

**BUSINESS PLAN OF CLOTHIE:
AN INNOVATIVE PLATFORM TO SHOP FOR LOCAL FASHION**

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I dedicate this project to Pietro, Irene, Francesca, and Raffaella.

Abstract

The objective of this master project is to develop a business plan for an innovative fashion service.

Over one-third of the global population own a smartphone. Statistics reveal that more than 90% of the time spent by smartphone users on their devices, is consumed within Apps. Nevertheless, millions of local stores around the world do not benefit from this opportunity.

Clothie wants to unlock the market for those fashion retailers that are struggling to stay in business, by offering a tool capable of creating a potentially unlimited client base. Besides, its entertaining approach to the fashion world is expected to generate unprecedented value for the ones eager to find new apparel products.

Shaping its strategy around the concept of ‘Lean Startup’, the team will develop the platform in light of the feedback received from the customers, creating authentic value while saving time and resources. Joining the fast-growing Portuguese economy will facilitate the customer development process, granting the opportunity to introduce Clothie to an increasing audience of tourists keen to shop locally.

Thanks to its unique value curve, Clothie is able to stand out from the competition and create a ‘Blue Ocean’ - becoming the first ever 'location-based fashion shopping app' to be released on the market. The astonishing potentialities of the project are evidenced by the financial forecasts generated, which outline the scalability of the business and the exceptional value Clothie can provide to its shareholders.

Key Words: Business Plan, Fashion, Retail, Application

JEL Classification System:

- M13 – New Firms; Startups
- L26 - Entrepreneurship

Resumo

O objetivo deste projeto de mestrado é desenvolver um plano de negócios para um serviço inovador de moda.

Mais de um terço da população mundial possui um smartphone. As estatísticas revelam que mais de 90% do tempo gasto pelos utilizadores de smartphones nos seus dispositivos é gasto nos aplicativos. No entanto, milhões de lojas locais em todo o mundo não beneficiam dessa oportunidade.

A Clothie quer desbloquear o mercado para os retalhistas de moda que estão a lutar para permanecer no negócio, oferecendo uma ferramenta capaz de criar uma base de clientes potencialmente ilimitada. Além disso, estima-se que a sua abordagem de entretenimento para o mundo da moda crie valor sem precedentes para aqueles que desejam encontrar novos produtos diferenciados.

Moldando a sua estratégia em torno do conceito de "Lean Startup", a equipa desenvolverá a plataforma à luz do feedback recebido dos clientes, criando valor autêntico enquanto poupa tempo e recursos. Juntar-se à economia portuguesa em rápido crescimento facilitará o processo de desenvolvimento do cliente, dando a oportunidade de apresentar a Clothie a um público cada vez maior de turistas ávidos por fazer compras no país.

Graças à sua curva de valor única, a Clothie é capaz de se destacar da concorrência e criar um “Blue Ocean” - tornando-se o primeiro aplicativo de compras de moda baseado em localização a ser lançado no mercado. As surpreendentes potencialidades do projeto são evidenciadas pelas previsões financeiras geradas, que descrevem a escalabilidade do negócio e o valor excepcional que a Clothie pode proporcionar aos seus acionistas.

Palavras-chave: Plano de negócios; Moda; Varejo; Aplicação

Codificação JEL:

- M13 – New Firms; Startups
- L26 - Entrepreneurship

Index

| | |
|---|----|
| 1. Executive Summary | 1 |
| 2. Problem Statement | 3 |
| 3. Literature Review | 4 |
| 3.1 Entrepreneurship | 4 |
| 3.1.1 The Discovery Theory | 5 |
| 3.1.2 The Creation Theory | 5 |
| 3.1.3 The Lean Startup | 6 |
| 3.2 Innovation | 7 |
| 3.2.1 History of Innovation | 8 |
| 3.2.2 Value Innovation & Blue Ocean | 10 |
| 3.2.3 The Strategy Canvas | 11 |
| 3.2.4 The Four Actions Framework | 12 |
| 3.2.5 The Blue Sequence | 12 |
| 5. Framework and Methodology | 14 |
| 6. External Analysis – PESTLE | 15 |
| 6.1 The Political / Legal Structure | 15 |
| 6.2 Economic Analysis | 16 |
| 6.3 Socio-Cultural Analysis | 17 |
| 6.4 Technological Development | 18 |
| 6.5 Environmental Implications | 19 |
| 7. Porter’s Five Forces Analysis | 20 |
| 7.1 Competitive Rivalry | 20 |
| 7.2 Threat of Substitutes | 21 |
| 7.3 Threat of New Entrants | 22 |

| | |
|--|----|
| 7.4 Power of Buyers | 23 |
| 7.5 Power of Suppliers | 23 |
| 8. Internal Analysis – VRIO | 24 |
| 9. SWOT Analysis | 26 |
| 9.1 Strengths of Clothie..... | 26 |
| 9.2 Weaknesses of Clothie | 27 |
| 9.3 Opportunities for Clothie..... | 27 |
| 9.4 Threats to Clothie | 28 |
| 10. Goal Formulation | 29 |
| 10.1 Matching Strengths to Opportunities | 29 |
| 10.2. Minimize Weaknesses | 30 |
| 10.3 Avoid Threats | 30 |
| 11. STP Model | 32 |
| 11.1 Segmentation | 32 |
| 11.2 Targeting | 33 |
| 11.2.1 Buyer Persona..... | 34 |
| 11.3 Positioning..... | 35 |
| 12. Strategy Definition..... | 35 |
| 12.1 The Four Action Framework..... | 35 |
| 12.2 The Strategy Canvas..... | 37 |
| 13. Marketing Mix | 39 |
| 13.1 Product..... | 39 |
| 13.1.1 Retailer User Interface: | 39 |
| 13.1.2 Individual User Interface: | 40 |
| 13.1.3 Review System | 42 |
| 13.2 Price..... | 42 |

| | |
|--|----|
| 13.2.1 Retailer User Price List..... | 42 |
| 13.2.2 Individual User Price List..... | 44 |
| 13.3 Distribution..... | 44 |
| 13.4 Promotion..... | 45 |
| 13.4.1 Online Promotion | 45 |
| 13.4.2 Offline Promotion..... | 46 |
| 14. Project Planning & Implementation..... | 47 |
| 15. Economic and Financial Analysis of the investment..... | 50 |
| 15.1 Start-up Capital..... | 50 |
| 15.2 Sales Forecasts | 50 |
| 15.3 Investments and Expenses..... | 54 |
| 15.4 Projected Income Statement..... | 56 |
| 15.5 Projected Cashflow Statement..... | 57 |
| 15.6 Evaluation of the Project | 58 |
| 15.6.1 Net Present Value (NPV) | 58 |
| 15.6.2 Return on Equity (ROE) | 58 |
| 15.6.3 Compound Annual Growth Rate (CAGR) | 59 |
| 15.7 Optimistic and Pessimistic Scenarios..... | 59 |
| 15.7.1 Pessimistic Scenario | 59 |
| 15.7.1 Optimistic Scenario | 60 |
| 16. Conclusions..... | 61 |
| 17. Bibliography..... | 62 |

Index of Tables

| | |
|---|----|
| Table 1: Discovery Theory vs Creation Theory..... | 6 |
| Table 2: Clothie's Substitutes Analysis..... | 22 |
| Table 3: Clothie's Segmentation | 32 |
| Table 4: Clothie's Market Target..... | 33 |
| Table 5: Retailer User Price List..... | 43 |
| Table 6: Individual User Price List | 44 |
| Table 7 - Implementation Plan..... | 47 |
| Table 8 - Project Planning..... | 49 |
| Table 9: Sales Forecast 2019: Retailer Users Subscription Plan | 51 |
| Table 10: Sales Forecast 2019: Individual Users Operations | 52 |
| Table 11: Total Sales Forecast 2019 | 52 |
| Table 12: Five-Year Sales Forecast: Retailer Users Subscription Plan..... | 52 |
| Table 13: Five-Year Sales Forecast: Individual Users Operations | 53 |
| Table 14: Total Five-Year Sales Forecast..... | 54 |
| Table 15: Expenses Forecast 2019 - Payroll..... | 54 |
| Table 16: Expenses Forecast 2019 - Other Expenses | 55 |
| Table 17: Five-Year Expenses Forecast - Payroll..... | 55 |
| Table 18 - Five-Year Expenses Forecast: Other Expenses | 55 |
| Table 19: Total Five-Year Expenses Forecast | 56 |
| Table 20: Five-Year Projected Income Statement | 56 |
| Table 21: Five-Year Projected Cashflow Statement..... | 57 |
| Table 22: Net Present Value (NPV)..... | 58 |
| Table 23: Return on Equity (ROE) | 58 |
| Table 24: Compounded Annual Growth Rate (CAGR)..... | 59 |

| | |
|--|----|
| Table 25: Pessimistic Scenario - Net Present Value (NPV) | 60 |
| Table 26: Optimistic Scenario - Net Present Value (NPV) | 60 |

Index of Figures

| | |
|--|----|
| Figure 1: The BML Loop..... | 7 |
| Figure 2: Relevance of Innovation in a Company's Agenda..... | 8 |
| Figure 3 - Example of Strategy Canvas on CEP Industry..... | 11 |
| Figure 4 - The Four Actions Framework | 12 |
| Figure 5: Time spent by U.S. Consumers on their Mobile Phones..... | 19 |
| Figure 6: Porter's Five Forces applied to Clothie..... | 24 |
| Figure 7: VRIO Framework..... | 25 |
| Figure 8: SWOT Analysis..... | 28 |
| Figure 9 : Clothie's Buyer Personas | 34 |
| Figure 10: The Four Action Framework applied to Clothie | 36 |
| Figure 11: Strategy Canvas of the Online Fashion Industry | 38 |
| Figure 12: Clothie Logo | 39 |
| Figure 13: Clothie's App interface..... | 45 |
| Figure 14: Example of Promotional Flyer | 45 |

Glossary

5G - Five Generations

AI – Artificial Intelligence

CAGR - Compound Annual Growth Rate

CEO - Chief Executive Officer

CTO - Chief Technical Officer

DACH - Germany, Austria, and Switzerland

EBIT - Earnings Before Interests and Taxes

EFSF - European Financial Stability Facility

EFSM - European Financial Stability Mechanism

ERP – Enterprise Resource Planning

HQ - High Quality

IMF - International Monetary Fund

IRC – Imposto Sobre o Rendimento de Pessoas Coletivas

IVA – Imposto Sobre o Valor Acrescentado

MVP – Minimum Viable Product

NPV – Net Present Value

P2P – Peer To Peer

QREN – Quadro de Referência Estratégica Nacional

R&D – Research and Development

ROE – Return on Equity

SEO – Search Engine Optimization

SME – Small and Medium-sized Enterprises

VAT – Value Added Tax

VC – Venture Capital

1. Executive Summary

Clothie is an innovative service that aims to create a lifeline for local fashion retailers by facilitating the digitization of their business. Retailers are considered the cornerstone of the entire fashion industry since, being directly connected to the final customers, their success benefits the sector as a whole (including local manufacturers, wholesalers, and distributors).

Unlike big firms, most local retailers do not have specialized teams who bring traffic to their physical store or manage their online presence. Many retailers have already tried to join the digital shift by creating a company website, but this process has often turned out to be costly and ineffective, since administrating an e-commerce requires specific expertise in the field.

Clothie allows fashion retailers with little/no technical expertise to enhance their marketing and sales performances, by promoting apparel products to a potentially unlimited client base.

Being an Active Clothie Retailer will:

- Generate new customers by stimulating online/offline traffic.
- Show on a daily basis their new arrivals to the already existing client base.
- Build an online presence and expand brand awareness.
- Boost sales and marketing performances.
- Decrease sales returns (common in e-commerce) by incentivizing in-store shopping.

On top of that, Clothie represents a new and entertaining way to shop for fashion. Its Individual Users will have the possibility to scroll through a list of pictures (like they do on Instagram), find fashion products nearby, and then decide to purchase (or book) them, directly through the App.

As proclaimed in its logo, Clothie is: *“Fashion made Fun”*.

Vision Statement: To be the leader of the online fashion-shopping market.

Mission Statement: To help local fashion retailers to gain market share at the expense of the big players, by enhancing their online presence, marketing, and sales performances.

1. Sumário Executivo

A Clothie presta um serviço inovador que visa criar uma linha de moda para os retalhistas de moda locais, facilitando a digitalização de seus negócios. Os retalhistas são considerados a pedra angular de toda a indústria da moda, uma vez que, estando diretamente conectados aos clientes finais, o seu sucesso beneficia o setor como um todo (incluindo fabricantes locais, atacadistas e distribuidores).

Ao contrário das grandes empresas, a maioria dos retalhistas locais não possui equipes especializadas que trazem tráfego para sua loja física ou gerem a sua presença online. Muitos retalhistas já tentaram aderir à mudança digital através da criação de um site da empresa, mas esse processo muitas vezes se mostrou oneroso e ineficiente, já que a administração de um comércio eletrônico requer conhecimentos específicos na área.

A Clothie permite que os retalhistas de moda com pouco ou nenhum conhecimento técnico aprimorem os seus desempenhos de marketing e vendas, promovendo produtos de vestuário para uma base de clientes potencialmente ilimitada.

Ser um retalhista ativo da Clothie irá:

- Gerar novos clientes estimulando o tráfego on-line/off-line.
- Mostrar diariamente as novas chegadas à base de clientes já existente.
- Crie uma presença on-line e ampliar o reconhecimento da marca.
- Impulsionar os desempenhos de vendas e marketing.
- Diminuir os retornos de vendas (comuns no e-commerce), incentivando as compras nas lojas.

Além disso, a Clothie representa uma maneira nova e divertida de comprar moda. Os seus utilizadores individuais terão a possibilidade de percorrer uma lista de fotos (como fazem no Instagram), encontrar produtos de moda nas proximidades e decidir comprá-los (ou reservá-los) diretamente por meio do aplicativo.

Como proclamado no seu logo, Clothie é: “Fashion made Fun”.

Declaração de visão: Ser o líder do mercado on-line de compras de moda.

Declaração de Missão: Ajudar os retalhistas de moda locais a ganhar quota de mercado às custas dos grandes players, aperfeiçoando a sua presença online, marketing e vendas.

2. Problem Statement

The economic and financial crisis faced by European countries over the last twenty years, has augmented the already existing social-economic imbalances perceived within their borders (Andor, 2014). Southern European countries like Portugal, Italy, Spain, and Greece had to cope with the inevitable decline of their economies, while DACH and northern European countries have been able to promptly react and maintain a condition of financial stability (McRae, 2017).

This project does not want to address the reasons why some countries have performed better than others; vice-versa it aims to offer a solution to the SME that are struggling to stay in business and, specifically, in the fashion industry. The 80's and 90's have been an outstanding period in terms of results for fashion producers, wholesalers, and retailers. At the time, customers were more inclined to buy from local stores rather than giant chains, which helped in stimulating a constant and proportionate growth in prosperity within the sector.

Those days are gone, now customers from all over the world buy most of their garment from the giants of the industry, Inditex and Primark on the first line, or from convenient e-commerce like Asos or Amazon. The advanced supply chain strategies adopted by these corporations, allow them to offer the newest trends at reasonable prices; the quality of the products is also rising, and their strong online presence gives them a sustained competitive advantage, cutting off local retailers.

In addition, EU liberal policies related to customs tariffs and import taxation has led low-cost producers like China, Bangladesh, and India to increase their exportation to our continent, to the detriment of European entrepreneurs. What to do then? The answer is given by one of the world's foremost expert in the field of product innovation management, Robert G. Cooper (2001: 4) – “*Either innovate or die*”.

3. Literature Review

The Literature Review will cover two main themes considered relevant for the development of this business plan: Entrepreneurship and Innovation. The two topics are strictly connected, but will be analyzed singularly, discussing the most relevant theories formulated throughout the years, and the importance they reflect on the business world nowadays.

3.1 Entrepreneurship

Over the last decade, the term ‘start-up’ has become part of our collective vocabulary. However, there is still confusion around its real meaning, the phenomenon that it represents, and the different dynamics that rule it.

In general, the term ‘start-up’ describes a newly established company looking for a compelling and scalable business model to adopt. Thus, the life cycle of a start-up ends when the business model successfully overcome the ‘testing phase’ with the consequent effective evolution to ‘company’. However, the same term can also define a new company which has already found an efficient business model, but that is still working on early organizational processes such as hiring personnel, acquiring assets, and selecting the suppliers to start working with (Blank & Dorf, 2012).

Entrepreneurship is not always linked with academical qualifications: there are thousands of cases where the founder of a company, the entrepreneur, has started his/her business journey without holding any management-related degree. Entrepreneurship is, therefore, a phenomenon based on constant action and discovery, both considered significant inputs to stimulate the competition, essential aspect of the economic growth of any industry.

Quoting Michael Porter (1990: 75), entrepreneurship is “*at the heart of national advantage*”, and governmental institutions need to thoughtfully consider this aspect when formulating economic policies. Entrepreneurial activities bring new discoveries and foster the proverbial ‘opportunity exploitation’ process - which describes the combination of activities conducted to gain financial returns from the exploration of potential opportunities.

Many people think that opportunities exist in a determined time and environment and that those more curious, informed, and committed are the first to discover them. However, part of the literature does

not agree with this perception; management scientists like Ardichvili (2003) believe that opportunities are created, not found. Thus, there is a dualism of opposite schools of thought, the Discovery Theory, and the Creation Theory.

3.1.1 The Discovery Theory

Both Discovery Theory and Creation Theory assume that the entrepreneur's outcome is to build – by discovering or creating – new opportunities (Shane & Venkatamaram, 2000). The two theories perceive that opportunities come into being because of the existence of imperfections in a determined market, but do not share the same view on the origins of those defects. In the Discovery Theory, imperfections can be represented by external factors caused by technological changes (Kirzner, 1973), as well as political, demographic, and social changes (Shane, 2003).

Aiming to explain why entrepreneurs, unlike other people, are able to find new opportunities, the Discovery Theory argues that the former have significantly different abilities from the latter, which allow them to spot chances and take advantage of the events; Kirzner (1973) describes these differences using the term 'alertness'.

In fact, in most cases, entrepreneurs have an excellent capability to either recognize opportunities or to capitalize on their broader access to information - which consequently leads them to discover new occasions. Passion for a determined industry, previous experiences in the sector, and an established social networking make those valuable information more accessible, providing a factor of advantage to the entrepreneur.

To conclude, the Discovery Theory emphasizes the vision that opportunities exist as real and objective phenomena; they just wait to be discovered and used independently of the perceptions and actions of entrepreneurs (McKelvey, 1999).

3.1.2 The Creation Theory

Following the Creation Theory, opportunities are neither objective phenomena nor they are created by external factors (markets, technology, social changes) – instead, they are actively created by visionary entrepreneurs looking for new innovative ideas. Precursors of the Creation Theory sustain that entrepreneurs should not seek for anything, they just need to act and observe the behavior of markets and consumers. Opportunities exist as consequences of entrepreneurs' effort to create them,

and only for that (Weick, 1979). However, when entrepreneurs take action, they need to interact with the market, the only judge able to sentence the veracity of their perceptions.

The market is also a social structure formed by intuitions, ideas, and perceptions of other individuals. If, as it very often happens, the entrepreneurs' convictions are proven wrong by the market, they are forced to develop new assumptions (taking advantage of the experience gained by failing) that can match what the market asks in that precise moment (Choi, 1993).

Therefore, the Creation Theory emphasizes the importance of the information, and the relevance of the knowledge gained by the process of creating opportunities.

Table 1: Discovery Theory vs Creation Theory

| | Discovery Theory | Creation Theory |
|-------------------------|--|--|
| Core Arguments | Opportunities are real and objective phenomena | Opportunities are created by entrepreneurs |
| Nature of Opportunities | Opportunities exist independently of entrepreneurs | Opportunities exist depending on entrepreneurs' action |
| Entrepreneur Roles | Passive: Discovery & Exploitation | Active: Enacting & Creating Opportunities |

Source: the author, 2018

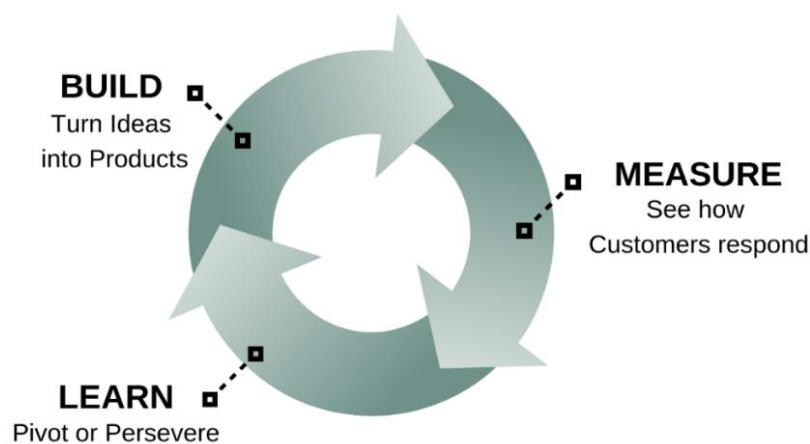
3.1.3 The Lean Startup

Several modern entrepreneurial doctrines have recalled the Creation Theory and, in particular, the interpretation presented by Choi. Eric Ries has been one of the earliest precursors of this new conception, developing the notion of 'Lean Startup' successively taken up by numerous business authors. Startups are exploratory by nature, considering their initial lack of clear vision, customers base, and defined business model.

In his research, Ries (2011) analyzed the staggering number of recent start-up failures and identified a common characteristic: all of them were successfully executing a failing plan. In substance, they were spending time and money developing products nobody needed.

Ries (2011) underlines the action of researching for a concrete problem to solve, rather than finding solutions for undetermined issues, introducing the 'Build-Measure-Learn' loop. The first goal of the BML loop is to build a Minimum Viable Product (MVP) - the easiest possible version of the product that allows to test the entrepreneur's initial hypotheses on an audience of early-adopters. Next, data is gathered by measuring how the customers perceive and use the product. Finally, the results provide fundamental information to the team, ready (if necessary) to produce new ideas that better match the customers' expectations.

Figure 1: The BML Loop



Source: the author, 2018

3.2 Innovation

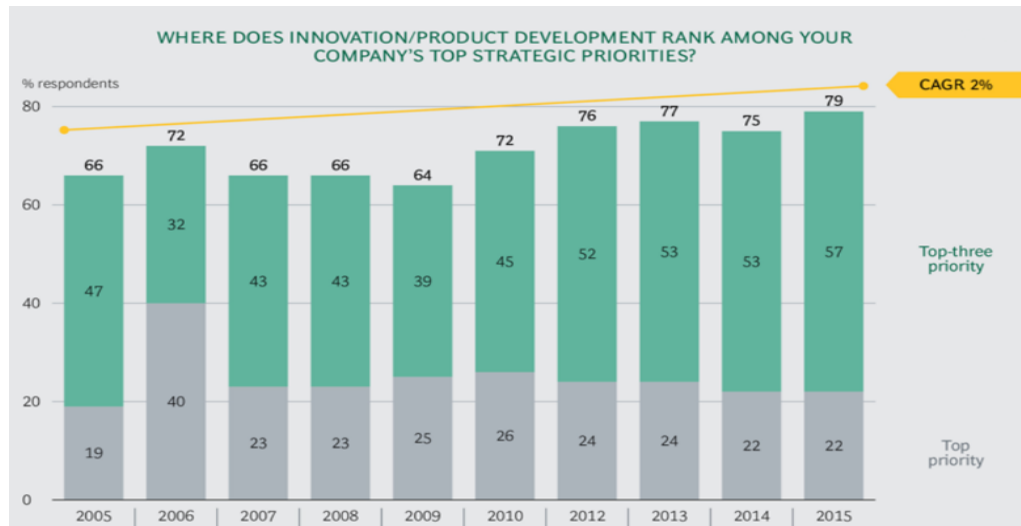
The term 'innovation' has been defined in various ways by business and social experts. Peter Drucker (1985: 18) has outlined it as "*the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service*". For David Albury (2005: 51) "*Innovation is the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes, efficiency, effectiveness or quality*"; while James Hartley (2006: 35) considers it as "*the successful development, implementation and use of new or structurally improved products, processes, services or organizational forms*". Innovation represents a vital key for the survival of any organization. However, completing a compelling innovation process is extremely difficult. A long list of top companies, in the past considered

revolutionary leaders in their own markets, had struggled when it came to facing a major technological change (Hamel & Prahalad, 1994; Utterback, 1994; Christensen, 1998).

A concrete example is the dot-com boom and bust of the early 2000s. Some firms like Amazon and Google saw their share prices surging - but for many others there was no way to recover from the wave of disruptive innovation faced. Apart from the crash regarding speculation on overvalued internet start-ups, even large and established players were stricken. For example, the telecommunication giant British Telecom lost 60% of its market value, while others, like The Marconi Company, eventually went under (Tidd, Bessant, & Pavitt, 2005).

Today more than ever the importance given to innovation continues to rise, the Boston Consulting Group's 10th annual 'Global Innovation Survey' (Fig. 2) has clearly shown this aspect. The survey addressed employees and executives' opinions over a ten-year period, with 79% of respondents who ranked innovation within the top-three priorities at their company in 2015, substantial rise compared to the 66% of ten years before.

Figure 2: Relevance of Innovation in a Company's Agenda



Source: BCG Global Innovation Survey, 2015

3.2.1 History of Innovation

Over the last two decades, many patterns have been formulated with the intention to describe the different historical steps of innovation models. The British sociologist R. Rothwell (1992) with his Five Generations (5G) of Innovation Model, provides a wide time-based overview of the evolution

of innovation management in the western world. He divided the period between the 1950's and the 1990's in 5 generations, each of them with different social-economical characteristics that directly interfere with the development of innovative processes.

The 5G are Technology Push, Market Pull, Coupling of R&D and Marketing, Integrated Business Processes, and System Integration & Networking.

- **Technology Push** (the 1950s - Mid 1960s): It is still a period of post-war recovery, characterized by a fast-economic growth. The astonishingly high demand brought Companies to implement a 'tech push' giving more relevance to R&D - with the consequent technological renovation of already existing sectors and the creation of new technology-led industries.
- **Market Pull** (the Mid 1960s – Early 1970s): A period of general prosperity characterized by the market shares battle. Companies start to understand their need to 'pull' - trying to figure out the market needs, and growing strategic emphasis on marketing, more than R&D.
- **Coupling of R&D and Marketing** (the Mid 1970s – Early 1980s): This is a period of high inflation and demand saturation. Marketing and R&D become both parts of a structured innovation process trying to correct the exceeding the supply/demand ratio. Companies start exploring more the accountancy and financial areas, with the aim of minimizing costs of production.
- **Integrated Business Processes** (the Early 1980s – 1990): Following a period of economic recovery, we assist to the strengthening of a global approach. Strategic alliances and acquisitions, together with an internationalization in both ownership and production make possible to lower the prices and to increase the quality of the final products.
- **System Integration & Networking** (the 1990s): Finally, the fifth and last generation, the one marked by a high rate of tech development that helped companies to speed up the product cycle by automatizing processes through ERP and manufacturing information systems. Thus, central importance is given to the speed of development, but not only: quality and product diversity reach higher standards, while environmental issues start evolving into strategic concerns (Rothwell, 1992).

Rothwell covered this topic until the last ten years of the '900: what about the new century? Many other sociologists have defined the 6th generation of innovation as the "Technology Innovation". This generation is based on modeling, simulation, virtual reality, AI, analysis of data and any other

development that has characterized modern technological advancements (Nicolov & Badulescu, 2012).

3.2.2 Value Innovation & Blue Ocean

Many think that having a good team, an innovative idea and a strong motivation will undoubtedly lead them to succeed - the truth is that 90% of start-ups fail, despite their 'game-changing' approaches (Patel, 2015). A business can be innovative, but at the same time can bring little or no value to the market, turning out to be futile. This is why it is necessary to explore a notion unfamiliar to the most, the concept of 'value innovation'.

Value innovation occurs only when a company aligns innovation with utility, price, and cost positions. Value innovation places the same emphasis on both aspects, value and innovation. Value without innovation focuses on value creation, a mere improvement on the current offer that does not grant to stand out in a crowded market. On the other hand, innovation without value focuses on technology, generating futuristic projects that lack utility – resulting in customers disinterest. On this regard, Gerard Tellis and Peter Golder (2006) draw a surprising picture of what they call 'the pioneering issue'. Their twelve-year study observed that less than 10% of market pioneers turned out to be the winners in the new market discovered.

Consider now the CD-i, an innovative interactive multimedia CD player launched by Philips in 1991. It was a video machine, game player, music system, teaching tool: all in one. It was promoted as 'the imagination machine' because of its multifunction. The problem was that the player was everything but intuitive; the user interface was so disordered that people could not understand how to use it, despite reading the instruction manual. Moreover, even if the most tech-savvy could manage to use the console, it lacked attractive software titles. In theory, CD-i could do nearly anything, but in reality, could do almost nothing.

Philips failed to deliver value to its final users, and this occurred because they were obsessed by the novelty of their product and driven by the excitement to be the first exploring a new market. Value innovation is a different way of thinking and operating, which leads to the creation of a 'blue ocean' and a distinction from the competition. Based on a study of 150 strategic moves, over a hundred-year period, and across thirty industries, the Blue Ocean Strategy is a relatively new market strategy

formulated by W. Chan Kim and Renée Mauborgne which intends to help businesses approaching the market in an efficient way.

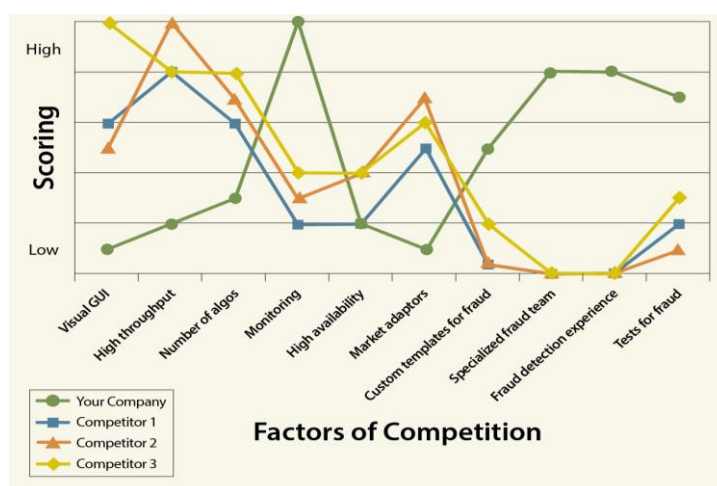
Blue Ocean Strategy is not about being the pioneers of a market; it is about becoming the first to get it right by linking innovation to value (Kim & Mauborgne, 2015). The authors affirm that battling competitors brings businesses to join a ‘red ocean’ composed by similar companies sharing the same little portion of the market. Instead, the secret of success is in finding untapped new markets where a business can potentiate its growth. Several valuable tools that can help any entrepreneur to discover markets opportunities will be analyzed throughout the next sections.

3.2.3 The Strategy Canvas

Designing a ‘strategy canvas’ is an essential step towards the creation of a Blue Ocean Strategy. The strategy canvas is both a diagnostic tool and an action framework useful to capture a snapshot of the current market competition. Kim & Mauborgne (2015) empathize how, by having a graphic overview of the current market aspects, it comes definitely easier to define:

- The strategic profile of an industry, by representing the current and future factors that influence the competition.
- The strategic profile of current and potential competitors, and the factors they focus on to pursue their strategy.
- The company’s own value curve, how the company will disclose a Blue Ocean and what will make it different from the others.

Figure 3 - Example of Strategy Canvas on CEP Industry



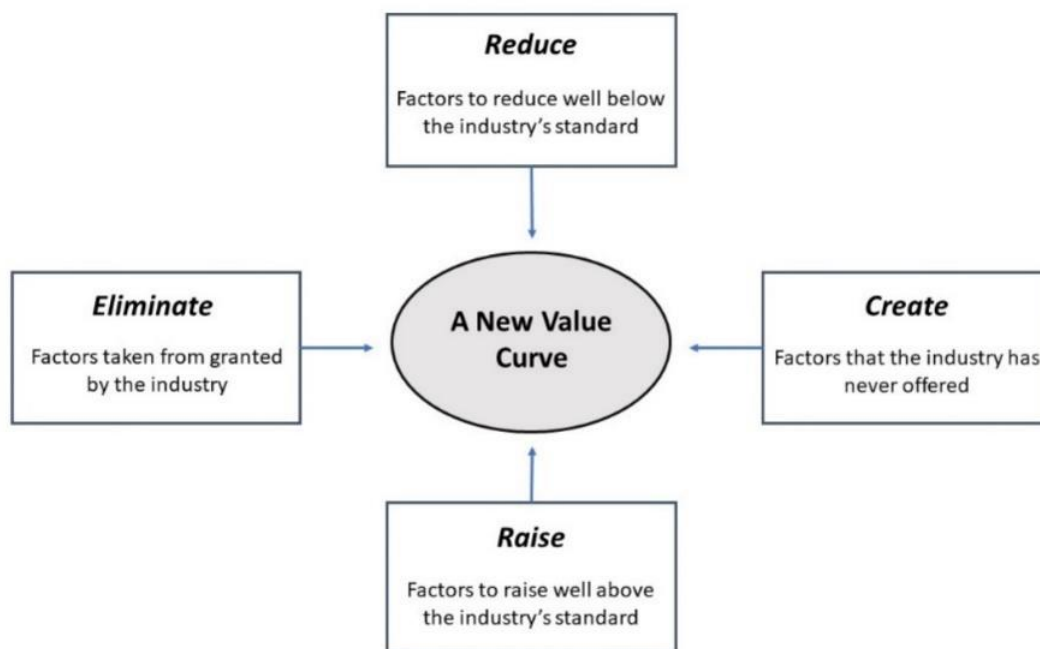
Source: Deloitte, 2011

3.2.4 The Four Actions Framework

The Four Action Framework is useful to break the conventional trade-off between low cost and differentiation, creating a new Value Curve. It is based on four main questions any entrepreneur should ask themselves, which are:

- What are the factors taken for granted in the industry and that should be eliminated?
- What are the factors that should be reduced well below the industry's standard?
- What are the factors that should be raised well above the industry's standard?
- What are the factors that the market lack of, and therefore should be created?

Figure 4 - The Four Actions Framework



Source: the author, 2018

3.2.5 The Blue Sequence

Eventually, Kim & Mauborgne (2015) introduce the next challenge as the 'blue sequence' - a tool that allows companies to build a viable business model and confirm that the blue ocean created can bring positive results.

The sequence is composed of four elements: buyer utility, price, cost, and adoption.

- **Buyer Utility:** The product/service must provide a reason for the target people to buy it.
- **Price:** The product/service must have a price that allows the target people to buy it.
- **Cost:** The price offered to the public, other than being accessible, must let the company earn a healthy profit margin.
- **Adoption:** Upfront analysis of adoption hurdles to avoid surprises during the development of a business.

The first two elements together - Buyer Utility and Price - force a company to create a leap in the net buyer value. The 'strategic price' does not have to be based on the cost, vice-versa the costs need to be based on the strategic price determined. If the target cost cannot be met, the company needs to change their plans or innovate their business model in order to reach the target cost. The combination of great utility, strategic pricing, and target costing is the secret to create value innovation, giving more to both customers and companies. All the three elements are essential: the absence of one would cause the impossibility to reach a leap in value (Kim & Mauborgne, 2015).

Last but not least, the fourth and last element – adoption – indicates the need of being forward-looking in order to address future problems of the company; anticipating the obstacles will surely guarantee a smoother and faster path to victory.

5. Framework and Methodology

The present business plan is structured along the following points:

- **Macro Context Analysis:** points out the different external constraints that may influence the organization, by analyzing political, economic, social, technological and environmental factors.
- **Micro Context Analysis:** analyzes the potential outcomes of a determined industry through the Porter Five forces model.
- **Competition Analysis:** determines and analyzes the direct and indirect competitors of the business.
- **Internal Analysis:** identifies the key aspects and strategic capability of the business following the VRIO Framework.
- **SWOT Analysis:** determines the crucial aspects of the business environment, formulating the company's current strengths, weaknesses, opportunities, and threats.
- **Goal Formulation:** uses the results of the SWOT Analysis to identify effective strategies to implement.
- **STP Model:** pinpoints the right customer for the specific product offered, using Segmentation, Targeting and Positioning tools.
- **Strategy Definition:** draws the strategy to be pursued, using tools like the Four Action Framework and the Strategy Canvas.
- **Marketing Mix:** describes in the specific the different aspects of the business, dividing its strategy into four categories: product, price, promotion, and distribution.
- **Implementation Plan:** defines how the strategy will be executed during the first year of operations.
- **Economic and Financial Analysis:** provides a forecast of the financial activities of the business, analyzing the expected returns over a five-year period.
- **Conclusions:** analyzes the viability of the project and indicates if and why it represents a concrete opportunity for investors.

6. External Analysis – PESTLE

Political, economic, social, technological, legal, and environmental factors are equally considered by executives, in order to examine the effects that external elements may have on the performances of an organization. The PESTLE analysis allows to identify these external constraints, using them to draw up a strategy based on the opportunities and threats discovered.

6.1 The Political / Legal Structure

The Direção-Geral dos Impostos (Portuguese Tax Authority) is in charge of administrating the tax system of the country. Whomever interested in starting a business in Portugal, needs to take in consideration three main tax rates before deciding to settle down:

- Corporate Tax (IRC): Imposed on a company's earned income. The Portugal corporate tax follows a flat tax regime, with a fixed 21% tax rate.
- Municipal Tax (Derrama): Imposed on a company's earned income (1,5%), with Lisbon offering tax exemption to business with an annual turnover (net sales) of less than €150.000 (Autoridade Tributaria e Aduaneria, 2017).
- Value Added Tax (IVA): It is a broadly-based consumption tax assessed on the value added to goods and services. The standard Portuguese VAT rate is currently 23%, with an intermediate VAT of 13% and a reduced VAT of 6%.

Many are the government-backed ventures with the aim to facilitate the administrative procedures and bureaucracy processes necessary to set up a start-up in Portugal. The most important, Empresa na Hora, allows to create a company in the commercial form of single-person, quota or anonymous types, in a fast and easy way.

If the members of the future company are private individuals, they will need to bring to the administrative desk:

- Tax identification card
- Identification document (identity card or passport).
- Social security card (optional)

In the case of legal persons/corporations it is necessary:

- Legal/corporate person tax identification or identity card;
- Current extract of the entry in the commercial registry;
- Minutes of the general meeting, granting powers of company incorporation.

The creation of a company at the Empresa na Hora takes around thirty minutes and has a cost of €360 (Empresa na Hora, 2018).

6.2 Economic Analysis

Over the last decades, Portugal has undoubtedly faced difficult moments, both from an economic and financial perspective. The Great Recession hit Portugal in 2008 and brought the country to be incapable of repaying its government debt without requiring the help of third parties. In 2011 the Portuguese government signed a three-year Bailout Program, drawing a total of €78 billion from the IMF, the EFSM and the EFSF. Portugal exited the Program in June 2014, starting a new uptrend that has brought the whole economy to reflourish.

According to the Portuguese National Statistic Office, the Portuguese economy grew 2.7% in 2017, achieving its most relevant growth rate since the new century began. Tourism has seen a steady increase during recent years, recording a +21% from 2016 to 2017, accounted for more than €6 billion. GDP is growing as well, with an increment of 2.5% in 2017 and a projected growth of 2.2% in 2018 (Nordeatrade, 2018).

The unemployment rate in Portugal has touched its lowest point since 2008, with a 7,4% recorded by Eurostat in April 2018, after having reached a peak of 16.2% in 2013. Part of these outstanding results also come from the development and spread of a new system of job creation, that allows people to reinvent their working life, actively participating to the ‘Gig Economy’. The Collins Dictionary defines the Gig Economy as an *“economy in which there are few permanent employees and most jobs are assigned to temporary or freelance workers”*.

We are facing a strong return to P2P, and of course, the digitization of enterprises and the increasing usage of IoT technologies are helping this process to gain traction. Remote working is becoming the most common interpretation of new jobs, giving the employers a broader range of applicants to select

from. Uber drivers, Deliveroo riders, Airbnb hosts are all part of the Gig Economy Ecosystem. Many employees are not satisfied with 9-6 jobs, and yearn for becoming their own bosses: possibility now more reasonable than ever, thanks to the numerous public and private initiatives that support and incentive young entrepreneurs.

Another trend characterizing the recent economy is the opening of temporary/pop up stores. This new phenomenon is expanding its boundaries and has now become a go-to marketing strategy for retailers looking to expand their brand awareness, or for those who want to try out for a short period if their ideas are worth a more significant investment.

Pop up stores, having a short life cycle, often organize multiple events in order to get popularity outside their neighborhood. However, it is certainly challenging to create an audience in a few weeks, thus they can be considered as suitable clients for a platform like Clothie.

6.3 Socio-Cultural Analysis

In 2016, the Web Summit Committee decided to move their hub from Dublin, where the event was launched and developed since 2010, to a new European capital. The Web Summit is one of the most important tech conferences in the world, attended by thousands of entrepreneurs willing to show their talent, and investors looking for new ventures to undertake.

Even though the Irish capital is home to many international corporations and promising start-ups, it had to concede the spotlight to a fast-growing entrepreneurial movement that has recently characterized one of the most underrated European countries, Portugal. Lisbon has been chosen as the official hub of the Web Summit for at least three years, recording the highest number of participants (60.000 in its last edition) in its history; statistic that demonstrates how much importance Portuguese people give to innovation and entrepreneurship (Camara Municipal de Lisboa, 2017).

There are different reasons why Lisbon is considered a great place to launch a start-up. First of all, the Portuguese education system is a first-class level, producing every year hundreds of multi-lingual young talents, ready to join new entrepreneurial realities. Moreover, the presence of high-quality accelerators and incubators helps young entrepreneurs to develop their ideas, by monitoring and mentoring the teams in order to find sustainable business strategies.

Startup Lisboa, Fabrica de Startups or Beta-I are only few examples of the many realities that are helping new companies and the whole country to re-grow, by giving chances to Portuguese and international candidates to get advice on fundraising, international expansion strategies, and the legal procedures to follow before and during their business activities.

6.4 Technological Development

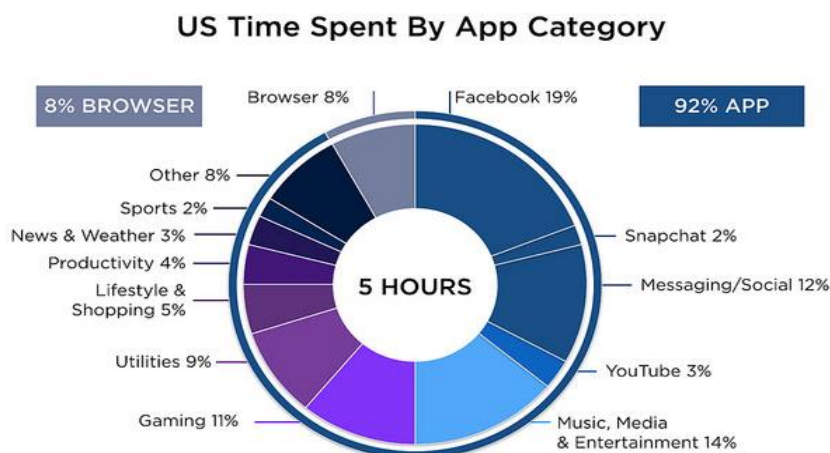
Over the last decade, smartphone sales have faced a dramatic growth. In the first quarter of 2009, less than 50 million devices were sold, nothing compared to the 383 million units accounted in the first quarter of 2018 (Gartner, 2018). To date, the number of active smartphones is estimated to be around 1.9 billion, with over a third of the world population that own at least one device.

Only a decade ago, regular phones and palmtop were respectively used by ordinary and business people. The QWERTY keyboard both devices shared, was not the best solution for individuals willing to use their phone to navigate the internet, send e-mails and log into applications. The innovative features introduced lately (especially with the first iPhone release) transformed mobile phones into computers, supplanting the traditional idea of the phone as a mere telecommunication device.

This new revolution brought to the light new winners, like Apple and Samsung, that substituted pioneers such as Motorola, Nokia, and Siemens. What happened in recent years though, is a gradual shift in the centralities of the global economy.

While Apple and Samsung lead the international market of developed countries, new competitors like Huawei, Lenovo, and Xiaomi (all of them headquartered in China) propose high-quality products at discount prices. Their smartphones' offer covers a vast range of products, with prices starting from €100 up to €600 - which demonstrates how their influence is built not only around emerging markets, but to challenge Apple and Samsung's high-technological products.

Yahoo Flurry Analytics' data illustrated in Figure 5 shows that U.S. smartphone holders spend 92% of their phone use scrolling within Apps, while only 8% of the time is spent browsing the internet. Just by looking at this pie chart, it comes clear the importance for a company to build an interactive and easy-to-use app to entertain its customers, as well as the need for any company to implement social media in their business strategies.

Figure 5: Time spent by U.S. Consumers on their Mobile Phones

Source: Flurry Analytics, 2017

Companies can rapidly increment their brand awareness and expand their market horizon on unlimited ways through the use of social media. Facebook, with its advertising platform, offers one of the most powerful communication tools ever created.

By running ads, businesses can target different niches based on users' nationality, language, profession, habits, or interests; this allows companies to address their campaigns to established audiences or, in case of early stage start-ups, to identify one or more new targets.

LinkedIn makes things easier, not only for recruiting the right personnel, but also to be more visible to investors and possible partners. Although its monthly active users represent only 1/3 of the Facebook ones, Instagram is growing exponentially thanks to its user-friendly interface and the rising figures of 'influencers' (Solon, 2018). Finally, Twitter, YouTube, and Snapchat cannot be neglected by any company targeting teenagers and young adults.

6.5 Environmental Implications

Respect for the environment and its sustainability are milestones for any organization that aims to gain respect and trust from the surrounding social system. The number of businesses that are willing to undertake this eco-friendly path is in constant expansion. Recyclable materials are now used to produce any kind of product, from sneakers to phone cases, from local shops to corporations - anyone

wants to contribute to protecting the environment. In Clothie's case, it comes difficult to find direct environmental implications, but indirect effects can take an essential role in its customer development process.

The consequences of climate change are a serious topic international organizations and governments are currently trying to solve, and Clothie is open support this cause in any possible way. On the positive side, in recent years climate change has shown a consistent impact on tourists' travel decisions. As a result, tourism flows are becoming more spread throughout the year, with an increasing demand for the low seasons (Turismo de Portugal, 2014).

Tourists' all year long arrivals can increase business opportunities for local stores, stimulating the whole Portuguese economy.

7. Porter's Five Forces Analysis

Porter's Five Forces Analysis identifies and analyzes five competitive forces that shape every sector, helping to determine an industry's weaknesses and strengths. The Analysis, originally published in Michael Porter's book "Competitive Strategy: Techniques for analyzing industries and competitors" in 1980, creates an overview of the factors characterizing a selected industry by considering five dimensions: power of buyers, power of suppliers, threat of new entries, threat of substitutes, and competitive rivalry (Johnson, Scholes, & Whittington, 2008).

A three-value scale (low, medium, and high) will be used to define Clothie's Five Forces.

7.1 Competitive Rivalry

The number of competitors and their ability to threaten the company is one of the most relevant aspects to consider when writing a business plan. However, after specific and cautious researches, it is possible to affirm that Clothie is the first Location-Based Fashion Shopping App in its genre. Thus, it is not possible to focus a study on its 'direct competitors', intended as the strict definition of the word. The competitive rivalry is then considered to be low.

7.2 Threat of Substitutes

Great importance is given to Clothie's substitutes. The concept of 'threats of substitutes' defines competitive businesses that use alternative processes to offer similar product or services (Johnson, Scholes, & Whittington, 2008). At present, hundreds of online services have targeted the fashion market; in Table 2 are listed the four most significant substitutes Clothie has to compete with, in order to increase its relevance – a description of the companies follows:

- **Farfetch:** e-commerce service which selects fashion boutiques from all over the world and hosts them on its online platform. By browsing Farfetch, users can choose trendy products to buy and receive directly at their doorstep. Once selected by Farfetch, the boutique will have the possibility be listed on the platform for free, with fixed commissions applied to any sales closed.
- **Shopular:** platform that allows retailers to show, to their nearby clients, real-time discount code and promotions. It covers a broad range of industries, from food to fashion. At present, the service is only available in the U.S.
- **Asos:** British e-commerce specialized in fashion and beauty. Asos sells over 850 brands, as well as its own selection of apparel and accessories, targeting young adults. The service was founded back in 2000 during the internet boom, and it is considered one of the pioneers of the online fashion industry. The business model is simple, buy online and receive the package in a couple of days.
- **Retail Leaders** like Zara, H&M, Armani, or Dutti keep leading a significant portion of the market and have convincingly improved the in-store experience while digitalizing their businesses. Users can purchase via their e-commerce, or book online and retire the selected clothes from one of their branches. These firms are probably the toughest rival for Clothie, having perfectionated their online and offline channels, and benefitting from their established brand identities.

Given all of that, it is appropriate to evaluate the power of substitutes as high.

Table 2: Clothie's Substitutes Analysis

| | Clothie | Farfetch | Shopular | Asos | Retail Leaders |
|----------------------------------|---------|----------|----------|------|----------------|
| Free for Users (Individuals) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Accessible to all Retailers | ✓ | ✗ | ✗ | ✗ | ✗ |
| Geo-location based | ✓ | ✗ | ✓ | ✗ | ✗ |
| User Friendly | ✓ | ✓ | ✓ | ✓ | ✓ |
| Presence in Portuguese Market | ✓ | ✓ | ✗ | ✓ | ✓ |
| In-Store Traffic Focus | ✓ | ✗ | ✓ | ✗ | ✓ |

Source: the author, 2018

7.3 Threat of New Entrants

The threat of new entrants represents the ease for a business to enter a specific industry (Johnson, Scholes, & Whittington, 2008). Therefore, the more time and money it costs for a competitor to enter the market, the more Clothie's position would be strengthened. The absence of direct competitors gives Clothie the opportunity to stand as a pioneer of its market, reason why it is dramatically important to accelerate the process of expansions from the first months of operation.

As cited in the literature review, on average, less than 10% of Market Pioneers turn out to be the winners in the new market discovered. This impressive statistic should be eye-opening to any business that, like Clothie, starts its journey from a position of advantage.

Clothie is going to open a blue ocean, as will be demonstrated in the Strategy Definition section, and it is assured that new competitors will join it very quickly, trying to steal market share. Entering this industry can be considered easy, developing a platform in Instagram-style it is a fairly basic task for a team of well-trained developers. To get in touch with fashion retailers and promote the platform

would not be difficult as well, especially if the competitors start doing business in different countries or continents.

Therefore, Clothie's business execution must proceed at a quick and constant pace, expanding its borders first to Portugal and then to other European countries. American entrepreneurs cannot be stopped from imitating Clothie, but European ones can be (at least) discouraged by accumulating as much advantage as possible since the first day of work, and by offering an irreplaceable service. In conclusion, considering the ease of entering the market, the threat of new entrants is evaluated to be high.

7.4 Power of Buyers

In this case, the power of buyers represents the bargaining power of the retailers that will use the platform. As seen in the External Analysis, there are many ways for a fashion business owner to promote his/her activity. Technology is drastically helping entrepreneurs: if in the past advertising campaigns were expansive and often ineffective, now with a smaller budget it is possible to obtain optimal results.

It is all about offering the right product, at the right price, to the right audience; and learning from customers' feedback, shaping the service to their needs. To gain new customers, fashion retailers can choose from a broad variety of strategies to implement and, if they do not see satisfactory results utilizing Clothie, they will not think twice before switching to another platform. The power of buyers is hence evaluated to be high.

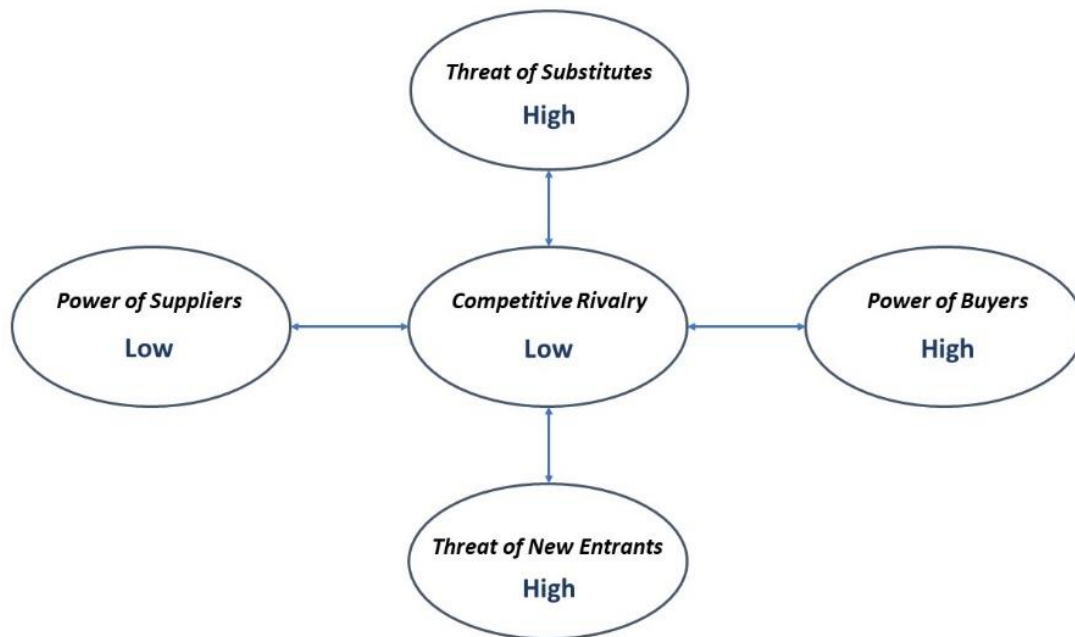
7.5 Power of Suppliers

In Clothie's case, the power of suppliers is not considered relevant. Suppliers may be the services used to register the domain name, or to launch the App. Hiring a product development team with an impeccable technical background will allow the company to build the platform without the intervention of third parties; while the other half of Clothie's team will take care of marketing and administrative tasks.

In order to release the App, it is required to apply for a listing on one or more digital distribution platforms (AppStore, Google Store, Microsoft Store); being approved to these stores is indispensable

to start the business so, considering Apple, Google, and Microsoft as Clothie's providers, the power of suppliers could be evaluated high. However, these stores add thousands of Apps every day, so there isn't any plausible reason why a well-developed App from a legitimate and promising business could be rejected. Thus, the power of suppliers is evaluated to be low.

Figure 6: Porter's Five Forces applied to Clothie



Source: the author, 2018

8. Internal Analysis – VRIO

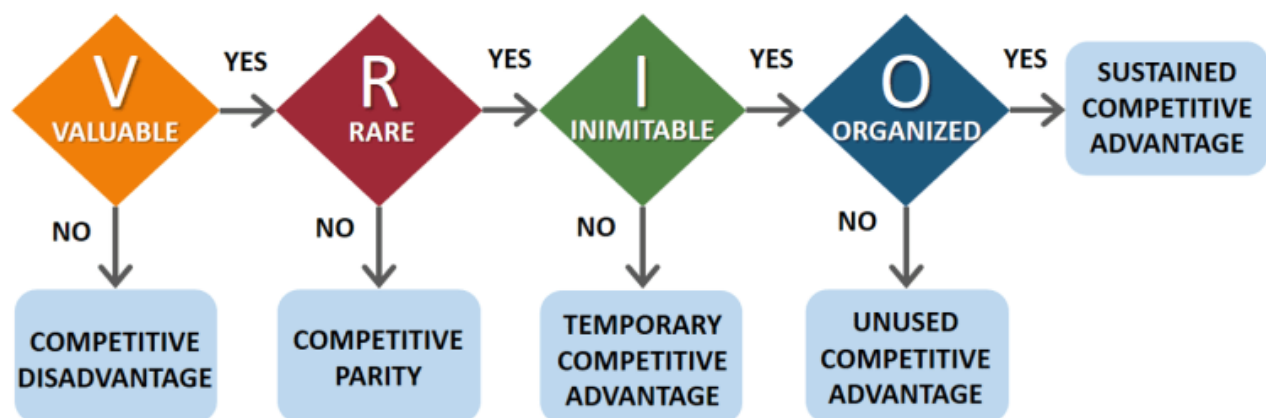
The Internal Analysis represents an eye-opening instrument for companies, since it permits to review their existing strengths and weaknesses by focusing on their own resources and competencies. A widely used and compelling technique to perform an Internal Analysis is the VRIO Framework, which bases its existence on four main points, with their resulting questions:

- **Value** - Do the company offer a resource that adds value for customers?
- **Rarity** - How rare or limited is the resource?
- **Imitability** - Is it expensive to duplicate the organization's resource or capability?

- **Organization** - Does the company has organized management systems, processes, structures, and culture to capitalize on resources and capabilities?

Based on the answers, a company will understand what are the internal resources it can count on, and what (if any) is the competitive advantage it is creating.

Figure 7: VRIO Framework



Source: Peng, 2015

Clothie is valuable in two different ways, making shopping for fashion easy and entertaining, and helping local retailers running their business. Clothie is rare, since it is the first and only Location-Based Fashion Shopping App available on the market.

However, it is not inimitable. Nowadays develop an app and launch it on the market has become more accessible and cheaper than ever, while the most challenging part is about executing the plan and quickly gain market share despite the competition. Clothie's team will be selected based on strict rules in order to create an environment of excellence with people ready to work hard, and leverage their skills to make an impact. Being in its early stages, Clothie still cannot count on organized management systems, processes, structures, and capabilities, which take time to strengthen.

Overall, Clothie currently benefits from a Temporary Competitive Advantage that, only with time and perseverance of its employees, can be transformed into a Sustained Competitive Advantage.

9. SWOT Analysis

The traditional SWOT Analysis identifies the crucial aspects of an organization's business environment and the strategic capability of the company (Johnson, Scholes, & Whittington, 2008). The SWOT will be fundamental for the assessment of the Goal Formulation; these two steps of the business plan are crucial for the development of its market strategy. Therefore, it is indispensable to analyze the evolution of the mediate and immediate surrounding, detecting the threats and the opportunities that affect the strategic decisions, as well as the strengths and weaknesses observed within the Company (Thompson, 2007).

9.1 Strengths of Clothie

1. Clothie's goal is to give back to local fashion retailers the importance they deserve; it is not only a business, it is a way to re-distribute wealth to the ones that are sinking under the water of few big firms and modern e-commerce services, promoting a differentiation of the current fashion market trends. The genuine values and motivations that bring Clothie to undertake this mission are an invaluable strength.
2. Clothie is going to be the pioneer of its market, being the first Location-Based Fashion Shopping App ever developed, which is a substantial advantage against current and future competition.
3. Clothie makes shopping fun, easy and interacting. Users will have the possibility to scroll through the list of pictures of the Clothie's feed (like they do on Instagram), find the right product, and then decide to purchase (or book) directly via the app or by visiting the store. Retailers will have at their disposal a powerful but easy-to-use tool that allows their stores to increase brand awareness, digitalize their business and, in case they already have an e-commerce, to forget about annoying returns. There isn't any other platform that offers these advantages to fashion retailers.
4. Clothie is open to any fashion retailer who wants to join its community. Unlike other online fashion services, the verification process to open an account is fast and easy. If Clothie's security policies are respected (i.e. the legitimacy of the applying store) the registration becomes immediately effective. This creates an enormous number of stores that can start using the platform.

5. Clothie is built to be scalable. Once the App is created, the operations will take off in Lisbon and Porto. Expanding the business to more European countries is a necessary condition to achieve exponential growth, and the asset-light nature of its business model will make this process faster and smoother.

9.2 Weaknesses of Clothie

1. Starting a business from zero is never easy. Even though Clothie's team will be selected in order to develop the product without (or with a few) external costs, it does need external financial support in order to grow rapidly enough to outdo the competitors.
2. Clothie lacks brand awareness.
3. The team of Clothie is still incomplete. Finding professional and trustful partners can be challenging and time-consuming.

9.3 Opportunities for Clothie

1. Lisbon is the new European entrepreneurial hub. The perfect spot to find partners, investors, and organizations that can help Clothie's ideas to take off.
2. Portugal is facing an incredible growth in the tourism sector and, as will be explained in the next sections, tourists are considered one of the primary audiences to target.
3. Thousands of fashion retailers all over Europe do not have an e-commerce or do not use a proper tool that enhances their virtual/physical traffic.
4. As history teaches, trends end; a wave of nonconformism with a tendency to shop from new undiscovered stores instead of choosing one of the repetitive brands, might characterize the near future - Clothie wants to foster this process.
5. Scrolling is the new passive art. Millions of people spend their free time scrolling pictures on their smartphones, without even realizing it.

9.4 Threats to Clothie

1. In order to promote their products, retailers need to take pictures and post them on Clothie's main feed. Images with low resolution, wrong contrast, or any other discrepancy, would provide a lousy first-impression, causing disinterest among the Individual Users. Thus, the user experience is strongly related to the retailers' photo performances.
2. Enjoying a Blue Ocean is a temporary process. Soon after launching, competitors will try to emulate Clothie's unique features.
3. Stores might not trust the service, or prefer to keep their advertising strategies, instead of switching to Clothie.
4. Retailer Users might spam the platform, posting too many pictures and making the user experience disappointing.
5. Individual Users can book or buy a product through the App. If they book a product and do not show up in the store to try it on, they might cause a potential loss to the store.

Figure 8: SWOT Analysis

| | | |
|---|---------------------------|---|
| <ul style="list-style-type: none"> ▪ Unique features for Retailers: Book, Purchase, or Visit. ▪ Open to any Lecit Fashion Retailer ▪ Geolocation-based Fashion Pioneer ▪ Built to be Scalable ▪ Value-Driven | <div>S</div> <div>W</div> | <ul style="list-style-type: none"> ▪ Lack of Brand Awareness ▪ Investment-Dependence <ul style="list-style-type: none"> ▪ Incomplete Team |
| <ul style="list-style-type: none"> ▪ The new Art of Scrolling ▪ The Return to Nonconformism ▪ Portugal's Flourishing Tourism ▪ Lisbon Entrepreneurial Hub of Europe ▪ Lack of Digitalization in the Industry | <div>O</div> <div>T</div> | <ul style="list-style-type: none"> ▪ Retailers's Mistrust ▪ Competitor's Emulation ▪ Users' Unethical Behaviour ▪ Retailers' Photo Spamming ▪ Retailers' Low Photo Shooting Skills |

Source: the author, 2018

10. Goal Formulation

Once that strengths, weaknesses, opportunities, and threats of Clothie are defined, it is time to analyze the possible strategic moves that allow the service to take advantage of the current internal and external conditions. Thus, through the Goal Formulation, strengths and opportunities (the positive sides of the equation) will be matched, while weaknesses will be minimized, and threats avoided.

10.1 Matching Strengths to Opportunities

1. Clothie is going to be the pioneer of the location-based fashion market; to gain benefits from this significant advantage it needs to be developed in an open-minded, international context that guarantees acceptance and enthusiasm from day one. Headquartering Clothie in the Portuguese capital means joining a fast-growing economy, facing one of its most dynamic moments in the last decades.
2. The digitization of a business is an essential step towards the development of an efficient market strategy. However, many fashion retailers still do not offer more than a website reporting basic info. Facebook, Instagram, and other social media are easy to set up, but transforming 'likes' into store traffic and sales is not simple. Many fashion e-commerce (i.e. Asos and Farfetch), select a limited number of stores to include in their platform, leaving the rest of the applicants empty-handed. Clothie fills this gap between accessibility, ease of use, and sales-driven approach, giving a chance to any licit fashion retailer to benefit from its smooth and incisive tool.
3. Although fashion giants, Inditex on top of them all, operate on innovative logistic systems that allow their branches to exhibit every week new collections, wearing their piece of clothing has become less and less special. Trends change and a return to non-conformism and differentiation is likely to happen in the future. This is already true in specific situations such as the case of an individual looking for a unique present to give to a friend, or a tourist eager to buy a local gift as a memory of a journey. Clothie facilitates this process, and aims to become the first solution for people willing to purchase something diverse.
4. People spend hours scrolling on their smartphones. They like to consult lists of pictures, and then decide to zoom on a single post or keep scrolling; what if those images represent fashion

products they can find around their current location? This is what Clothie offer to its Individual Users.

10.2. Minimize Weaknesses

1. Forming a professional and dedicated team, as well as getting enough funds to do not lose the momentum are tough but vital challenges to take on. Being a pioneer of a market and having a revolutionary idea does not necessarily bring companies to succeed: investors invest in people first of all. Clothie's recruitment process must secure the company with talented and motivated people; specialists who have the necessary skills to outperform their tasks, that share Clothie's vision, and that want to contribute to its mission. If these conditions are satisfied, external funding will be a direct consequence of the efficient job of the team, more than an investor-scouting campaign. As said, the city of Lisbon can only bring positivity to this matter; Portuguese universities are among the best in Europe, forming young talents ready to import value to new or established companies. At the same time, investors and VCs from all over the world are focusing their attention on the Portuguese capital, giving the opportunity to local entrepreneurs to show their capabilities.
2. The initial lack of brand awareness is the most shared issue among start-ups. Luckily enough, being travelers the primary target of the business, Clothie will capitalize on the fast-growing and record-breaking Portuguese tourism, that has seen an important increase during recent years. Sponsoring the platform by building relationships with travel-blogger and tourism agencies is the ideal strategy to expand Clothie's audience.

10.3 Avoid Threats

1. Fashion retailers are the ones in charge of posting pictures on the platform. As a result, the quality of the user experience is mostly determined by them. To contain the risk of a disorganized and unpleasant result, Clothie will provide online and offline tutorials, in order to facilitate the uploading process and maintain a smooth and linear App interface.
2. Future competitors will try to emulate Clothie's business model. As mentioned in the Internal Analysis, Clothie currently benefits from a temporary competitive advantage; thus, the best way to avoid this threat, consists in developing the business at a fast rate, capitalizing on

external investments. Many examples of successful geolocation-based startup (i.e. Zomato) have launched their services with the intent to create a density of users within a restricted area. Clothie will follow the same approach, necessary to create a positive user experience since its first release on the market.

3. Retailers might not trust Clothie in a first moment: frauds are daily occurrences, it is hard to blame the skeptics. Offering a freemium service will allow them to start using the product for free, and then decide to upgrade or not to one of the paid plan available.
4. Retailer Users might also post too many pictures over a short period of time, cutting off the visibility of other users. On this regard, it has been decided to apply a maximum limit of pictures per day, number that changes based on the subscription plan selected. Accurate information about the plans available can be consulted in the Price section of the Marketing Mix.
5. Last but not least, Individual Users might use the ‘book’ function and then neglect their obligations. Using the ‘book’ function allows Individual Users to reserve a piece of clothing they like, avoiding the chances of missing out – therefore creating scarcity. Once booked, the retailer must keep the item available for the user, in order to let him/her visit the store, try the garment on, and then decide whether to purchase it or not. Introducing a booking fee and a limited booking time will prevent Individual Users to overbook products without concluding purchases – situation that would cause an offense both Retailer and Individual Users.

11. STP Model

The STP Model is a marketing process based on three different steps: segmentation, targeting, and positioning. Companies segment their market to identify clusters of potential customers and then target those customers for different marketing communications, which are designed to position the company's offering and brand in a unique place in the customers' mind (White, 2014).

11.1 Segmentation

Clothie cannot be all things to all people. Market segmentation allows to divide potential clients into groups of subjects with similar characteristics and needs. Clothie wants to offer its features to all fashion retailers, regardless of their size, location, or designation. Thus, in this section, attention will be focused on the most challenging group, the Individual Users.

The four major criteria to segment Clothie's Individual Users are identified in demographic, geographic, psychographics and socio-economic, through which five specific variables have been defined: age, gender, region, lifestyle, and income level.

Table 3: Clothie's Segmentation

| Criteria | Variable |
|----------------|---------------------|
| Demographic | 1. Age 2. Gender |
| Geographic | 3. Region |
| Psychographic | 4. Lifestyle |
| Socio-Economic | 5. Income Level |

Source: the author, 2018

11.2 Targeting

Based on the determined criteria, it is possible to shape Clothie's market target. Demographic, geographic, psychographic, and socio-economic variables are defined in Table 4.

Table 4: Clothie's Market Target

| Criteria | Variable | Target |
|----------------|---------------------|---|
| Demographic | 1. Age 2. Gender | 1. 18 – 45 2. Female / Male |
| Geographic | 3. Region | 3. Portugal + Global Visitors |
| Psychographic | 4. Lifestyle | 4. Frequent Traveler 5. Fashion Enthusiast |
| Socio-Economic | 5. Income Level | 6. Medium - High |

Source: the author, 2018

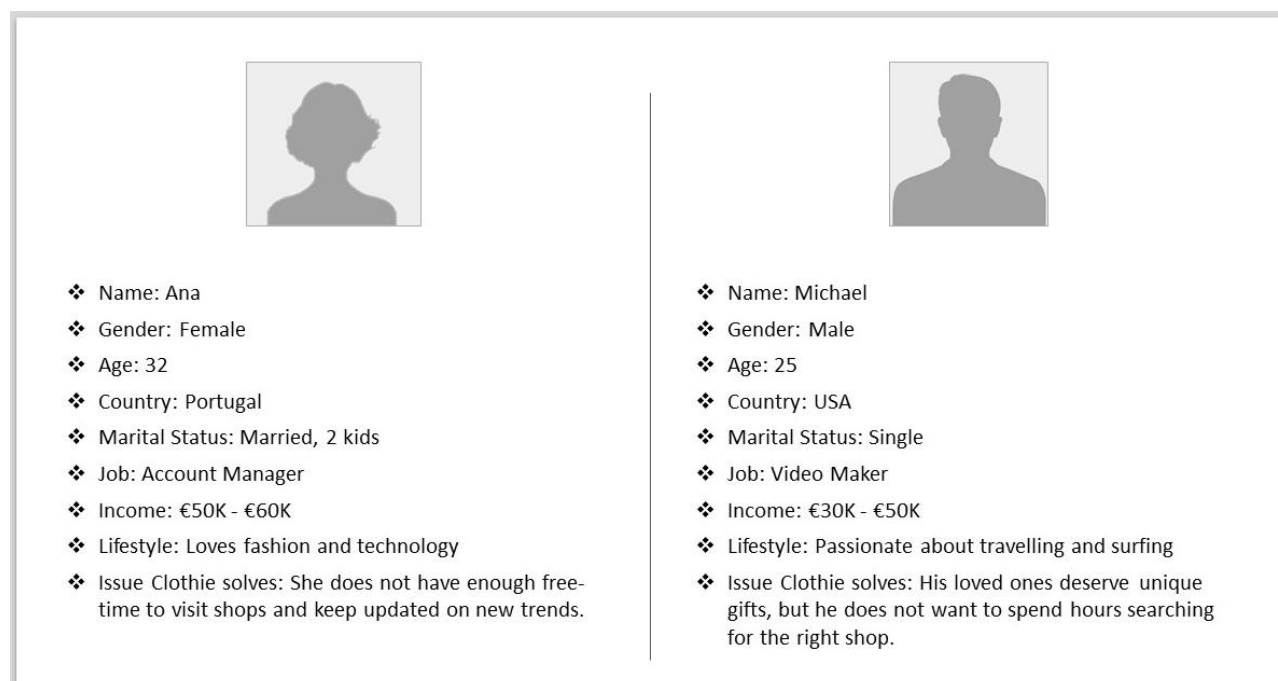
- **Age:** The minimum required age to register an account on the main App stores (Google Play, Apple Store, Windows Store) is 13. However, considering the nature of the business, a more appropriate target is 18-45.
- **Gender:** Both male and female can be targeted, but there is proof of how women are more inclined to purchase fashion products than man, as well as using social media to look for new apparel trends (Thomas, 2018).
- **Region:** Clothie will be launched in Portugal, but the next objective is to reach the leading western European countries. Thus, the initial targets will be Portuguese residents and the international tourists that will visit the country – providing advertising in Portuguese and English languages.

- **Lifestyle:** The primary target is formed by fashion enthusiasts and frequent travelers. Fashion enthusiasts are interested in buying trendy apparel items, and Clothie's platform will facilitate their search, presenting every day new purchase opportunities. Frequent travelers can use Clothie to find local fashion shops during their trips, and purchase unique products for them or their loved ones. A combination of the two, a frequent traveler passionate about fashion represents the perfect target user.
- **Income Level:** Even though the worst is over, the economic crises which most European countries have faced over the last years still have an important impact on customers' behavior. Because of this, it is advisable to focus the attention on the wealthiest part of the population, who can afford to spend extra money in accessories and apparel - two of the product categories most afflicted by the recent times of recession.

11.2.1 Buyer Persona

To better pinpoint Clothie's market target, the next step is to give shape to two possible Buyer Persona, the ideal users of the service. Let's consider two potential profiles, Ana and Michael.

Figure 9: Clothie's Buyer Personas



Source: the author, 2018

Ana represents a ubiquitous figure of recent years, a woman in career that dedicates most of her free time to the family. She would like to spend more time in shopping malls, but understands that it is not the best way to make her family enjoying the weekend. Using Clothie, Ana can see, reserve, and buy unique fashion products, taking advantage of any occasion, including her lunch break at work.

Michael visited dozens of countries, always incurring in the same problem: he cannot find unique gifts for his parents and friends. Fashion retailers located in the main streets are always the same ordinary brands available all over the world, and this leads him to frustration - he prefers to spend his time visiting some monuments rather than looking for apparel stores. Using Clothie, Michael can find the right presents in a matter of minutes, maybe on the sofa, after a long day spent visiting museums.

11.3 Positioning

The next step is to position Clothie in the market, by designing the company's offering to create a unique place in the mind of its customers (Kotler and Keller, 2012).

On this regard, Clothie wants to be considered an *“Innovative service that, not only helps its users to find unique fashion products around them, but support local retailers in gaining traction within their sector, today more than ever ruled by a few giant corporations”*.

12. Strategy Definition

12.1 The Four Action Framework

As described in the Literature Review, the Four Action Framework is helpful to create or to test a compelling value curve, helping the business to stand out of the competition.

The first step consists in identifying the factors taken for granted by the industry - that should be eliminated. As previously analyzed, Clothie's competitors set up strict access limits, allowing only a few selected retailers to benefit from their offer. Clothie eliminates these hurdles, placing all its customers on the same level by setting up low entry barriers.

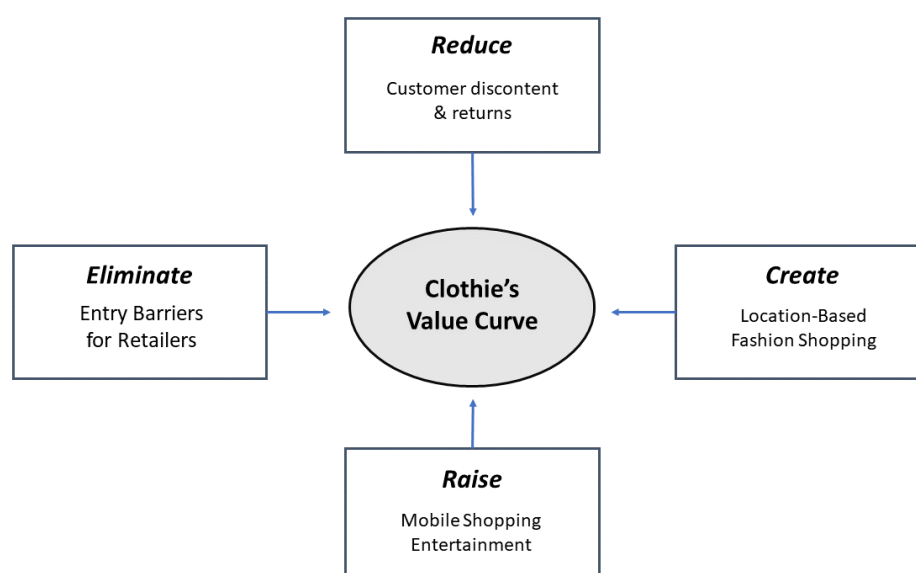
Secondly, it is necessary to recognize the factors that should be reduced well below the industry's standard. Clothie promotes in-store shopping, useful to avoid a common double issue of e-commerce

fashion businesses: the dissatisfaction of the consumers when trying on their new clothes, and the annoying returns (up to 40% of the total sales) that every year weight negatively on business performances (Reagan, 2016).

Then, it is crucial to determine the factors that should be raised well above the industry's standard. Clothie brings Individual Users to have great fun while shopping for local fashion; this aspect differentiates the platform from any other competitors. Fashion e-commerce websites often lower their performances when switching from a desktop to a mobile device, due to the apparent differences in screen sizes, making the products' selection process slow and annoying. Clothie raises the mobile entertainment, with a new and fun way of visualizing and purchasing products, inspired by the Instagram feed.

Finally, the last step consists in identifying the factors the market lacks, and therefore should be created. The geo-location feature is a focal point for Clothie: there are many successful start-ups that based their strategy on the same feature (an example is Zomato, a bright and easy-to-use app that allows users to check restaurants and bars around them), but none of them covered the fashion industry – creating a gap Clothie will fill.

Figure 10: The Four Action Framework applied to Clothie



Source: the author, 2018

12.2 The Strategy Canvas

After having examined each factor related to Clothie and the whole fashion market, it is now the time to design a Strategy Canvas to capture a snapshot of the current market's competition, and to realize if a Blue Ocean has actually been created.

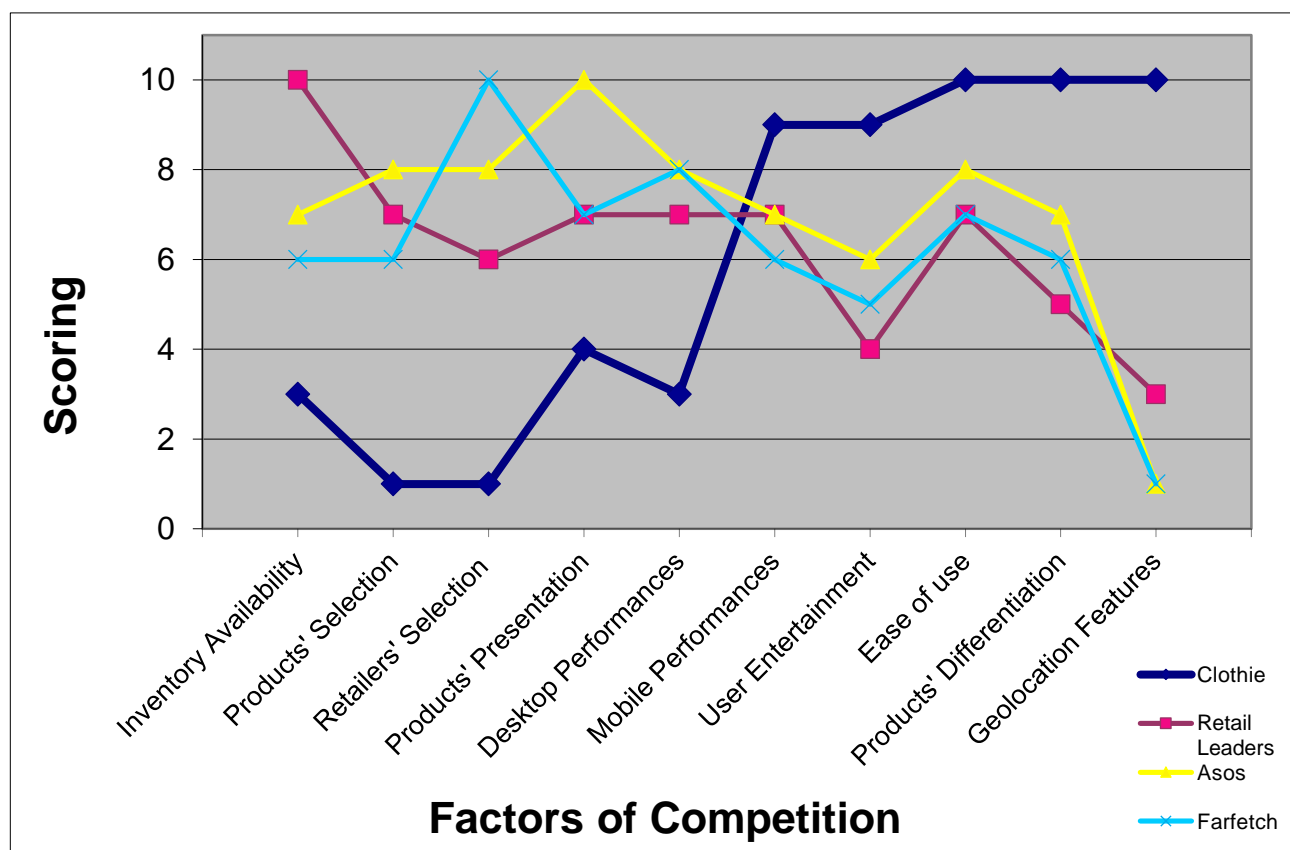
The factors of competition to be considered in this specific Strategic Canvas are:

- **Inventory Availability:** How big is the Inventory? How likely is it to find on stock the product visualized by the users on their smartphone screens? Local retailers' stocks are generally very limited, especially if considering small shops. Thus, Clothie does not guarantee to its Individual Users a large number of pieces available for every single item – this can look like a negative aspect, but actually creates scarcity and stimulates users to use the 'book' and the 'buy' options illustrated in depth in the Marketing Mix.
- **Product Selection:** How selective is the platform in deciding what product to make available for the Individual Users? Not selective, Retailer Users have 100% responsibility of choosing the fashion products to post.
- **Retailer Selection:** How selective is the platform in deciding which retailers are going to use the service? Clothie sets up low entry barriers; any licit fashion retailer can join the service.
- **Product Presentation:** What is the quality of the pictures describing the products? While some competitors offer 360° view HQ pictures, Clothie's product presentation is wholly entrusted to the Retailer Users.
- **Desktop Performances:** How well the service performs on desktop devices? Clothie's App is designed to run on mobiles, to fully exploit its geo-location features. However, a desktop version might be developed in a second moment.
- **Mobile Performances:** How well the service performs on mobile devices? Clothie's App will offer an outstanding interface for mobile devices, that permits to browse pictures and buy products in a quick and straightforward way.
- **User Entertainment:** How much fun the Individual User experiences while using the service? Scrolling the Instagram feed is one of the favorite pastimes of millennials. Clothie's experience will resemble the Instagram feed, but the pictures shown will represent apparel products available in nearby stores.
- **Ease of Use:** How easy is to Buy/Sell product on the platform? Three clicks, that is all needed to complete a transaction and buy/book an item.

- **Products Differentiation:** How differentiate is the selection of products shown on the platform/website? Clothie's feed will show products posted by a potentially unlimited number of Retailer Users, thus the range of products offered is strongly diversified.
- **Geolocation Features:** How real-time location features improve the quality of the User Experience? The real-time position of the user drives Clothie's algorithm to show determined fashion products rather than others. Thus, this is a feature of central importance.

Once these factors have been analyzed, it is possible to draw the Strategic Canvas of the Online Fashion Industry, represented in Figure 11. As noticeable, Clothie's business model presents all the requisites needed to create a Blue Ocean and differentiate its offer from the competition.

Figure 11: Strategy Canvas of the Online Fashion Industry



Source: the author, 2018

13. Marketing Mix

13.1 Product

Clothie helps local retailers to enhance their online presence, as well as fashion enthusiasts to discover always new products, brands, and stores. To best describe its features, it is crucial to separately consider the two different interfaces of the App: the one dedicated to Retailer Users, and the one dedicated to Individual Users.

Figure 12: Clothie's Logo



Source: the author, 2018

13.1.1 Retailer User Interface:

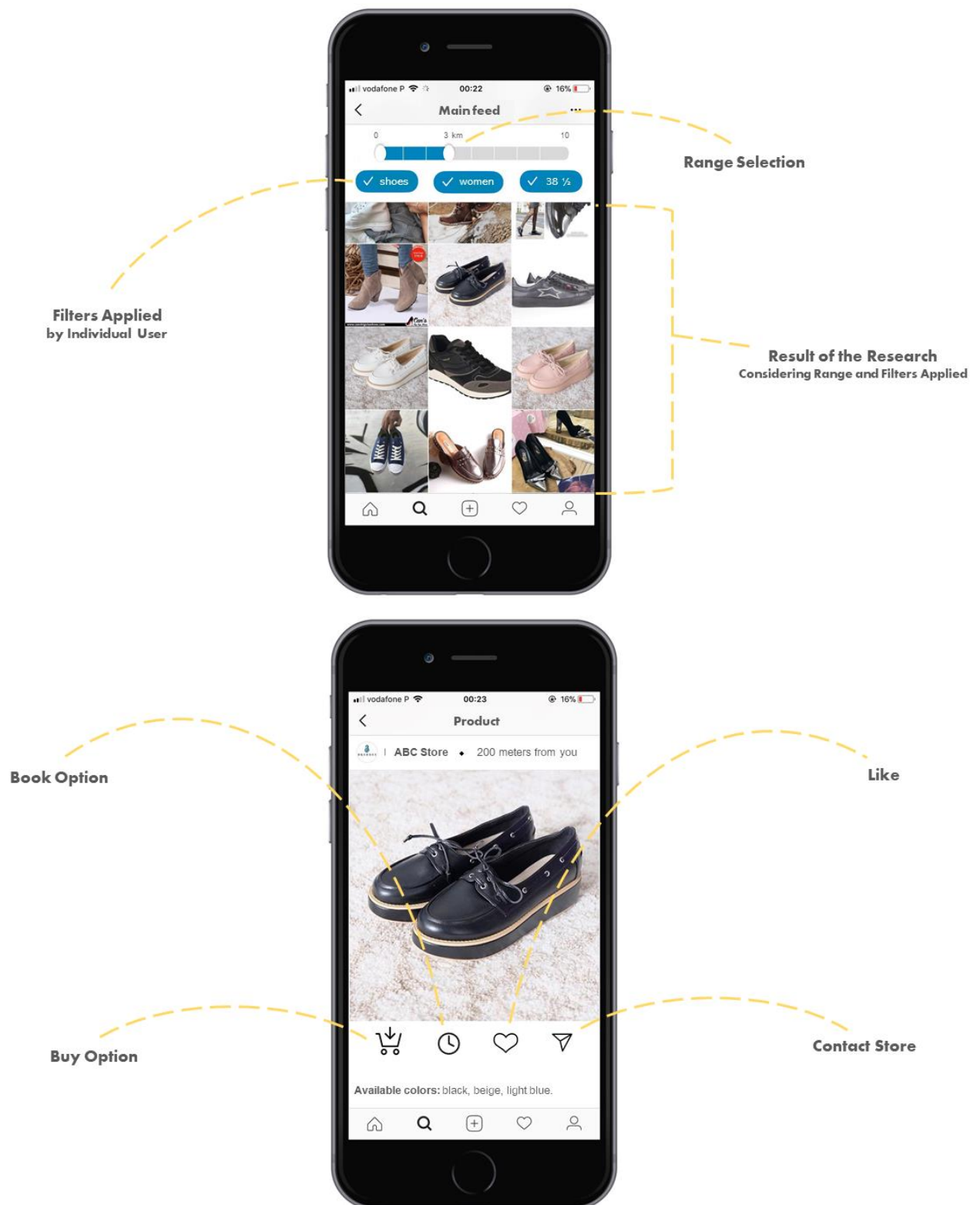
- **Registration:** Any retailers can register their store for free, via Clothie's website or its official App. To complete the registration, the applicant needs to provide information that permits the verification of its legitimacy.
- **Plan Selection:** Once the Retailer is accepted, it needs to decide whether to start using the free version of the app or to subscribe for one of the different paid plans available, which unblock multiple additional features. The different subscription options, together with their prices, are described under the Price section of the Marketing Mix.
- **Posting:** Now that the store is registered, it will be able to post more or less daily pictures, depending on which plan it has subscribed for. When posting, the retailer can add tags to its pictures (i.e. gender, sizes available, type of item) that will make easier for Individual Users to find their products.

- **Interacting:** All Individual Users around the store will now be able to see the products on their smartphone screen, and interact with them as described in the Individual User section below.

13.1.2 Individual User Interface:

- **Registration:** Any individual can register a profile on the Clothie platform, for free, via Clothie's website or its official App. To complete the registration, the user only needs to update their basic info (i.e. name, age, country, city).
- **Range Selection:** After that, the Individual User will select the maximum distance within how he/she is interested in visualizing products: choosing for example 2 km, the feed will show only products published by retailers located within 2 km from her/his current position.
- **Filters:** The Individual User can add filters to its researches, like gender (male/female/unisex), size (i.e. S/M/L), item (i.e. t-shirt, dress, shoes). So, if the user is looking for something specific, it will be even easier to find it.
- **Like:** The Individual User can also give a "like" to a product posted: this will provide valuable information about the user's preferences. Clothie's algorithm will memorize the brand, the shop and the type of item liked, and use these data to optimize the posts showed to that specific user.
- **Book Option:** When interested in a product, the Individual User can decide to use the 'book' option. The book option allows to reserve a product for a fixed amount of time, under the payment of a booking fee. By booking the product, an automatic message will be sent to the Retailer User, indicating all the characteristics of the requested item (i.e. size, color). If the product is still available, the retailer will accept the request, and the user will automatically be billed with the booking fee. For detailed information about the booking fees, consult the Price section in the Marketing Mix.
- **Buy Option:** The process is the same as the book option, so it is indispensable the retailer's confirmation to consider a purchase successfully concluded. In this case, the entire price will be paid directly through Clothie App with any credit/debit card or voucher gift.
- **Shipping:** Some stores will offer free shipping, others may charge a fee, while others might not offer the service at all; in this last case, the Individual User needs to visit the store and collect the product personally.

Figure 13 - Clothie's App interface



Source: the author, 2018

13.1.3 Review System

To promote fairness and respect among Clothie's users, it has been decided the introduction of a Review System. After any operations (buy/book) is completed, the Individual User will be able to leave a review and rate (choosing from one to five stars) the retailer. The rating will be visible to all Clothie's users and will have a strong impact within the platform algorithm: retailers with poor scores are going to have less visibility in the main feed, compared to the ones with good performances. Actions that can produce bad reviews and poor rating against retailers are, for example:

- Low quality/price ratio.
- Not respecting the booking of an Individual User (i.e. by selling the product to someone else while a booking operation was active).
- Long/delayed shipping time.

13.2 Price

13.2.1 Retailer User Price List

As already described, Clothie offers freemium access to its customers. Thus, retailers have the possibility to join the platform for free, but they will need to subscribe to a plan in order to unlock premium features. This decision allows Clothie to gain as many Retailer Users as possible, from the very first day of operativity, and grow the number of paying users at a sustainable pace, together with the development of the platform.

In order to formulate the price list, the initial idea was to create a survey, subsequently understanding how much the retailers would have been happy to pay for the service. However, the survey process has been intricate, since the only point of contact were (in most cases) sales assistants. The real target of the survey were business owners - but their availability has been proven to be scarce. As a result, since Clothie undertakes a freemium approach, it will be sufficient to analyze the future results and users' feedbacks (embracing the Lean Startup model) to understand if the proposed prices are appropriate. This is a common approach operated by Start-ups, which often find difficult to predict how the audience will react to their offer.

Table 5: Retailer User Price List

| | Free | Basic | Regular | Premium |
|----------------------------|------|-------|---------|---------|
| Daily Posts | 1 | 2 | 5 | 10 |
| Product Filters | X | ✓ | ✓ | ✓ |
| In-App Chat | X | X | ✓ | ✓ |
| Buy – Book Features | X | X | ✓ | ✓ |
| Show External Website Link | X | X | X | ✓ |
| Monthly Fee | Free | €9.99 | €19.99 | €29.99 |

Source: the author, 2018

Table 5 describes the different features unlocked by the four plans, and their corresponding monthly fees. To make the chart as comprehensive as possible, the following description delineates each of the listed features:

- **Daily Posts:** Number of daily pictures a Retailer User can post on the platform.
- **Product Filters:** Allows retailers to apply filters (such as size available and type of item) to the posts, enhancing the visibility of their products.
- **In-App chat:** Allows Individual Users to send direct messages to the stores, in order to ask for information about a product, or for any other necessity.
- **Buy/Book Features:** Allow an Individual User to book for a limited time, or to buy instantly via the platform, the selected product.
- **Show External Website Link:** Allows an Individual User to visualize and access the official website of a selected store, directly through the App.

13.2.2 Individual User Price List

To describe the possible costs incurred by Individual Users, it is necessary to consider only three factors: the cost of registration, the booking fees, and the buying fees.

Table 6: Individual User Price List

| | |
|---------------------|-----------------------------------|
| Registration | Free |
| Booking Fees | €4/hour for a maximum of 3 hours. |
| Buying Fees | 10% Supplement on Purchase Price |

Source: the author, 2018

Description of table 6 follows:

- The registration is free, for all users, forever.
- The booking fees are necessary to discourage Individual Users to book a product and don't show up at the store, causing inconveniences to retailers. The fees have a fixed value of €4/hour, and the maximum booking time is set to 3 hours.
- The Buying Fees are, together with the paid subscription plans and the booking fees, the primary revenue stream for Clothie – with a fixed 10% commission for every transaction completed through the platform.

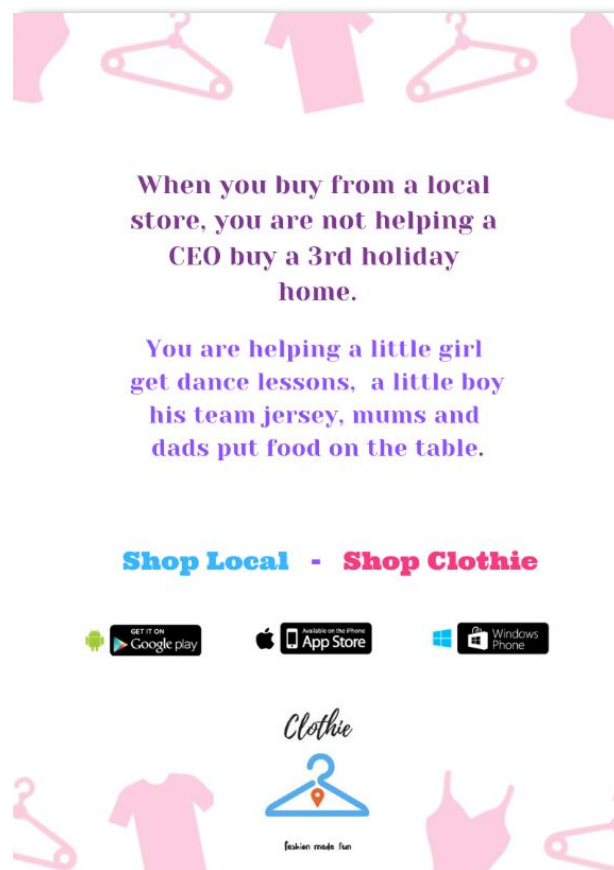
13.3 Distribution

A smartphone and an internet connection, that's all needed to start using the service. Clothie will be available on Apple Store, Play Store and Windows App Store. Users can also register via their desktop, by connecting to Clothie's official website.

13.4 Promotion

Clothie's main weakness, as described in the SWOT Analysis, is its lack of brand awareness. Thus, intense investments in advertising represent one of the core moves to approach the market in the right manner. Over the last decade, there's been a firm shift from offline to online promotions, but Clothie's marketing strategy will comprehend both methods.

Figure 14: Example of Promotional Flyer



Source: the author, 2018

13.4.1 Online Promotion

Using social networks, webzines, innovation blogs, and media influencers is the most efficient way to run successful online campaigns and build an active audience. Facebook and Instagram are two of the most used social networks, registering a total of 3 billion active users worldwide (Statista, 2018). Creating a page on these two social media is an essential step to enhance users' trust and interest. Facebook and Instagram advertisements can be both managed from a single application, called 'FB

Ads'. Here it's possible to target an audience choosing from dozens of criteria, comprehending the ones analyzed in the 'targeting section' of this project, like: demographic, geographic, psychographic, socio-economic, and behavioral; this allows a specific and accurate selection of the public that will visualize the contents posted on Clothie's page.

Nowadays, establishing contacts with influencers represent a must to promote products on social media. These people are considered 'web-stars' and are followed by millions of people every day. Attracting their followers around one or more topics (i.e. fashion, sports, travels, luxury), they make things easier for companies willing to grow in popularity. Clothie will focus a substantial part of its strategy on finding and building relationships with the most active influencers in the areas of fashion and travels, trying to acquire an engaged audience.

Webzines and innovation blogs such as Techcrunch.com and Shifter.pt are among the most searched categories of website, giving their visitors access to the newest updates on technological development. With Clothie being advertised through these communication channels, a public of innovation enthusiasts will get to know the ideas behind the company, and the mission it wants to undertake.

Moreover, in order to gain a relevant number of Retailer Users since the very first day of business, outbound and inbound lead generation strategies will be applied right before the first official release of the App, in order to guarantee a minimum client base of 50 users in the area of Lisbon and Porto. These pre-selected retailers will be contacted via e-mail, cold calling or in person, describing all the features of the service, and offering a 1-month free trial of Clothie Premium, in order to create immediate traffic on the platform.

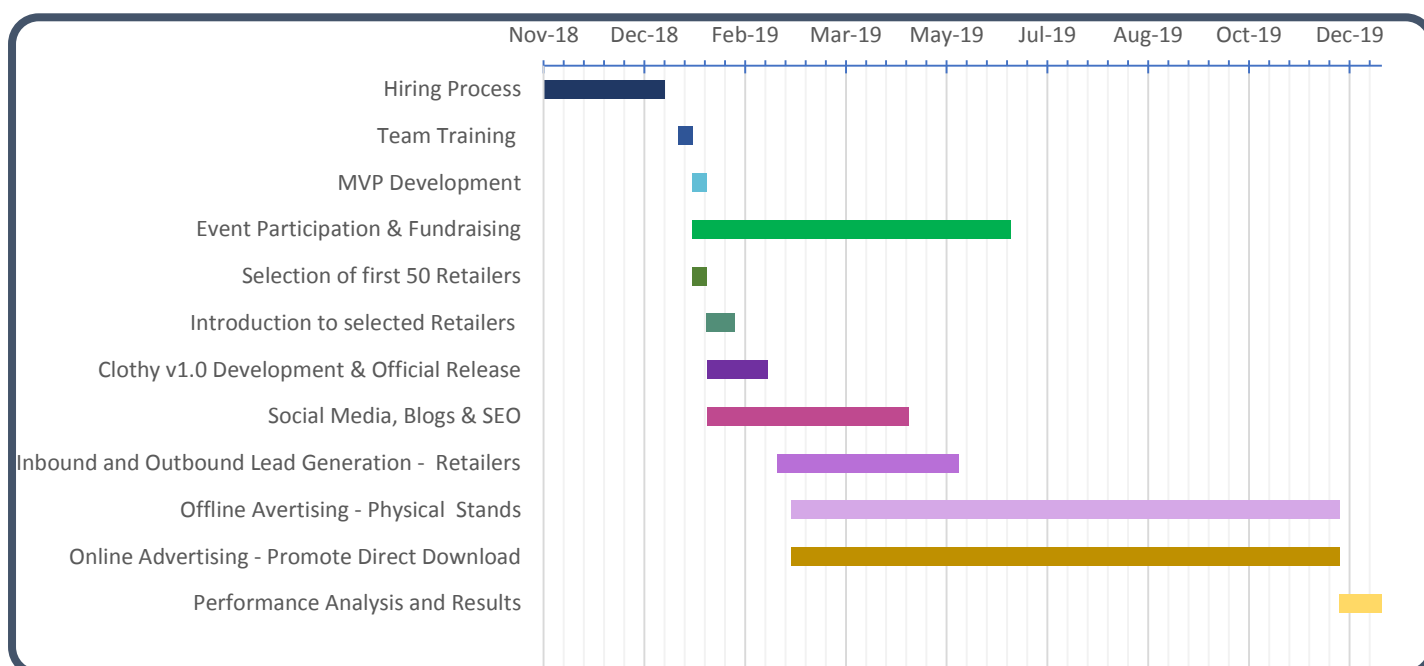
13.4.2 Offline Promotion

Getting out of the office to show the skills, the commitment, and the passion of the team, is an important move towards the aim of building customers' trust. Business festivals, innovation fairs and tech conferences are great opportunities to create connections with hundreds of investors and other start-uppers. Attending these events can be expansive, but will bring Clothie under the spotlight, capitalizing on the 'temporary competitive advantage' it can currently benefit from. Setting up physical promotion stands in the most strategic points of Lisbon, such as the Portela Airport, the main shopping malls, and in the proximity of attractions and universities, will guarantee to sponsor the service to different target groups, included tourists, shopping lovers, and young adults.

14. Project Planning & Implementation

Launching a successful start-up is certainly challenging, but without a clear and smart plan, it is simply impossible. Table 7 and 8 describe Clothie's operations during its first year of business; more information and required clarifications follow.

Table 7: Implementation Plan



Source: the author, 2018

1. **Hiring Process:** Around two months will be dedicated to creating a team of young talents and experienced professionals. This is probably the most crucial moment for Clothie: a wrong selection would cause severe issues to the development of the project, endangering its outcome. Skilled programmers and expert marketers will be working closely to deliver the best service possible to the final users.
2. **Team Building & Training:** Once the team is formed, the first week will be spent on team building, in order to share relevant experiences and get ready for the new adventure - Clothie wants to become a second family for each of its members. During this week, the entire business plan will be analyzed, discussed and (if necessary) modified. Every member needs to have a deep understanding of the business before starting off the job.

3. **MVP Development:** The Programmers will have one week to develop Clothie's Minimum Viable Product. The MVP is a first concept of the App, useful to show the product and its functions to VCs and to the first 50 selected Retailer Users.
4. **Event Participation & Fundraising:** VCs tend to invest in harmonious and competent teams able to provide innovative and valuable solutions. From this, it comes the decision to look for external funding only once Clothie team and MVP are completed. The participation of Clothie in competitions, fairs and events dedicated to technology and innovation must have a substantial impact on the audience, highlighting the problems it solves, the value it creates, the competitiveness of the team, and the numbers it will generate.
5. **Selection of first 50 Retailers:** At the same time, fifty lucky fashion retailers from Lisbon and Porto will be selected on the base of their online relevance and audience, and will benefit from the 1-month free trial described in the Promotion section.
6. **Introduction to selected Retailers:** The fifty selected retailers will be introduced to the platform, using the MVP to show the different features and explaining the advantages they will gain by using the service. They will receive a notification when the first version of the official App will be released on the leading digital distribution platforms.
7. **Product Release:** In the meantime, right after the development of the MVP, Clothie's programmers will work towards the realization of the first official version of the App. Some might consider too short the 1-month period given to the programmers to deliver the product, however quoting the co-founder of LinkedIn Reid Hoffman: *"If you are not embarrassed by the first version of your product, you have launched too late"*. The first version of Clothie does not need to be perfect, it needs to be used and improved following users' feedback, testing the market from its early release. From now on, Clothie's Development Team will work to fix bugs and implement into the platform the most relevant feedbacks, by publishing weekly software updates.
8. **Online Presence Enhancement** (Social Media, Blogs & SEO): To build a strong brand identity, it is essential to appear in front of potential customers as many times as possible. The 'Marketing Rule of Seven' states that your prospects need to come across your promotion at least seven times before they can be converted into clients. Applying social media, blogs and SEO strategies is the most productive way to be discovered by potential customers.
9. **Inbound and Outbound Lead Generation - Retailers:** fifty stores might be enough to interest Lisbon and Porto residents (and tourists) at first glance, but Clothie needs to expand

its paying audience to grow in revenues quickly. Therefore, traditional e-mails and cold calling, together with more recent inbound lead generation strategies, will be utilized to build Clothie's customer base.

10. **Offline Advertising** – Physical Stands: Setting up physical promotion stands in the most strategic points of Lisbon, as described in the Offline Promotion section.
11. **Online Advertising** – Promote Direct Download: Together with the physical stand's campaign, this is one of the crucial parts of Clothie's customer development. When the App is ready for the download on the App Stores, it needs to be continuously pushed to potential users. To do so, the creation of always innovative, interesting, and entertaining media contents is critical.
12. **Performance Analysis and Results:** At the end of the year, the number of new subscribers/daily active users, financial indicators, and other significant factors will be analyzed and interpreted, in order to implement new tailored strategies for year 2.

Table 8: Project Planning

| Task Name | Start Date | End Date | Days |
|--|------------|------------|------|
| Hiring Process | 01/11/2018 | 31/12/2018 | 60 |
| Team Training | 07/01/2019 | 14/01/2019 | 7 |
| MVP Development | 14/01/2019 | 21/01/2019 | 7 |
| Event Participation & Fundraising | 14/01/2019 | 21/06/2019 | 158 |
| Selection of first 50 Retailers | 14/01/2019 | 21/01/2019 | 7 |
| Introduction to selected Retailers | 21/01/2019 | 04/02/2019 | 14 |
| Clothy v1.0 Development & Official Release | 21/01/2019 | 20/02/2019 | 30 |
| Social Media, Blogs & SEO | 21/01/2019 | 01/05/2019 | 100 |
| Inbound and Outbound Lead Generation – Retailers | 25/02/2019 | 26/05/2019 | 90 |
| Offline Advertising - Physical Stands | 04/03/2019 | 01/12/2019 | 272 |
| Online Advertising - Promote Direct Download | 04/03/2019 | 01/12/2019 | 272 |
| Performance Analysis and Results | 01/12/2019 | 22/12/2019 | 21 |

Source: the author, 2018

15. Economic and Financial Analysis of the investment

The Economic and Financial Analysis of the investment wants to convert into facts all the points discussed so far, with the aim to understand if Clothie brings, other than innovation, relevant monetary value to its shareholders.

15.1 Start-up Capital

The first topic to introduce in this section brings to a question every entrepreneur wonders before starting a business: “*where do I get the money to start?*”. Many start-uppers rely on bank loans, but interest rates can quickly transform the strategy of a potentially successful business into the first cause of its failure; therefore this funding strategy is excluded.

Some entrepreneurs start crowdfunding campaigns, immediately delivering their products to early adopters through platforms such as Kickstarter and Indiegogo; or undertake equity-crowdfunding campaigns, raising capital by selling shares to private investors. Clothie offers a service that doesn’t match the requirements of crowdfunding, since it does not deliver a physical product, and doesn’t want to have its shares spread among a high number of unknown investors, a natural consequence of equity crowdfunding campaigns.

The Government of Portugal offers three main incentives to help start-up founders: Portugal Ventures, a governmental Venture Capitalist often interested in tourism-related projects; Empreendedorismo Qualificado, that receives funds from the QREN to finance innovative projects; Impulso Jovem a program that offers several measures to support and incentive young entrepreneurs. Clothie wants to reach an initial investment of €200.000 (through governmental incentives, VCs, and co-founders financing) in order to be able to pay its expenses and grow sustainably without requiring, but not excluding, other capital increase in the subsequent five years - as assumed in the development of the Statement of Cash Flow.

15.2 Sales Forecasts

As described in the previous chapters, Clothie will profit from two main revenue streams: the monthly subscription fees paid by its Retailer Users, and the fixed fees applied to in-App booking and buying operations. To make this forecast as accurate as possible, it is required to focus the attention on the

first twelve months of activities, taking into account all the variables described in the Implementation Plan.

Tables 9 and 10 depict the first year of business, starting from January 2019, when the hiring process will be completed. The first two months are going to be flat, up until the first version of Clothie is delivered to early customers. From March to June, it is forecasted a constant increment of new Retailer Users (due to the concentration on advertising campaigns) with a subsequent decline in the following months, resulting from the limited area in which the service will be offered during year 1.

Cancellations from the service are always taken into consideration, but offering a great value to Retailer Users will guarantee a decreasing churn rate over time. The fear of losing the momentum, conceding an advantage to their competitors, is likely to lead a considerable part of retailers to opt for one of the two full-optional subscription plans (Regular and Premium), producing an increase of value in the Average Revenue per User.

Table 9: Sales Forecast 2019: Retailer Users Subscription Plan

| Sales Forecast (2019) - Retailers Subscription Plan | | | | | | | | | | | | |
|---|---------------|---------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | January | February | March | April | May | June | July | August | September | October | November | December |
| Average Revenues per User | € 0,00 | € 0,00 | € 4,99 | € 14,88 | € 15,70 | € 16,20 | € 16,23 | € 16,46 | € 16,65 | € 16,74 | € 17,03 | € 17,23 |
| Starting Subscribers | 0 | 0 | 50 | 100 | 164 | 236 | 270 | 300 | 326 | 356 | 375 | 403 |
| New Subscribers | 0 | 50 | 50 | 75 | 80 | 40 | 35 | 30 | 35 | 25 | 30 | 25 |
| Cancellations | 0 | 0 | 0 | 11 | 8 | 6 | 5 | 4 | 5 | 6 | 2 | 4 |
| Net Additions | 0 | 50 | 50 | 64 | 72 | 34 | 30 | 26 | 30 | 19 | 28 | 21 |
| Active Retailer Users | 0 | 50 | 100 | 164 | 236 | 270 | 300 | 326 | 356 | 375 | 403 | 424 |
| Churn Rate | NA | NA | 0,00% | 11,00% | 4,88% | 2,54% | 1,85% | 1,33% | 1,53% | 1,69% | 0,53% | 0,99% |
| Total Revenues | € 0,00 | € 0,00 | € 499,00 | € 2.604,00 | € 3.830,80 | € 4.471,20 | € 4.950,15 | € 5.431,80 | € 6.010,65 | € 6.377,94 | € 6.897,15 | € 7.374,44 |

Source: the author, 2018

Buying and Booking fees represent a smaller part of the total revenues, this is especially true in the first years of business. However, with the increment of daily active users and strengthened brand identity, the two operations might become as profitable as the subscription plans paid by Retailer Users. Also in this case, the growth in active users will be constant, thanks to the online and offline promotion strategies implemented.

Table 10: Sales Forecast 2019: Individual Users Operations

| Sales Forecast (2019) - Individual Users Operations | | | | | | | | | | | | |
|---|---------------|---------------|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | January | February | March | April | May | June | July | August | September | October | November | December |
| Active Individual Users | 0 | 0 | 500 | 1.000 | 1.800 | 3.000 | 4.500 | 6.500 | 9.000 | 11.000 | 13.500 | 15.000 |
| Number of Booking Operations | 0 | 0 | 50 | 70 | 100 | 150 | 220 | 230 | 260 | 300 | 310 | 350 |
| Average Booking Duration (in hours) | 0 | 0 | 1,2 | 1 | 1,4 | 1,3 | 1,2 | 1,5 | 1,1 | 1,4 | 1,5 | 1,3 |
| Revenues from Booking Operations | € 0,00 | € 0,00 | € 240,00 | € 280,00 | € 560,00 | € 780,00 | € 1.056,00 | € 1.380,00 | € 1.144,00 | € 1.680,00 | € 1.860,00 | € 1.820,00 |
| Number of Buying Operations | 0 | 0 | 40 | 50 | 60 | 90 | 120 | 140 | 140 | 160 | 190 | 220 |
| Average Value of Buying Operations | € 0,00 | € 0,00 | € 25,00 | € 30,00 | € 25,00 | € 30,00 | € 30,00 | € 35,00 | € 25,00 | € 40,00 | € 45,00 | € 40,00 |
| Revenues from Buying Operations | € 0,00 | € 0,00 | € 100,00 | € 150,00 | € 150,00 | € 270,00 | € 360,00 | € 490,00 | € 350,00 | € 640,00 | € 855,00 | € 880,00 |
| Total Revenues | € 0,00 | € 0,00 | € 340,00 | € 430,00 | € 710,00 | € 1.050,00 | € 1.416,00 | € 1.870,00 | € 1.494,00 | € 2.320,00 | € 2.715,00 | € 2.700,00 |

Source: the author, 2018

Table 11 shows the complete Sales Forecast for the Year 2019, considering both revenues coming from subscription plans and operations' fees.

Table 11: Total Sales Forecast 2019

| Sales Forecast (2019) | | | | | | | | | | | | | |
|--------------------------------|---------------|---------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | January | February | March | April | May | June | July | August | September | October | November | December | Year 2019 |
| Revenues from Retailer Users | € 0,00 | € 0,00 | € 499,00 | € 2.604,00 | € 3.830,80 | € 4.471,20 | € 4.950,15 | € 5.431,80 | € 6.010,65 | € 6.377,94 | € 6.897,15 | € 7.374,44 | € 48.447,13 |
| Revenues from Individual Users | € 0,00 | € 0,00 | € 340,00 | € 430,00 | € 710,00 | € 1.050,00 | € 1.416,00 | € 1.870,00 | € 1.494,00 | € 2.320,00 | € 2.715,00 | € 2.700,00 | € 15.045,00 |
| Total Revenues | € 0,00 | € 0,00 | € 839,00 | € 3.034,00 | € 4.540,80 | € 5.521,20 | € 6.366,15 | € 7.301,80 | € 7.504,65 | € 8.697,94 | € 9.612,15 | € 10.074,44 | € 63.492,13 |

Source: the author, 2018

Table 12 illustrates the revenues coming from retailers' subscription plans over a five-year period. A concrete boost in subscribers is attributable to the expansion of Clothie to new countries. As described in the Internal Analysis, Clothie can benefit from a temporary competitive advantage, which implies the development of a quick and smart expansion strategy in order to defeat future competitors.

Table 12: Five-Year Sales Forecast: Retailer Users Subscription Plan

| 5-Year Sales Forecast - Retailers Subscription Plan | | | | | |
|---|--------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Average Monthly Revenues per User | € 9,52 | € 12,50 | € 14,40 | € 16,20 | € 19,40 |
| Average Annual Revenues per User | € 114,26 | € 150,00 | € 172,80 | € 194,40 | € 232,80 |
| Starting Subscribers | 0 | 424 | 1.072 | 1.946 | 2.915 |
| Average Monthly New Subscribers | 39,6 | 60,5 | 80,4 | 90,3 | 92,6 |
| Average Monthly Cancellations | 4,3 | 6,5 | 7,6 | 9,5 | 10,0 |
| Average Monthly Users Increase | 35,3 | 54,0 | 72,8 | 80,8 | 82,6 |
| Active Users | 424 | 1.072 | 1.946 | 2.915 | 3.906 |
| Total Revenues | € 48.447,13 | € 160.800,00 | € 336.199,68 | € 566.714,88 | € 909.409,92 |

If in 2019 Clothie will focus its business only within the areas of Lisbon and Porto, from the year 2020 two more countries will be approached: Italy and Spain. The key factors considered in choosing these countries were: the volume of tourism flows, the importance given to fashion in the specific culture, and the current economic situation. Both Italy and Spain were chosen because of their high concentration of fashion enthusiasts and their relevant number of annual tourists (Eurostat, 2017), with Milano internationally recognized as one of the world's leading fashion capitals.

Portugal, Spain, and Italy share similar Mediterranean economies, recently characterized by SME suffering the hard pressure of big corporations in all sectors, including the fashion industry. The first cities covered by the service will be the ones most visited by tourists in recent times, such as Milan, Rome, Venice, Florence, Madrid, Barcelona, Sevilla and Valencia (Ansa, 2017; Reuters, 2018).

From the year 2022 greater attention will be given to improve the existing client base within the three already targeted markets, and to expand the business in smaller touristic cities like Coimbra, Braga, Naples, Bari, Bilbao, and Malaga. In Table 13, the five-year sales forecast concerning the Individual Users operations shows how, undertaking compelling marketing strategies, also this side of the equation can bring important profits to the company.

Table 13: Five-Year Sales Forecast: Individual Users Operations

| 5-Year Sales Forecast - Individual Users Operations | | | | | |
|--|--------------------|--------------------|---------------------|---------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Active Individual Users | 15.000 | 50.000 | 150.000 | 250.000 | 400.000 |
| Number of Booking Operations | 2.040 | 6.800 | 20.400 | 34.000 | 54.400 |
| Average Booking Duration (in hours) | 1,3 | 1,4 | 1,4 | 1,5 | 1,6 |
| Revenues from Booking Operations | € 10.800,00 | € 38.080,00 | € 114.240,00 | € 204.000,00 | € 348.160,00 |
| Number of Buying Operations | 1.210 | 4.029 | 12.087 | 20.144 | 33.559 |
| Average Value of Buying Operations | € 32,50 | € 35,60 | € 39,40 | € 42,50 | € 42,80 |
| Revenues from Buying Operations | € 4.245,00 | € 14.343,24 | € 47.622,78 | € 85.612,00 | € 143.632,52 |
| Total Revenues | € 15.045,00 | € 52.423,24 | € 161.862,78 | € 289.612,00 | € 491.792,52 |

Finally, the complete sales forecast for the five-year period illustrates the exponential growth of Clothie, typical of start-ups which accurately execute the subscription business model. A business like Clothie needs to expand its boundaries at the first opportunity, gaining market share and visibility to induce retailers and users to trust and use the service. The path starting from the Year 2023 will be

characterized by a persisting growth, resulting from the continue expansion to other European countries.

Table 14: Total Five-Year Sales Forecast

| 5-Year Sales Forecast | | | | | |
|--------------------------------|--------------------|---------------------|---------------------|---------------------|-----------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Revenues from Retailer Users | 48.447,13 € | 160.800,00 € | 336.199,68 € | 566.714,88 € | 909.409,92 € |
| Revenues from Individual Users | 15.045,00 € | 52.423,24 € | 161.862,78 € | 289.612,00 € | 491.792,52 € |
| Total Revenues | 63.492,13 € | 213.223,24 € | 498.062,46 € | 856.326,88 € | 1.401.202,44 € |

Source: the author, 2018

15.3 Investments and Expenses

Clothie's starting team will be composed of its two co-founders (CEO and CTO) and four employees. The team will focus its attention on software development and marketing, in order to rapidly scale and deliver a working platform in a matter of weeks. The decision to correspond a higher salary to Clothie employees rather than to its executives (which for the first years of activities will receive the minimum legal wage eligible in Portugal), represent a strong signal to the team, future partners, and investors; the ultimate outcome is to let the company grow in revenues and profits, personal benefits are of secondary importance. Clothie's payroll expenses for the year 2019 are described in Table 15.

Table 15: Expenses Forecast 2019 - Payroll

| Payroll Expenses Forecast (2019) | | | | | |
|----------------------------------|-----------|--------------------|-----------------------------|-------------------|--------------------|
| Function | Employees | Gross Wages | Social Security Tax (23,7%) | Meal Allowance | Total Expenses |
| Chief Executive Officer | 1 | € 8.120,00 | € 1.924,44 | € 1.259,28 | € 11.303,72 |
| Chief Technical Officer | 1 | € 8.120,00 | € 1.924,44 | € 1.259,28 | € 11.303,72 |
| Marketing Team | 2 | € 24.000,00 | € 5.688,00 | € 2.518,56 | € 32.206,56 |
| Programming Team | 2 | € 24.000,00 | € 5.688,00 | € 2.518,56 | € 32.206,56 |
| Full Team | 6 | € 64.240,00 | € 15.224,88 | € 7.555,68 | € 87.020,56 |

Source: the author, 2018

Table 16 outlines the importance attributed to marketing, which alone counts for more than half of the whole overheads (excluding payroll expenses) for the year 2019. Clothie will start operating in a co-working space, considerably reducing rental costs. Launching a startup in Lisbon is inexpensive, the legal opening costs stand for only 360€, with less than 100€ more to be added for the handling of

official paperwork. Investments in office equipment as well as in intangible assets, will be the minimum necessary to don't excessively weigh on Clothie's finances.

Table 16: Expenses Forecast 2019 - Other Expenses

| Other Expenses Forecast (2019) | | | | | | | | | | | | | |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| | January | February | March | April | May | June | July | August | September | October | November | December | Year 2019 |
| Advertising Campaigns | € 500,00 | € 1.000,00 | € 4.000,00 | € 3.000,00 | € 2.000,00 | € 2.000,00 | € 2.000,00 | € 2.000,00 | € 2.000,00 | € 2.000,00 | € 1.000,00 | € 1.000,00 | € 22.500,00 |
| Office Rent | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 600,00 | € 7.200,00 |
| Phone Plans | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 60,00 | € 720,00 |
| Legal | € 460,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 460,00 |
| Office Equipment | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 100,00 | € 1.200,00 |
| Software & Licenses | € 600,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 0,00 | € 600,00 |
| Total Expenses | € 2.320,00 | € 1.760,00 | € 4.760,00 | € 3.760,00 | € 2.760,00 | € 2.760,00 | € 2.760,00 | € 2.760,00 | € 2.760,00 | € 2.760,00 | € 1.760,00 | € 1.760,00 | € 32.680,00 |

Source: the author, 2018

Table 17 and 18 show the 5-year projected expenses. The drastic increase of costs is attributable to several factors, such as the expansion of the business outside of Portugal, the boost in marketing campaigns targeting different countries, the increase in the number of employees, and the willingness to reward their effort with performance-based pay raises.

Table 17: Five-Year Expenses Forecast - Payroll

| 5-Year Payroll Expenses Forecast | | | | | |
|----------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Countries of Operation | 1 | 2 | 3 | 3 | 3 |
| Employees | 6 | 10 | 15 | 19 | 24 |
| Average salary per employee | € 10.706,67 | € 12.000,00 | € 15.000,00 | € 18.000,00 | € 21.000,00 |
| Gross Wages | € 64.240,00 | € 120.000,00 | € 225.000,00 | € 342.000,00 | € 504.000,00 |
| Social Security Tax (23,7%) | € 15.224,88 | € 28.440,00 | € 53.325,00 | € 81.054,00 | € 119.448,00 |
| Meal Allowances | € 7.555,68 | € 12.592,80 | € 18.889,20 | € 23.926,32 | € 30.222,72 |
| Total Expenses | € 87.020,56 | € 161.032,80 | € 297.214,20 | € 446.980,32 | € 653.670,72 |

Table 18: Five-Year Expenses Forecast: Other Expenses

| 5-Year Other Expenses Forecast | | | | | |
|--------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Countries of Operation | 1 | 2 | 3 | 3 | 3 |
| Marketing Campaigns | € 22.500,00 | € 70.000,00 | € 120.000,00 | € 140.000,00 | € 200.000,00 |
| Office Rent | € 7.200,00 | € 18.000,00 | € 30.000,00 | € 30.000,00 | € 30.000,00 |
| Phone Plans | € 720,00 | € 1.940,00 | € 3.300,00 | € 4.000,00 | € 5.400,00 |
| Legal | € 360,00 | € 1.000,00 | € 2.200,00 | € 2.600,00 | € 2.600,00 |
| Software & Licenses | € 600,00 | € 1.200,00 | € 1.800,00 | € 1.800,00 | € 1.800,00 |
| Office Equipment | € 1.200,00 | € 3.000,00 | € 5.000,00 | € 7.000,00 | € 8.000,00 |
| Total Expenses | € 32.580,00 | € 95.140,00 | € 162.300,00 | € 185.400,00 | € 247.800,00 |

Source: the author, 2018

The total expenses for the 5-year period are illustrated in Table 19.

Table 19: Total Five-Year Expenses Forecast

| 5-Year Total Expenses Forecast | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Payroll Expenses | € 87.020,56 | € 161.032,80 | € 297.214,20 | € 446.980,32 | € 653.670,72 |
| Other Expenses | € 32.580,00 | € 95.140,00 | € 162.300,00 | € 185.400,00 | € 247.800,00 |
| Total Expenses | € 119.600,56 | € 256.172,80 | € 459.514,20 | € 632.380,32 | € 901.470,72 |

Source: the author, 2018

15.4 Projected Income Statement

Clothie's Projected Income Statement shows an inevitable loss in the first two years of operations, due to the nonexistent initial client base and the growing (but necessary) expenses in marketing and wages. However, the third year of operations represents the breakeven point, closing for the first time with a positive balance, and forecasting an exponential growth in profits starting from the following years. Depreciation and Amortization are not considered in the statement, since both tangible and intangible assets have low value and should be considered as expenses in the company's accounting. Income Corporate Tax in Portugal is set to 21% (Flat Tax System), while the Municipal Tax varies as described from the Autoridade Tributaria e Aduaneria (2017), with Lisbon offering tax exemption to business with an annual turnover (net sales) of less than €150.000. However, Clothie will respect this condition only in Year 1, where is supposed to generate a net loss.

Table 20: Five-Year Projected Income Statement

| Projected Income Statement (in EUR) | | | | | |
|--|-----------------|-----------------|---------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Total Revenues | 63.492 | 213.223 | 498.062 | 856.327 | 1.401.202 |
| Total Expenses | (119.601) | (256.173) | (459.514) | (632.380) | (901.471) |
| EBIT | (56.108) | (42.950) | 38.548 | 223.947 | 499.732 |
| Municipal Tax (1,5%) | 0 | 0 | 578 | 3.359 | 7.496 |
| Corporate Tax (21%) | 0 | 0 | 8.095 | 47.029 | 104.944 |
| Net Income | (56.108) | (42.950) | 29.875 | 173.559 | 387.292 |

Source: the author, 2018

15.5 Projected Cashflow Statement

Clothie's Projected Cashflow Statement in Table 21 highlights how, with an initial investment of €200.000, its operating activities will bring the Company to reach a sustainable growth, not requiring (but not excluding) any other future external investment. In the five-year period analyzed, dividends are not considered to be paid, since all the cash generated will be re-invested to finance the Company's future development.

Table 21: Five-Year Projected Cashflow Statement

| Projected Cash Flow Statement (in EUR) | | | | | |
|---|---------------------|-----------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating Activities | | | | | |
| Cash generated from Booking operations | 10.800 | 38.080 | 114.240 | 204.000 | 348.160 |
| Cash generated from Buying operations | 4.245 | 14.343 | 47.623 | 85.612 | 143.633 |
| Cash generated from Subscription Plans | 48.447 | 160.800 | 336.200 | 566.715 | 909.410 |
| Cash paid for Wages | (87.021) | (161.033) | (297.214) | (446.980) | (653.671) |
| Cash paid for Advertising Campaigns | (22.500) | (70.000) | (120.000) | (140.000) | (200.000) |
| Cash paid for Office Rent | (7.200) | (18.000) | (30.000) | (30.000) | (30.000) |
| Cash paid for Phone Plans | (720) | (1.940) | (3.300) | (4.000) | (5.400) |
| Cash paid for Legal procedures | (360) | (1.000) | (2.200) | (2.600) | (2.600) |
| Cash paid for Software & Licenses | (600) | (1.200) | (1.800) | (1.800) | (1.800) |
| Cash paid for Income Taxes | 0 | 0 | (7.517) | (43.670) | (112.440) |
| Cash generated from Operating Activities | (54.908) | (39.950) | 36.031 | 187.277 | 395.292 |
| Investing Activities | | | | | |
| Purchase of Equipment | (1.200) | (3.000) | (5.000) | (7.000) | (8.000) |
| Cash generated from Investing Activities | (1.200) | (3.000) | (5.000) | (7.000) | (8.000) |
| Financing Activities | | | | | |
| Proceeds from New Capitals | € 200.000,00 | NA | NA | NA | NA |
| Dividends yield | 0% | 0% | 0% | 0% | 0% |
| Cash generated from Financing Activities | € 200.000,00 | | | | |
| Net Increase/Decrease in Cash | 143.892 | (42.950) | 31.031 | 180.277 | 387.292 |
| Opening Cash Balance | 0 | 143.892 | 100.942 | 131.973 | 312.250 |
| Closing Cash Balance | 143.892 | 100.942 | 131.973 | 312.250 | 699.542 |

Source: the author, 2018

15.6 Evaluation of the Project

15.6.1 Net Present Value (NPV)

Considering the five-year projected cash flows, a discount rate of 10% (based on data collected on discount rates applied to similar businesses) and the initial capital of €200.000, Clothie's NPV is € 100.421, which confirms the attractiveness of the investment.

Table 22: Net Present Value (NPV)

| Net Present Value (in EUR) | | | | | | |
|----------------------------|-----------|----------|----------|--------|---------|---------|
| Discount rate (10%) | | | | | | |
| Year | 0 | 1 | 2 | 3 | 4 | 5 |
| Cash Flows | (200.000) | (56.108) | (42.950) | 31.031 | 180.277 | 387.292 |
| Present Value of CFs | (200.000) | (51.008) | (35.496) | 23.314 | 123.132 | 240.478 |

NPV = € 100.421

Source: the author, 2018

15.6.2 Return on Equity (ROE)

After the first two years, Clothie is expected to generate positive ROE, which can further increase after Year 5, when the project will be mature enough to count on a solid client base and will expand to new European countries.

Table 23: Return on Equity (ROE)

| Return on Equity | | | | | |
|---------------------|--------------|--------------|------------|------------|-------------|
| Year | 1 | 2 | 3 | 4 | 5 |
| Net Income | (56.108) | (42.950) | 29.875 | 173.559 | 387.292 |
| Shareholders Equity | 200.000 | 200.000 | 200.000 | 200.000 | 200.000 |
| ROE | (28%) | (21%) | 15% | 87% | 194% |

Source: the author, 2018

15.6.3 Compound Annual Growth Rate (CAGR)

The CAGR measures the rate of return of an investment over a period of time, calculating the year over year returns, compounding them, and considering the investment values. It is one of the most used evaluation indicators, since it provides a practical understanding of business growth over time, in this case in terms of sales.

The results in Table 24 shows how, if Clothie's sales growth is compounded over the years, its annual growth rate would be an astonishing 117%.

Table 24: Compounded Annual Growth Rate (CAGR)

| Compounded Annual Growth Rate | | | | | |
|-------------------------------|--------|---------|---------|---------|-----------|
| Year | 1 | 2 | 3 | 4 | 5 |
| Sales (in EUR) | 63.492 | 213.223 | 498.062 | 856.327 | 1.401.202 |

CAGR = 117%

Source: the author, 2018

15.7 Optimistic and Pessimistic Scenarios

To further examine the possible outcomes derived by undertaking this project, it is essential to consider two more scenarios apart from the one described so far, the Optimistic and Pessimistic Scenarios. Both situations will be analyzed using the NPV, generally considered the best measure for investment appraisal.

15.7.1 Pessimistic Scenario

The Pessimistic Scenario has been formulated taking into account three highly volatile factors, whose alteration can decisively impact Clothie's operational cash inflows:

- A 10% decrease in the number of 'Booking Operations' for each of the five years considered.
- A 10% decrease in the number of 'Buying Operations' for each of the five years considered.

- A 10% decrease in the ‘Average Annual Revenue per Retailer User’ for each of the five years considered.

Table 25: Pessimistic Scenario - Net Present Value (NPV)

| Net Present Value (in EUR) | | | | | | |
|----------------------------|-----------|----------|----------|---------|---------|---------|
| Discount rate (10%) | | | | | | |
| Year | 0 | 1 | 2 | 3 | 4 | 5 |
| Cash Flows | (200.000) | (62.458) | (64.272) | (9.063) | 126.122 | 278.699 |
| Present Value of CFs | (200.000) | (56.780) | (53.117) | (6.809) | 86.143 | 173.050 |
| NPV = € (57.512) | | | | | | |

Source: the author, 2018

As shown in Table 25, in this case the result is a negative NPV, which of course discourages investments. However, these numbers show also a steady increase in positive cash flow after Year 3, a fact that can only foresee positive results for the long run.

15.7.1 Optimistic Scenario

The Optimistic Scenario originates the expected remarkable results, taking into account the exact opposite factors considered in the previous case:

- A 10% increase in the number of ‘Booking Operations’ for each of the five years considered.
- A 10% increase in the number of ‘Buying Operations’ for each of the five years considered.
- A 10% increase in the ‘Average Annual Revenue per Retailer User’ for each of the five years considered.

Table 26: Optimistic Scenario - Net Present Value (NPV)

| Net Present Value (in EUR) | | | | | | |
|----------------------------|-----------|----------|----------|--------|---------|---------|
| Discount rate (10%) | | | | | | |
| Year | 0 | 1 | 2 | 3 | 4 | 5 |
| Cash Flows | (200.000) | (49.759) | (21.627) | 71.125 | 234.431 | 495.885 |
| Present Value of CFs | (200.000) | (45.236) | (17.874) | 53.438 | 160.120 | 307.906 |
| NPV = € 258.354 | | | | | | |

Source: the author, 2018

16. Conclusions

Clothie is undoubtedly an innovative idea, being the first location-based fashion shopping app ever created. It does also bring great value to all its users, creating a new and fun way to shop for local fashion and, most importantly, aiming to solve the problems of thousands of business owners who are currently struggling to stay in business.

With the several tools and frameworks used throughout this business plan, it has been examined how Clothie creates a unique value curve that can let it stand out of the competition; how weaknesses can be minimized, and threats can be avoided with simple but efficient solutions; how Clothie can lead the new wave of disrupting innovation for the fashion industry, in favor of the small realities.

The various financial projections performed, have shown the high growth potential of Clothie; the generation of the forecasts has followed a realistic approach with an attitude to round down all the results in order to avoid any type of speculations on the final outcomes, providing notable results nevertheless.

The two-case scenario developed showed how, even in the worst case analyzed, the project is expected to grow over time and be able (after the initial investment) to finance itself with its operating activities alone, guaranteeing excellent returns in the long run.

The major risk of the investment can be the failure to efficiently carry out the business plan. Execution is everything, and Clothie will launch only after a cautious and scrupulous selection of its initial team, in order to achieve the expected results and minimize risks. Failing in the development of the product would cause a delay in the business expansion, hence increasing the chances of losing the temporary competitive advantage in favor of new competitors, ready to join the new 'Blue Ocean' created.

Clothie has all the characteristic required to be considered a potential 'unicorn' due to its global scalability and unprecedented approach to the fashion market. Clothie is highly recommended to investors who believe in the potential of the local, the special, and the unique; investors who want to actively help the business growing, by advising and mentoring the team; investors who embrace Clothie's mission: support local fashion retailers to gain market share at the expense of the big players.

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