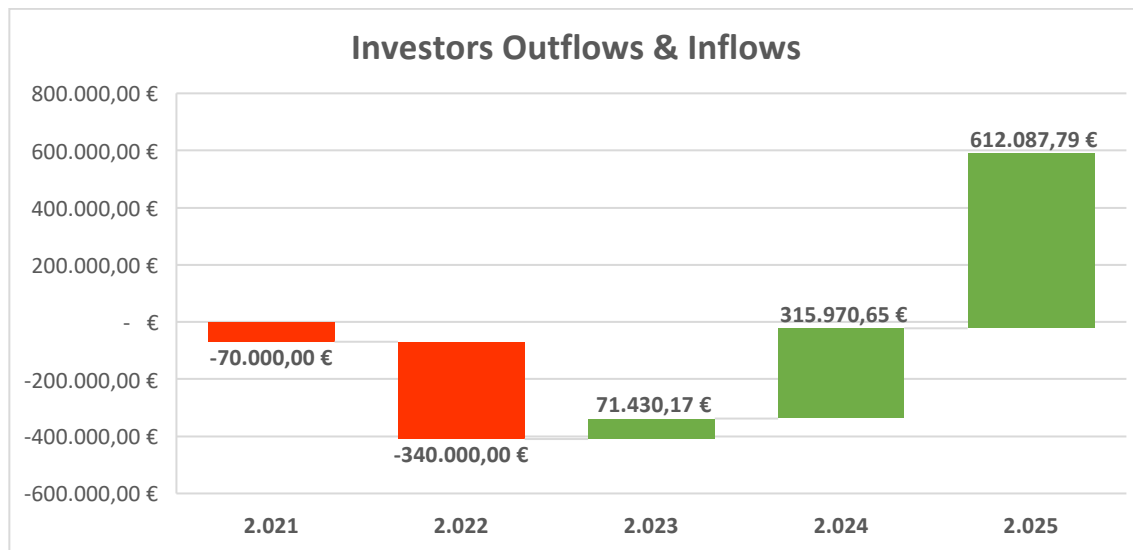
*Table 1 - Expected Ownership based on expected fundraising*

<b><u>Projected Ownership</u></b>	<b>Total amount of Shares</b>	<b>Ownership</b>
<b>Board of Directors</b>	280	6,1%
<b>Fundraising 1</b>	700	15,3%
<b>Fundraising 2</b>	3.600	78,6%

**f) Creating Value for shareholders**

In the current economic environment, with interest rates almost 0 in all advanced economies, investors are eager for more risk. What we are offering for investors is a profit/risk adjusted binomial, we are in the middle of a great change and fundraising our project will be a good positioning strategy in the current environment.

Our policy at such respect is quite clear, we are asking for money that will be back to investors pockets as soon as possible. With our dividend policy estimations, the total investment will be back to our investors at the beginning of the year 2.025 as we expect to return the money back in a quarterly basis depending on the cash we have.



The IRR of the project if we only consider as outflows (from the investors point of view) the money investor give us and as inflow (from the investors point of view) is 40%.

If we run a DCF, we get the following numbers, in €:

	<u>2.020</u>	<u>2.021</u>	<u>2.022</u>	<u>2.023</u>	<u>2.024</u>	<u>2.025</u>
NOPAT = EBIT * (1 - t)	-21.504	-60.158	6.362	42.860	623.165	1.659.573
D&A	155	8.164	22.545	25.022	27.413	30.570
Cash-Flow from Operations	-21.349	-51.995	28.907	67.881	650.577	1.690.143
CAPEX	930	48.052	421.744	22.141	18.763	43.488
Δ Working Capital	-2.402	-9.174	27.398	-46.334	351.153	1.087.663
<b>Free Cash Flow</b>	<b>-19.876</b>	<b>-90.873</b>	<b>-420.235</b>	<b>92.075</b>	<b>280.661</b>	<b>558.992</b>
Terminal Value						2.617.098
<b>Total Free Cash Flow</b>	<b>-19.876</b>	<b>-90.873</b>	<b>-420.235</b>	<b>92.075</b>	<b>280.661</b>	<b>3.176.090</b>

If we discount them, we reach a Net Present Value of 673.053,57€ and an IRR of 83%.

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- INDITEX <https://www.inditex.com/es/inversores/accionistas-e-inversores>
- KPMG: Mamoq <https://mamoq.com/>
- Martinez Caballero, Elsa & Vazquez Casco, Ana Isabel – Marketing de la moda. PIRAMIDE: Escuela de Negocios ESIC
- The GAP Inc. <https://investors.gapinc.com/financial-information/default.aspx>
- Veganized <https://www.veganized.es/es/>

## 10. Appendix

### a) Appendix 1: P&L

P&L Statement						
Period	2020	2021	2022	2023	2024	2025
Revenues	25.458	332.895	1.495.088	4.722.924	11.396.374	21.898.569
COGS	21.639	279.632	1.240.923	3.872.798	9.231.063	17.518.855
Gross Margin	<b>3.819</b>	<b>53.263</b>	<b>254.165</b>	<b>850.126</b>	<b>2.165.311</b>	<b>4.379.714</b>
OPEX	32.335	125.311	223.137	767.958	1.307.012	2.136.380
EBITDA	<b>-28.516</b>	<b>-72.047</b>	<b>31.028</b>	<b>82.168</b>	<b>858.299</b>	<b>2.243.334</b>
D&A	155	8.164	22.545	25.022	27.413	30.570
EBIT	<b>-28.671</b>	<b>-80.211</b>	<b>8.482</b>	<b>57.146</b>	<b>830.886</b>	<b>2.212.764</b>
Interest	557	1.810	9.626	10.362	18.015	36.382
EBT	<b>-29.228</b>	<b>-82.022</b>	<b>-1.144</b>	<b>46.784</b>	<b>812.871</b>	<b>2.176.381</b>
				11.696	203.218	544.095
Taxes					181.788	544.095
Net income before Minorities	<b>-29.228</b>	<b>-82.022</b>	<b>-1.144</b>	<b>46.784</b>	<b>631.083</b>	<b>1.632.286</b>
Minorities			621	1.643	17.166	44.867
Net income of the Shareholders	<b>-29.228</b>	<b>-82.022</b>	<b>-1.764</b>	<b>45.141</b>	<b>613.917</b>	<b>1.587.419</b>

The P&L displays the scalability of the business and the power when it comes to network effect. Due to our asset-light business model we are able to leverage the results once we sell more. As our negotiation power increases over time we will increase the fee we charge to the brands from 15% to 20%, but this increase in the fee will come with new functionalities and services such as free delivery.

**b) Appendix 2: Balance Sheet**

Balance Sheet Statement						
Period	2020	2021	2022	2023	2024	2025
Gross Intangible Assets	930	48.983	60.726	73.967	87.331	100.819
Acc. Intangible Assets Amort.	155	8.319	18.440	30.768	45.323	62.126
Fix Tangible Assets	0	0	410.000	418.900	424.300	454.300
Acc. Tangible Assets Deprec.			12.424	25.118	37.976	51.742
<b>Non-Current Assets</b>	<b>775</b>	<b>40.664</b>	<b>439.862</b>	<b>436.981</b>	<b>428.332</b>	<b>441.250</b>
Deferred Tax Assets	7.168	27.560	33.126	21.430	0	0
Inventory	0	0	40.797	148.546	531.102	1.343.912
Accounts Receivable	492	6.384	40.961	181.153	655.682	1.679.890
Cash & Cash Equivalents	556	3.924	12.835	57.137	134.705	251.137
<b>Current Assets</b>	<b>8.217</b>	<b>37.869</b>	<b>127.720</b>	<b>408.266</b>	<b>1.321.489</b>	<b>3.274.939</b>
<b>Total Assets</b>	<b>8.992</b>	<b>78.533</b>	<b>567.582</b>	<b>845.248</b>	<b>1.749.821</b>	<b>3.716.190</b>
Shareholders	28.000	68.772	326.750	253.556	-17.274	-15.444
Net Income	-29.228	-82.022	-1.764	45.141	613.917	1.587.419
<b>Equity</b>	<b>-1.228</b>	<b>-13.250</b>	<b>324.986</b>	<b>298.697</b>	<b>596.644</b>	<b>1.571.976</b>
<b>Non-Current Liabilities</b>	<b>6.511</b>	<b>65.619</b>	<b>157.030</b>	<b>165.635</b>	<b>255.142</b>	<b>469.969</b>
<b>Short-Term Liabilities</b>	<b>814</b>	<b>8.202</b>	<b>19.629</b>	<b>20.704</b>	<b>31.893</b>	<b>58.746</b>
Suppliers	237	7.661	47.597	297.091	758.718	1.439.906
Creditors	2.658	10.300	18.340	63.120	107.426	175.593
<b>Current Liabilities</b>	<b>3.709</b>	<b>26.163</b>	<b>85.566</b>	<b>380.916</b>	<b>898.036</b>	<b>1.674.245</b>
<b>Equity &amp; Liabilities</b>	<b>8.992</b>	<b>78.533</b>	<b>567.582</b>	<b>845.248</b>	<b>1.749.821</b>	<b>3.716.190</b>

The Balance Sheet structure will be composed by intangibles such as the web development and the investments we will be doing in working capital as well as the warehouse in 2022. When it comes to liabilities, our main source of resources will be the capital we and the investors are willing to deploy. We will give back through dividends the money investors deployed.



c) **Appendix 3: Cash-Flow Statement**

Period	2020	2021	2022	2023	2024	2025
<b>1. Operational Cash-Flow</b>						
Net income	-29.228	-82.022	-1.144	46.784	631.083	1.632.286
D&A	155	8.164	22.545	25.022	27.413	30.570
	<b>-29.073</b>	<b>-73.858</b>	<b>21.402</b>	<b>71.806</b>	<b>658.496</b>	<b>1.662.856</b>
(-) Incr. Inventory			-40.797	-107.748	-382.557	-812.810
(-) Incr. Clients	-492	-5.892	-34.577	-140.192	-474.529	-1.024.208
Def. taxes	-7.168	-20.392	-5.566	11.696	21.430	
Incr. Suppliers	237	7.424	39.936	249.494	461.626	681.188
Incr. Creditors	2.658	7.642	8.041	44.780	44.306	68.167
<b>Cash-Flow from Operations</b>	<b>-33.838</b>	<b>-85.076</b>	<b>-11.562</b>	<b>129.836</b>	<b>328.773</b>	<b>575.193</b>
<b>2. Cash-Flow from Investments</b>	<b>-930</b>	<b>-48.052</b>	<b>-421.744</b>	<b>-22.141</b>	<b>-18.763</b>	<b>-43.488</b>
<b>3. Cash-Flow from Financing</b>						
Shareholders	28.000	70.000	340.000	-71.430	-315.971	-612.088
Minority dividends			-621	-1.643	-17.166	-44.867
Banks	7325	66496,84	102836,81	9680,57	100695,21	241680,8
<b>Cash-Flow from Financing</b>	<b>35.325</b>	<b>136.497</b>	<b>442.216</b>	<b>-63.393</b>	<b>-232.441</b>	<b>-415.274</b>
<b>Cash-Flow</b>	<b>556</b>	<b>3.368</b>	<b>8.910</b>	<b>44.302</b>	<b>77.568</b>	<b>116.431</b>
<b>Cash at the Beginning</b>		556	3.924	12.835	57.137	134.705
<b>Cash-Flow</b>	556	3.368	8.910	44.302	77.568	116.431
<b>Cash at the End</b>	<b>556</b>	<b>3.924</b>	<b>12.835</b>	<b>57.137</b>	<b>134.705</b>	<b>251.137</b>

When it comes to Cash Flows we can observe that the working capital is financing us till 2022 when the warehouse started its operations. From that point we will need more resources to finance our operating cash flows, it will not be a problem as we are able to generate almost all in cash within a reasonable period. When assessing the other parts of cash flow, we can see first of all the amount of money we will invest in our growth projects on one hand, and the money that will be returning to investors in the other hand.

**d) Appendix 4: Eclothes collaboration main conditions with Brands**

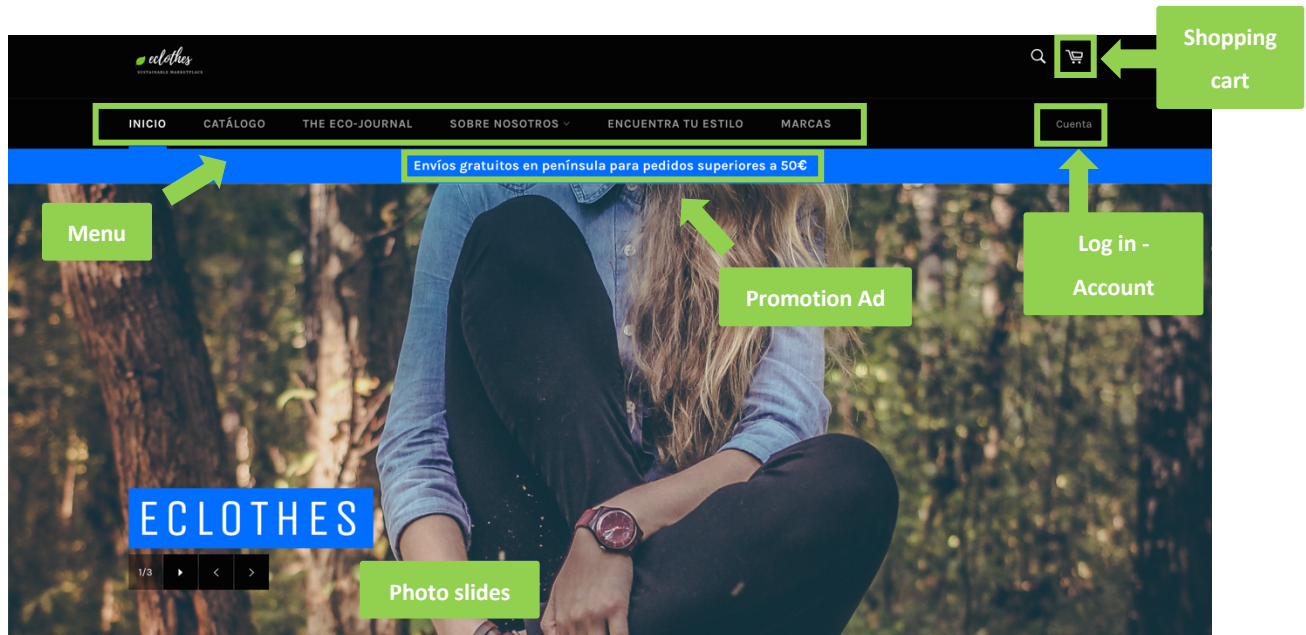
Eclothes is at the time of its launch. Because Eclothes believes in the Lean Startup method, Eclothes was initially born as a sustainable fashion marketplace. Initially, for about 12 months, from the point of view of the brands, Eclothes will be dedicated to the acquisition of the sale.

- For this acquisition, an initial CAC of 30 euros has been estimated to gain loyalty to the first customers. This CAC will gradually decrease for new customers while positioning the brand in the minds of consumers.
- In this way, Eclothes will charge for sales management, such as fee, 15% of the sale value, INCLUDING VAT.
- Once the purchase is executed, Eclothes will send the order information to the corresponding brand and the mark will be responsible for the shipment of the product, as well as defray the costs of the product.
- In case of return, according to our policy, the customer is responsible for covering the return costs, in this way, the customer is incentivized so that it does not contribute to increase the CO2footprint.
- The payment corresponding to the sale is issued after the customer's return period has passed. Eclothes retains the money in case the customer requests a refund.
- Regarding the creation of content for each brand in the space reserved on the web, Eclothes does not take care of the creation. Eclothes will take care of placing such content on the web, but never its creation.

This document has been created as information on the main conditions for Eclothes' collaboration with brands.

e) Appendix 5: MVP - Web

Here's what the initial prototype of the web looks like, which is: [www.eclothes.es](http://www.eclothes.es) . With the various key elements that appear on the home page as well as the menu items that we'll discuss later:



As it appreciates, the menu is divided into:

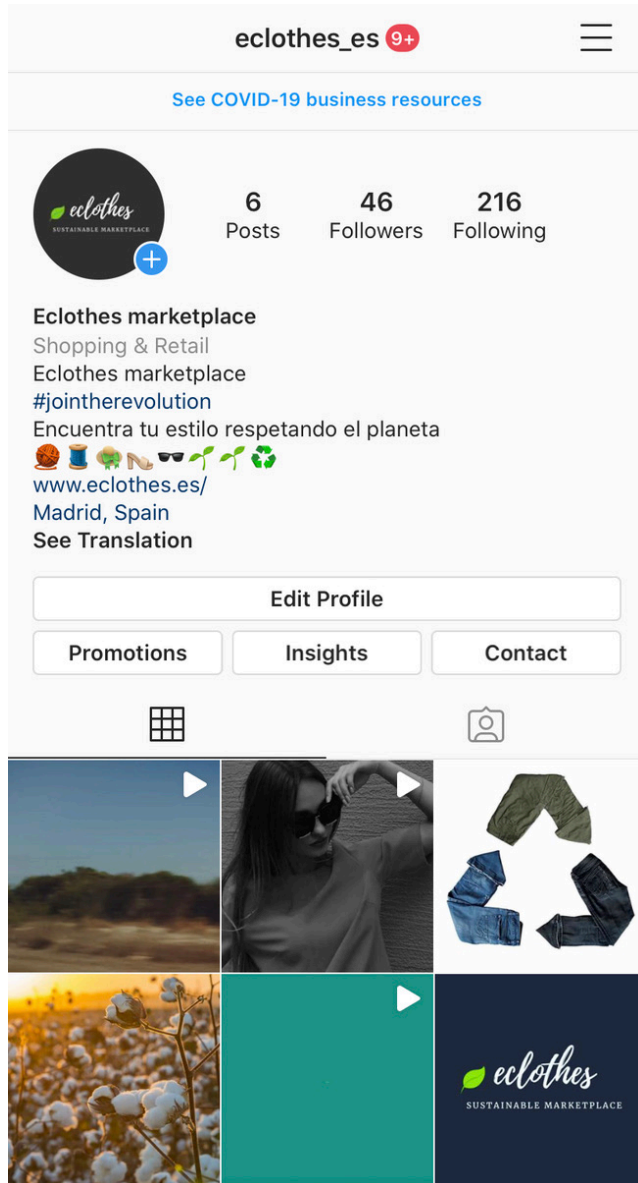
- **Home:** This is the main page of the web.
- **Catalog:** Here are all products in mass search engine, without differentiating between brands. It's a quick search mode for those who want to get right to the point.
- **The Eco-Journal:** is the Blog of Eclothes. Here we talk about our environment and us, trends in the sector, sustainable fashion, etc.
- **About us:** a place where we can get to know each other better, how to contact us, what our project is, as well as our mission, vision and values.
- **Find your style:** for the moment, here you can find the products classified in groups of segments such as urban, millennial, work clothes, etc.
- **Brands:** finally, in this section, you will find a small space reserved for each of the brands that make up the Marketplace. In it, you will be able to know more about them and know what products offer on our platform.

In addition to all of the above, other items such as:

- **Account:** You can create or sign in to access exclusive discounts and have a more personalized treatment.
- **Shopping cart:** Items you have pre-selected for purchase are displayed.
- **Visual content:** photos, videos, blog posts, etc.
- **Announcement:** Displayed on all pages of the website. Offers free shipping for certain conditions.

**f) Appendix 6: Instagram and Ads**

To start interacting with our community and generating value for them, we decided to start with creating an Instagram account: **@eclothes\_es**.



We can see Eclothes' modest Social Media Instagram account. It was created at the end of May and has since been having relatively normal growth.

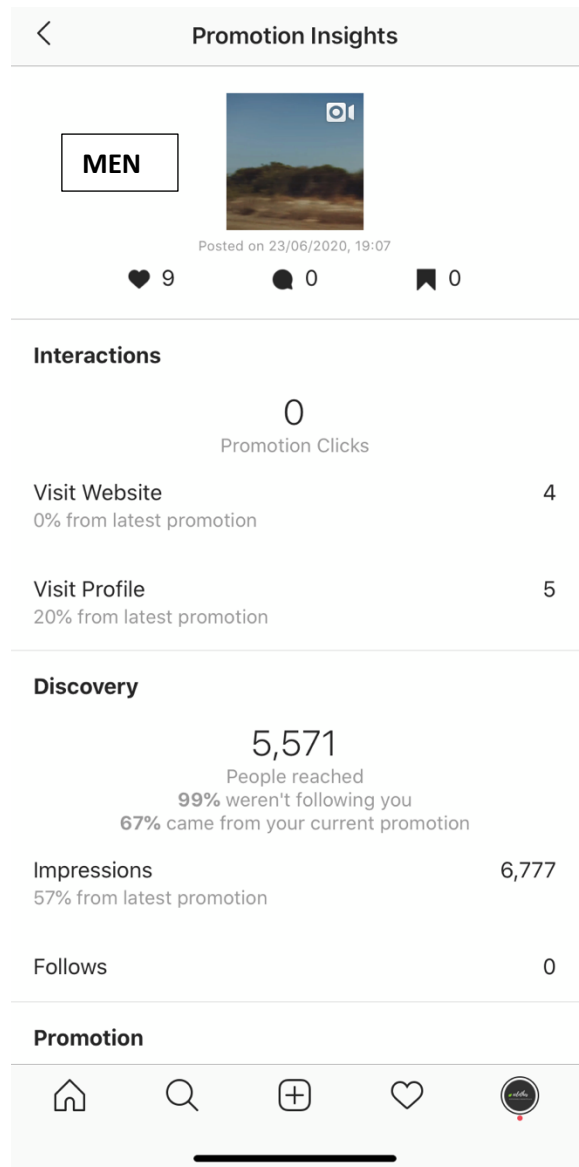
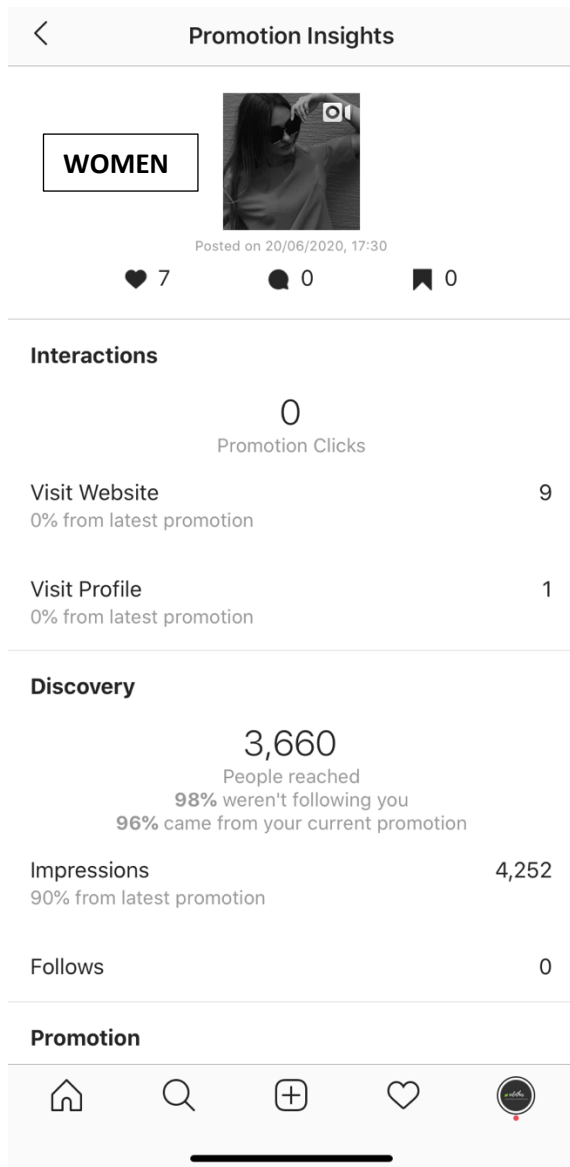
In addition to image content we have also developed advertising videos, using Instagram Ads in some of them.

Our goal in social networks is to generate engagement with users and customers and thus be able to better understand what their needs are in order to adapt, in this way, to what they need.

Below are some of the statistics of the ads we have made on social networks for a short period of time to be able to test at low cost, whether our value proposition impacts or not, those we consider our target audience.

In this way, when you see the banner, if you are interested, you will enter through a direct link to the web and you can see what the conversion funnel is with the aim of optimizing it in each of its stages.

The following images show data from the Instagram Ad campaigns. A total of two campaigns were launched to check the degree of connection with the targets we had: people with tastes and behaviors related to us and with an age between 25 and 35 years, residing in Madrid.



	<i>Men</i>	<i>Women</i>
<i>% Visit Website</i>	0,22 %	0,09 %
<i>% Visit Profile</i>	0,02 %	0,11 %

Regardless of how low conversion rates may be due to low positioning, we can observe two trends:

1. Women are more willing to buy than men, as they visit 240% more the web. This is something we have already confirmed in our interviews, giving priority to women in our marketing strategy.
2. Men even prefer to know the brand on social networks before entering the web.

**g) Appendix 7: Potential Partners**

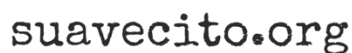
Finally, in recent weeks we have been contacting many of the sustainable fashion brands that currently exist in the Spanish market. After talking closely to them about the current situation, many of them told us about their concerns that they could not go on alive after the global pandemic due to the lack of liquidity due to lack of sales.

However, many of them, being so small, have lower fixed costs and have therefore been able to survive. After weeks of negotiations, we regret that we have nothing yet on the web as we are negotiating with them the small clauses of the contracts. While others of them, have had to use ERTE's in their companies and do not have barely time, so the process is very slowed down.

In conclusion, the current situation has made it very difficult for us to go to market, but we can say that we are very shortly introducing many of the brands with which we have entered negotiations. Below are the marks with which we are in the process of trading:



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