FIT3134

ASSIGNMENT 3A

Business Model and Value Proposition Canvas

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1. Introduction: the overview of your start-up, market problem, solution and team.

Our group, Team 5 Stars, consists of 5 members and there are Chan Wai Han, Goh Kai Yuan, Jyven Yu Jun Kai, Leong Pui Lum, and Ooi Yi sen. Our group comprises competent individuals with a computer science background. Therefore, the ability to identify a problem and solve it in the most efficient way is definitely our expertise. As an overview of our organization, we noticed that many people nowadays prefer to have a variety of clothes to attend different events. However, due to the current financial status, many people are unable to afford the luxury of purchasing new sets of clothing solely for these special occasions. On the other hand, there are also people who have these "one-time" sets of clothes like gowns and suits or clothes that they do not wear often lying around their wardrobe. Therefore, our organization aims to solve this problem by developing a renting service platform that allows renters to make a profit from renting out their pre-loved clothes as well as to aid rentees to save money from renting these clothes rather than purchasing a brand set of clothing. Essentially, as our service runs fully online, customers will not be able to try on clothes physically, causing it to be one of our market problems. However, the integration of Artificial Intelligence in our size measuring and categorization tool can be a solution to this problem. Not only that but AI is also used in our product recommendation system to filter the clothing selection to suit our customers' tastes. With that being said, this assignment is written to discuss further our Business Model and Value Proposition Canvas for our clothing rental service.

2. Detailed Business model canvas and value proposition canvas analysis of two canvases: complementing your completed canvases, an analysis and rationale for each canvas building block (segment).

Business Model Canvas Analysis

The key resources section of a Business Model Canvas lists the most significant assets of your business. These are the resources that allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues (Key Resources, 2014). There are 3 main resources for our business. Firstly, clothes rented on our platform will be neatly packed and shipped in reusable, plastic polymer bags. Therefore, one of our key physical resources would be these shipping bags. Next, developers are needed to continuously develop, fix, and add features to our mobile and website platforms. Thus, software and website developers are one of our key human resources. Another key human resource required in our business is a team in charge of the company's sales and marketing. The team will be in charge of researching new marketing strategies and implementing them to attract more customers to our platform.

Moving on, the key activities section of the Business Model Canvas contains actions the company must perform to successfully execute its business model (Key Activities, 2014). As mentioned previously, our company will aim to continuously develop, fix, and add new features to our mobile and website platforms to enhance the customer's experience while shopping with us. Therefore, one of our main activities would be to develop the software and website of our platform. Attracting customers would also be one of the key activities of our business, as our business model relies on a high quantity of sales to operate. We are also required to clean each item of clothing before each transaction between the renter and rentee to ensure the item is received clean and safe to wear, especially with the COVID-19 situation. Therefore, our third key activity would be partnering with a cleaning service to ensure the cleanliness of each clothing item.

Next, the key partnership section of our Business Model Canvas frames the suppliers and partners that we team up with for the operation of our business model (Key Partners, 2014). Our first partner would be the cleaning service. As mentioned, we clean and sanitize the clothes that are being rented to ensure the hygiene and safety of our customers. Therefore, we do that through our partnership with a cleaning service that specializes in garments and accessories. Our second partnership is with a nationwide logistics company. The clothes being rented will need to go through a few steps, such as being delivered to us for cleaning and packaging before ending up in the hands of the rentee. Hence, by partnering with a nationwide logistics company, we will have an easy way to manage the transport of the goods to ensure they end up at the right location at the right time. Thirdly, we will partner up with a shipping package manufacturer to source our reusable plastic polymer packaging bag. This will ensure the clothing and accessories will be delivered in presentable and safe packaging.

The Value Proposition is the primary reason why customers turn from one company to another. It solves all the customer problems and satisfies the customer's needs. Each value proposition holds a selected bundle of services or products that satisfies the specific needs of a specific customer in the customer segment (AG, 2019). Thus, our business strives to solve our customers' problems. For instance, our service enables customers who find difficulty in searching for suitable clothing to try out a wide variety of outfits. Besides that, due to the pandemic, events were no longer held and consequently, there was no need for people to purchase clothing pieces for the sake of attending an

event. This caused the wardrobe size of most people to be reduced. On the other hand, people with a wide variety of clothing pieces do not have the opportunity to wear them to events as no events were held during the pandemic. Hence, with the endemic approaching, our product enables both our customers, the rentee and the renter, to save money by renting second-hand or unused clothing on a one-time basis rather than purchasing an entire piece of clothing from a retail store.

Besides that, the Customer Relationship section is where the business clarifies the type of relationship that they are going to establish with each Customer Segment. The relationship will then be established through the different Channels (AG, 2019). Our first type of customer relationship is self-service on the platform. This is because our platform would have provided all the necessary means for customers to help themselves. However, in cases whereby our customer wants to seek help, our 24-hour customer support which falls under the personal assistance category (AG, 2019) will be there to answer all the queries. This relationship is based on human interaction where the customer can communicate with a customer representative and seek help. Our final customer relationship would be marketing, where we would implement the strategy of purchasing advertisements. This is categorized as transactional marketing, a strategy that aims to acquire new customers (Edwards, 2020). Our product recommendation system can implement this strategy by displaying similar clothes next to each other at similar or lower prices.

Furthermore, the Channels are ways in which how the company communicates its offer to individual customer segments (Jagielka, n.d.). Our primary way of engaging with our customers is via our website thereby, customers can browse through all the product listings based on the Product Recommendation System. Next, we also can communicate with our customers using our mobile app as it has better accessibility, due to the fact that almost everyone owns a phone, and thus it is accessible from the tip of their fingers. Finally, social media marketing is also one of the ways for our company to communicate with the customers by creating content on major platforms such as Facebook, YouTube, and TikTok. With the advancement of technology, using social media marketing can greatly increase the company's trustworthiness and brand recognition. We would also be able to increase our company's visibility in this industry.

Moreover, the Beneficiaries consist of users who we are creating value for. (“How Do I Use The Customer Segments Building Block of The Business Model Canvas?”, n.d). In our case, our renters can make passive income from their pre-loved clothes. They are also able to sell unused clothing if the rentee decides to purchase the clothing. On the other hand, rentees are able to save money and wardrobe space by renting clothes. Rentees are able to save money while having a wide variety of clothing choices as renting would cost less compared to purchasing the clothing piece from a retail store. Additionally, both consumers can also make a change in the environment. Chan’s article (2021) states that the renting of clothing is able to reduce water usage, energy usage, and carbon dioxide emissions by 24%, 6%, and 3% respectively.

The Cost and the Mission Budget in the business model canvas is described as all costs that are incurred to operate our business. It gathers the most important costs involved in the whole business (Pereila, 2020). Therefore, one of the main costs that will be incurred by our business includes the development of the platform as well as its maintenance for it. This is because our business constantly maintains the usability of the user interface and user experience in the front end while ensuring that the system does not frequently cause errors or bugs in the back end. Besides, our cost also includes office rent and utilities, such as furniture and computers as these are essential to running our business. Additionally, the marketing and community management cost would be to hire

professionals to regularly communicate with our target audience, as well as to be constantly updated on the current social trends for marketing purposes. Last but not least, our business would have a complaint management team, under the customer service, to handle customers should they have any dissatisfaction.

Lastly, the Revenue Stream represents the ways our company generates revenue from each of the Customer Segments ("How Do I Use the Revenue Streams Building Block of The Business Model Canvas?", n.d.). 70% of our overall revenue comes from renting service as our business are more focus on renting clothes. With that, depending on the prices given by the renter, we will incur a 2.5-5% commission rate for every piece of clothing that has been successfully rented out. Last but not least, as customers also have an option to purchase these pre-loved items, for every piece of clothing sold, a flat 5% commission rate will be charged during the checkout session. Thus, the remaining 30% of overall revenue will be from customers' purchases.

Value Proposition Canvas Analysis

The Value Proposition Canvas visualizes the value that our product would be providing to attract our customers. Essentially it is a tool that ensures our product revolves around the customer's requirements, according to "What is the Value Proposition Canvas?" (n.d.). Besides that, it provides a clear picture of what to develop, reduces risk, minimizes cost, and helps convince investors. The two main parts of the framework are the Customer Profile and Value Proposition.

The Customer Profile is split into three sections - Customer Jobs, Gains, and Pains. Customer Jobs are the functional, social, and emotional tasks that a customer performs ("What is the Value Proposition Canvas?", n.d.). The functional tasks are considered mundane. Renters would want to get rid of unused clothing pieces and measure the sizes of these clothing pieces, while rentees would want to obtain these clothing pieces to wear to events. On the other hand, the social tasks are mostly from the rentee's perspective, where they would want to feel confident in their attire while being able to represent their social status through their clothing during these events. At the same time, they would want to save money by renting rather than purchasing a whole new set of clothing. The need to enquire about clothing style or choices would also be present when wanting to obtain a set of clothing. Finally, the emotional tasks are highly related to the social tasks, where the rentee would want to feel good about their own attire during events, as well as feel satisfied when renting these clothes.

The customer gains are advantages that would please a customer, such as social, functional, and financial benefits ("Value Proposition Canvas", n.d.). Essentially, both rentee and renter can save time from our service. A rentee is able to save time by compiling a wide variety of clothing on one platform would delight them. On the other hand, a renter may also save time from our Artificial Intelligence (AI) and Augmented Reality (AR) integrated size measuring tool, where renters do not have to go through the hassle of measuring each piece of clothing manually. Besides that, having the option to filter for sizes and price when selecting clothing pieces would hugely benefit the rentee.

Customer pains are the negative experiences that a customer had gone through while performing a task ("Value Proposition Canvas", n.d.). Among them are customers not having enough time to go shopping physically. Besides that, physical stores have limited clothing choices, therefore not having the rentee's ideal clothing design and size. Even if a nice design is present, the need to try on multiple pieces to check for sizing is tiring. Not only that, most clothing prices in physical stores are not categorized or sorted, thus it is difficult for customers on a budget to know the price range of all the clothing in the store. Furthermore, it is expensive to buy a new set of clothing for one-time events like wedding dinners and parties. On the other hand, there is always the risk of meeting bad-mannered staff while shopping in physical stores, such as negative interactions with salespeople or a lack of attention in-store (Guillory, 2016).

The second part of the Value Proposition Canvas, the Value Proposition, solves the problems mentioned above. The first of three parts are the products and services, which are the product features that can get the customer's jobs done while creating value for them. Our product is an online platform clothing rental service, with an Artificial Intelligence (AI) and Augmented Reality (AR) integrated size measuring tool that distinguishes us from our competitors. To break it down, AR is often used to track real-life objects accurately while making a good estimate of the size of the object using a camera feed (Amadeo, 2021). Additionally, Hajjar (2022) claims that the integration of AI with AR can enhance the basic feature of AR as it creates additional features like object detection and categorization. These two features ensure that our customers shop in their own comfort while having

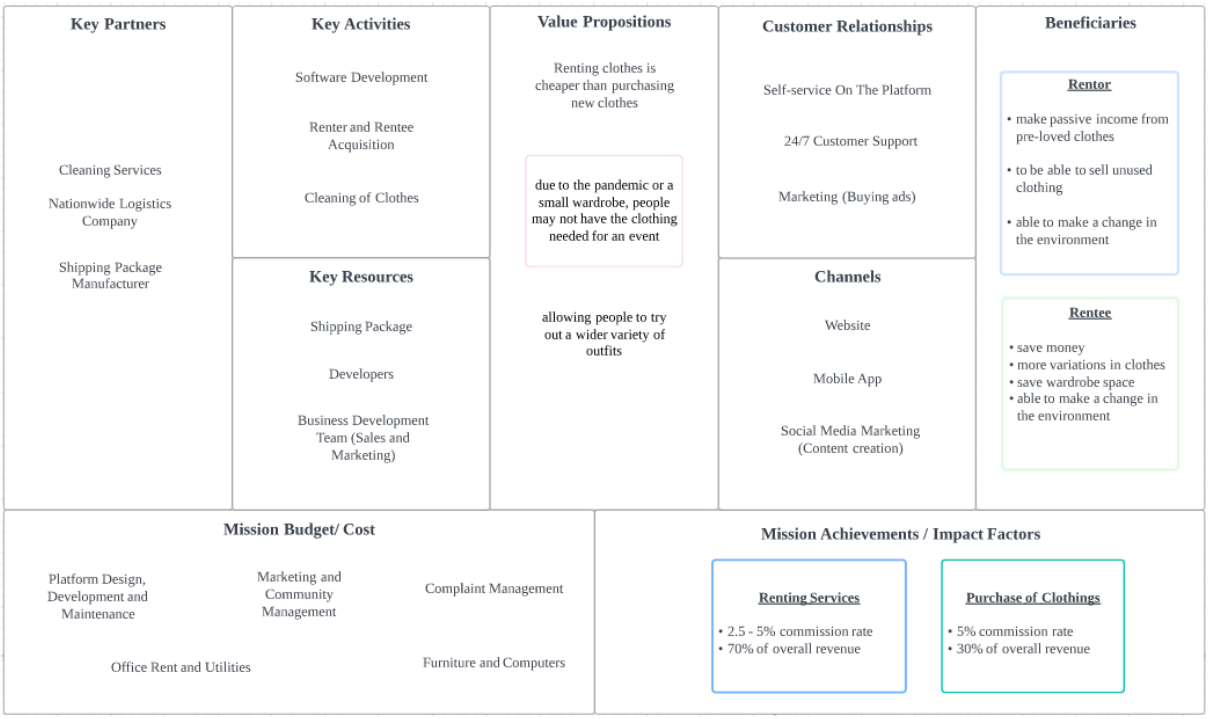
technological-driven measuring tools to reduce the hassle of manually checking clothing sizes, as well as the type and occasion of the clothing. Besides that, our product browsing page ensures that the customer can easily search for what he or she wants. This is due to the integration of AI in our Product Recommendation System, thereby data is used to filter relevant recommendations to users. Schiavini (2019) proves that the algorithm behind every product recommendation system includes analysing customers' most visited page, as well as the time spent on different categories and the items that are being clicked. Not only that, our live customer support allows customers to enquire about any problems that they face, ensuring that the customer always has plenty of support and the opportunity for a live chat (Tyrrell, n.d).

The grain creators help the customer to achieve their gains. Our product helps our customers save time as our platform is fully online, essentially offering the entire country's wardrobe at the fingertip of our customers. Besides time, our product helps to save cost, as clothing rented would only incur a one-time rental fee. On the other hand, purchasing the clothing would be cheaper than buying from retail, as it is already considered second-hand clothing, which would have a lower selling price than retail. The renter benefits from the AI and AR integrated size measuring tool. The renter is also able to make passive income by renting or selling. On the other hand, the rentee can easily use the size filtering feature of our product to look for their clothing size. Essentially, using the AI integrated Product Recommendation System can help personalise a product browsing page that caters to their size as well as their interest, thus ensuring that a lack of personalization does not become an issue for our product in the future (Tyrrell, n.d.). However, rentees are also not limited to having the option to filter their preferred size and price ranges.

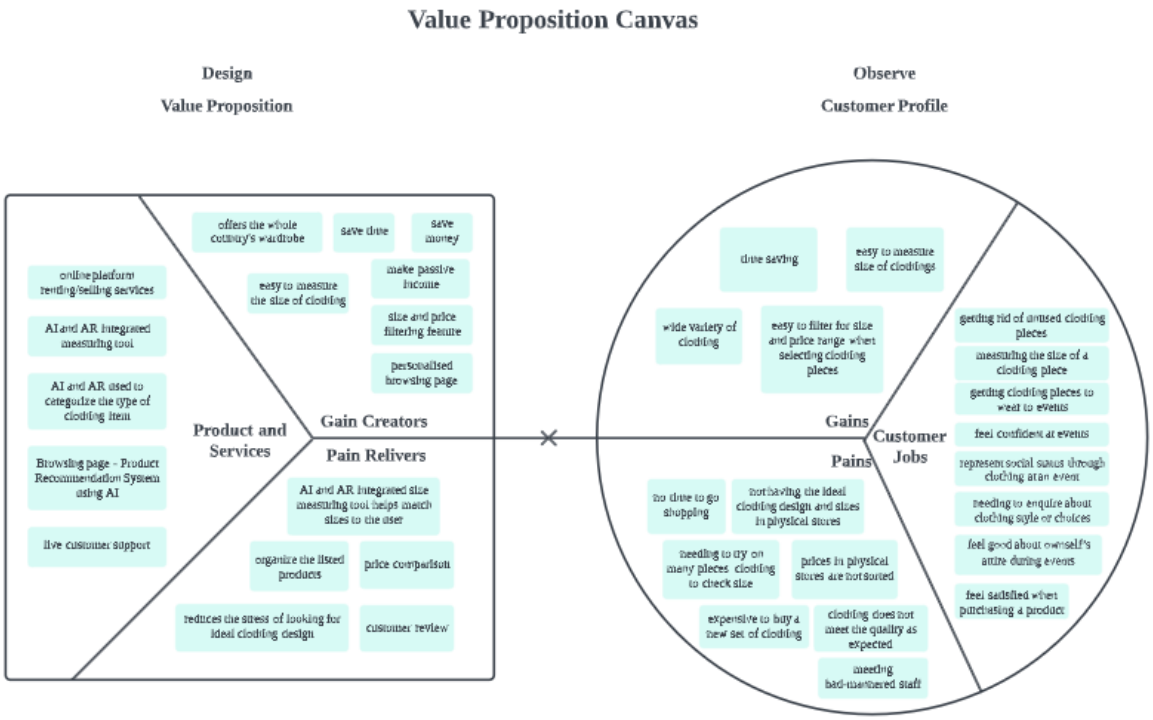
The pain relievers help alleviate the pains of our customers ("What is the Value Proposition Canvas?", n.d.), by solving their problems. Firstly, with our AI and AR integrated size measuring tool, customers will not need to constantly try on different clothes to ensure the fitting of the clothes as faced in physical shopping. Besides that, with our product browsing page, products are listed in an organized manner, with the option to filter by size or price for comparison, therefore reducing the stress of looking for ideal clothing. Not only that, customer experience is much greater than in physical stores due to the entire purchasing process being online and handled by the system. Finally, customer reviews help to ensure the quality of the clothing that is being rented is up to standard, consequently avoiding damaged products or product quality issues (Guillory, 2016).

3. **Business Model: A critique of your business model and how you create value for your business idea.**

Business Model Canvas



Value Proposition Canvas



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