

Finlatics Investment Banking Experience Program Project 2

Sustainable Women wear

1. From the five stages of the company life cycle, I believe that this company lies in the first phase of commercialization. In this stage, the company has launched its product in the market in a limited way and now it needs funds to promote the product further ahead. This following business model solves the problem of waste management by using the things which are considered by others as waste. This helps in boosting the environmental causes which is the need of the hour.

The major things expected by a company in this stage are the scope of mass marketability and the product should have shown a positive response in its early venture. This fashion designing company has performed well in the market and shows a tremendous market potential as it can have a wide market portfolio. Teenagers and young adults would be most intrigued by this new idea. Although, the product hasn't got the required market base it should have because of less brand value. This shows that the company needs funding for raising its brand value and reaching out to as many people as possible.

SWOT Matrix

Strength <ul style="list-style-type: none">• Usage of waste material• Mass availability of raw materials• Unique idea for gen Z• Grip amongst urban population	Weakness <ul style="list-style-type: none">• High cost due to a lot stitching• Quality of the raw material may vary a lot• Can't target the older generations much efficiently• Less popularity amongst rural population
Opportunity <ul style="list-style-type: none">• Matches the fashion lifestyle of Bollywood industry• Very little competition for raw material• Better average life than traditional clothes	Threat <ul style="list-style-type: none">• Scope of market instability due to public sentiment towards new trends• Challenge towards exploring third tier cities

2. Today's world is moving at a fast pace now. Fashion is also changing with everything else. People are looking at new and different options rather than the traditional ones. The use of new kinds of fabric provides quite a wide variety of clothing options. But the society has also become more uncertain about new things. New products lose their traction in the market quite easily nowadays. The older generation also refrain from moving forward in India. Also, a major part of the population lives in rural areas and tier three cities which are also rather oppressive of new ideas. A rising name in the textile industry, Parawin, is also working along the same lines. They use waste material from other companies and use it to develop new clothes. They have also come up with an Italian brand and are doing really good in this new initiative.

Perfect product-market fit

India has a wide variety of ethnicity. There are people of all kinds of caste, creed, religion, culture and beliefs. There can be an uncertainty about a new product like this. People living in rural areas might find accepting the product a little tough. The product will have a major base in the urban areas amongst the younger generation. The company can do active ad campaign to counter this problem.

Online campaigning through social media, target marketing, discounted prices can have a major impact on the older generations. The company can also go for merchandising.

Skill development in stitching

Hemp and Tencel are not widely used in the textile industry. Therefore, stitching on a new material might be a real challenge. There will be all kinds of cloth strips which would need to be sorted out and stitched together. This would require a certain skill set of stitching. The company can launch a skill development program for its employees which can help them in learning the required skills.

Price rise

India comes in the list of developing countries. The average income of people is not much. But the use of new skills and idea would result in a price rise which might affect the company's market base. People might refrain from buying the product rather than having something new. In order to tackle this, the company will have to lower the prices initially to have a broader market base.

Brand building

When it comes to clothes, people look for brand value. Certain brands like Allen Solly, Levis, H&M, US Polo have a wide market base amongst the audience which the company is looking to target. The uprising of a new company against these big giants would be a mammoth task. These brands have stores all over the world, people have trust in these brands, they all do an aggressive marketing campaign. Our company have to find ways to tackle this. Either they can take the risk of working against these companies or they can work in collaboration with them. The company can set up tie ups with these giants so that they send their textile waste straight to them. This would need a logistical set up for the smooth flow of material.

3. A convertible note is ideal for the investor at this stage of the company as it did good it the initial stages. The convertible note will help me in safeguarding my investments in case of a failure and it will also motivate the founders to take initiative to work towards the progress of the company. The milestones will be based on the revenue generated by the company and the number of customers who have bought the product in a specified period of time.

Milestone 1

The initial task for the company is to make a customer base and to touch the market. The company needs to add new customers and to make ties with online shopping sites. The company also needs to ensure a smooth inflow of raw materials for which it needs to make ties with other textile companies. Ensuring a smooth flow would also require logistical and management support. The company needs to start work about the right product-market fit in order to ensure that the funds are used in an optimal way. The parameters for the first milestone are as follows:

Revenue Generated: Minimum 75 lakhs INR

Customers Tie-ups: Minimum 5,000 customers

Milestone 2

After touching the market, the next task for the company is to widen the market base in the third tier cities. For this to happen, the company needs to start an aggressive ad campaign. The ad campaign needs to target the right audience, i.e., the younger women of the society. The company needs to target them by using the power of social media and online campaign. Campaigning on those sites

which are frequently used by young women would help in the widening of the customer base. The parameters set for the second milestone are as follows:

Revenue Generated: Minimum 1.5 crores INR

Customer Tie-ups: Minimum 10,000 customers

Milestone 3

For the next milestone, the company needs to explore the market opportunities of the first and second tier cities. The business model needs to be expanded to these cities as well. The company needs to show its goodwill in order to ensure a wide market base. In order to ensure all this, the company also needs to ensure smooth flow of raw materials and produced goods. The parameters for this milestone are as follows:

Revenue Generated: Minimum 2 crores INR

Customer tie-ups: Minimum 15,000 customers

Milestone 4

Ensuring that the customers remain loyal to the company after first purchase is also necessary. The company needs to try and lower the prices in order to attract more customers and to retain those who have already purchased the product in the past. More aggressive campaign needs to be done in the lower tier cities. The parameters are as follows:

Revenue Generated: Minimum 2.75 crores INR

Customer tie-ups: Minimum 20,000 customers

Initial Investment	Customers added per milestone (optimally)	Revenue generated per milestone (optimally)	Convertible note conversion rate(%)
50,00,000	5,000	75,00,000	24%
50,00,000	10,000	1,50,00,000	16%-23.9%
50,00,000	15,000	2,00,00,000	10%-15.9%
50,00,000	20,000	2,75,00,000	6%-9.9%

4. The main costs incurred by the company in attracting the customers towards its product is the Customer Acquisition Cost (CAC). CAC for this company would mainly include the online ads run by the company on social media or somewhere else, discounts and vouchers given to the customers. In the start, setting up of a management and logistical team would also add up to the CAC.

$$\text{Customer Acquisition Cost} = \frac{\text{Total marketing expense in given period}}{\text{Number of customers acquired in a given period}}$$

Total marketing expense required to achieve milestone 1 = 30,00,000 INR

Number of customers acquired till milestone 1 = 5,000

Customer Acquisition Cost = 600 INR

Customer lifetime value helps in determining the value of a customer to the company. The customer lifetime value can be easily determined by using the following three variables - average value of customer's purchase, customer purchase frequency and time period of a customer's purchase. For the following women wear product, the customer lifetime value will be calculated as follows:

$$\text{Customer Lifetime Value} = \frac{\text{Average value of customer's purchase}}{\text{Time period of a customer's purchase}} \times \text{Frequency of customer purchase}$$

Average value of customer's purchase = 1,000 INR

Time period of a customer's purchase = 2.2 years

Frequency of a customer's purchase = 1

Customer Lifetime Value = 454.54 INR

For a span of 11 years, the CAC and CLV would be as follows:

Average value of customer's purchase	Number of times a customer will purchase	Time period of customer purchase	CAC	Total CLV	Net profit on customer
454.54	1	2.2	600	454.54	-145.45
454.54	2	4.4	0	909	309
454.54	3	6.6	0	1,363.6	763.5
454.54	4	8.8	0	1,818.2	1,218
454.54	5	11	0	2,272.7	1,672.5

From the above analysis, we can see that the customer is profitable to the company only after a period of 4.4 years. Thus, the company needs to be innovative about its product and should also give some perks to the customer so that they remain loyal to the company.