StyleX & Co. – India's Sustainable Fashion Company

Team Phoenix

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Executive Summary

Industry Outlook in India

Market is expected to recover from pandemic shock & grow to **USD 190 Bn** by FY26

Emergence of digital technologies being deployed from **ML/AI, blockchain to AR/VR**

Indian government initiatives for sustainable fashion: **Project SU.RE, Khadi** promotion by KVIC, **Bamboo products promotion** by NITI Aayog's Forum for North East

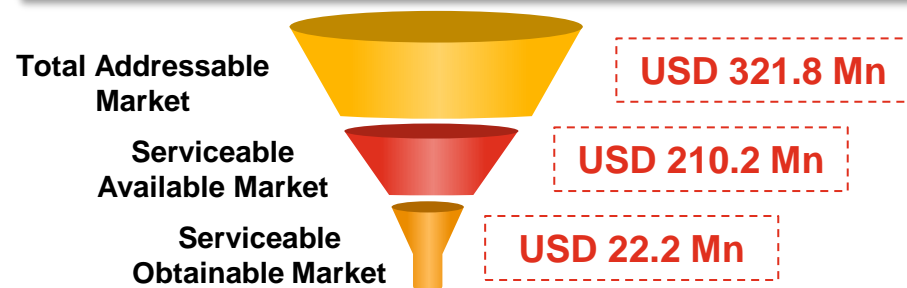| **$190 Bn**	**53 Mn**	**>1 Mn**	**<1%**	**24%**
Projected Market size in FY 25-26	Fiber production/ year (tonnes)	Textile wastage/year (tonnes)	Fibre reused for production	Textile emissions by fast fashion

"There is no beauty in the finest cloth if it makes hunger and unhappiness"
- Mahatma Gandhi

Indian Sustainable Fashion Market Size in FY25*

Total Addressable Market — USD 321.8 Mn

Serviceable Available Market — USD 210.2 Mn

Serviceable Obtainable Market — USD 22.2 Mn

CAGR 9.07%

Target Segments

Age: 18-25 years (GenZ)
- Spend more time on social media than other people in Asia
- Prefer sustainable products, but only few are willing to pay more

Age: 26-41 years (Millennials)
- Research a lot before making purchase decisions
- Rely on recommendations via word of mouth, online reviews

Competitors

H&M · lifestyle · MANGO · EVERLANE · Raymond · TRENDS · Levi's · PVH · UPASANA · no nasties+ · Doodlage · reistor · House of Wandering silk · CENTRIC · PECKD · 11.11 eleven

Risk & Opportunities (Primary & Secondary Research)

Opportunities

Economic Growth

Increasing disposable income

~50% population between 15-44 years in 2022

Rising interest in transitioning to **circular from linear fashion system**

Risks

Price Sensitive Market

Complicated Supply Chain

Increased transportation cost

High cost of sourcing materials

Technological infrastructure and capabilities required

Industry Best Practices

- The **Higg Materials Sustainability Index** is used by firms like H&M and Everlane to compare the environmental impact of different materials
- Increased emphasis on the **reduction of scope 1, 2 & 3 emissions** by global firms with Mango and Everlane committing to net zero emissions by 2050
- PVH & Mango have committed to **eliminate single waste plastics by 2030**
- Sustainable materials like **100% sustainable cotton**, recycled nylon and polyester, and GRS-certified recycled fibres are being used

Executive Summary

Flagship Product Offerings

Year	Product Type	Description
1	Sustainable Fashion / Circular Fashion	**First Hand, Second Hand, Second Life, Second Chance** apparels offering recycling & repairing
2	Co-use Fashion	**Rental & leasing services** to slowdown material flow
3	Co-creation Fashion / Co-design Fashion	Producing new items by **involving customer in fashion value chain (customization)**

Customer Acquisition, Engagement & Retention Strategies

Type	Strategy Type	Description
Common Strategies	Customer Acquisition	Promotion by **influencers**, content & traditional marketing, **paid search** & **AdWords**
	Engagement, Retention	**Gamification**, Flash Sales, **Loyalty programs**, Rewards, easy **reverse logistics**
Millennials	Customer Acquisition	**Limited free trial products**, blogs, virtual tours
	Engagement, Retention	**Client testimonials** on social media, **product customer service** via live chat, CRM app
GenZ	Customer Acquisition	**Subscription box model**, offering credits
	Engagement, Retention	**Free add-on** services like fitting, **free pickup services** & **personalization** at all stages

Pricing Strategy

Green Gap: ~90% of the population wants to adopt sustainable products, but **only 10-15%** do so due to high prices. Positioning the sustainable product at the right price becomes critical. This can be done by **passing along sustainable markup throughout the value chain**

Production +50% 10-30%
Brand Owner 10-25%
Wholesaler/Retailer 60-65%
Total - + 10% / 70-90% / 10-30%
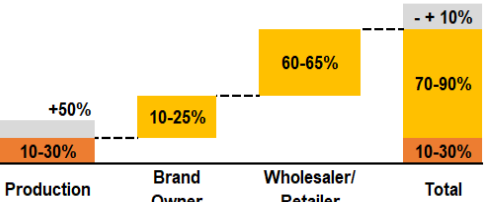
Channel Strategy

Online: Horizontal Marketplace, Vertical Aggregator   **Offline**: Traditional & Modern Trade

Eco-Material Sourcing → Sustainable Manufacturing → Green Distribution → Green Retailing

Leveraging Innovative Technologies

Tech	Implementation Areas
Blockchain	Protecting IP, value chain issue identification, P2P Ecosystem & payments
AI & Analytics	Smart fitting, reduce fabric wastage, visual search, personalization
AR/VR	Designing, virtual tailor & try-on, increasing engagement, see now buy now

Financial Projections

Cost   Revenue   Profit
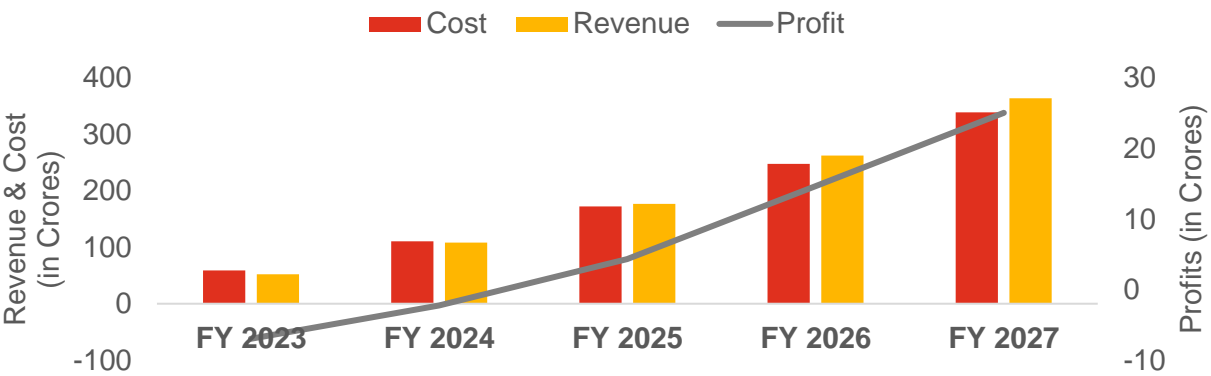
*All values in INR Crores

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenue	52.44	108.24	176.78	262.58	363.76
Cost	59.40	110.45	172.43	247.93	338.69
Profits	-6.96	-2.21	4.35	14.66	25.06

Indian Sustainable Fashion Landscape

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Indian textile & apparel market

$190 Bn	**2%**	**53 Mn**	**>1 Mn**	**<1%**	**160 Mn**
Projected Market size in FY 25-26	GDP contribution in 2018-19	Fiber production/ year (tonnes)	Tonnes Textile wastage/year	Fibre reused for production	Fiber production in 2050 (tonnes)

24%	**15%**	**5%**	**68%**	**45 Mn**
Textile emissions by fast fashion	Contribution to export earnings	Contribution to global trade 2018-19	Clothes are made of synthetic fibre	People employed directly

Exports (in USD Bn)

Imports (in USD Bn)

Legend:
- Others
- Textiles
- Apparel
- Fabric
- Yarn
- Fibre
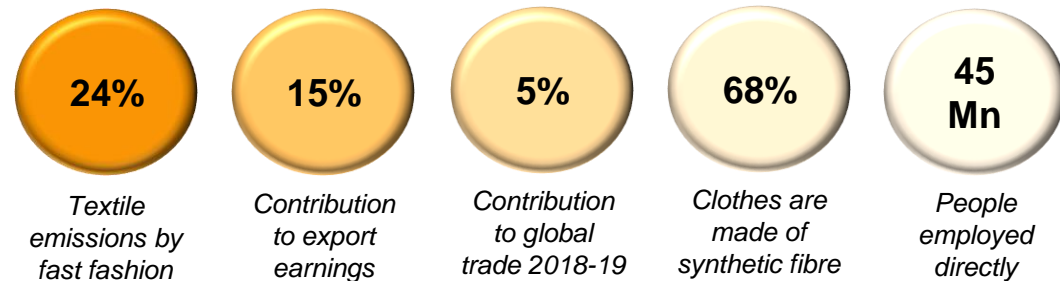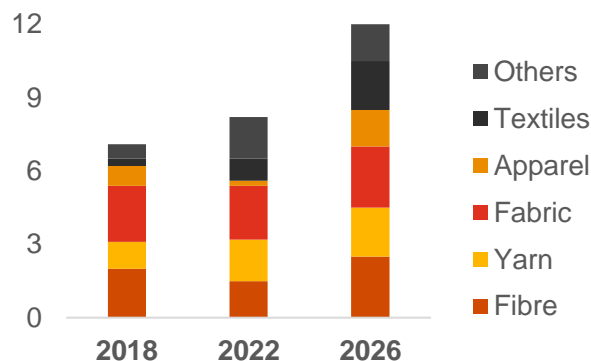
Consumer Trends, Attitude & Behavior

Indians increased their spending by **181% between 2010 & 2018** due to:

- Economic Growth
- Increasing disposable income
- **High propensity to consume than to save**
- High consumer demographic between 18-30 years

Shifting consumer behavior from **need to aspiration based purchasing**

Growing interest in India of moving to **circular from linear fashion system**
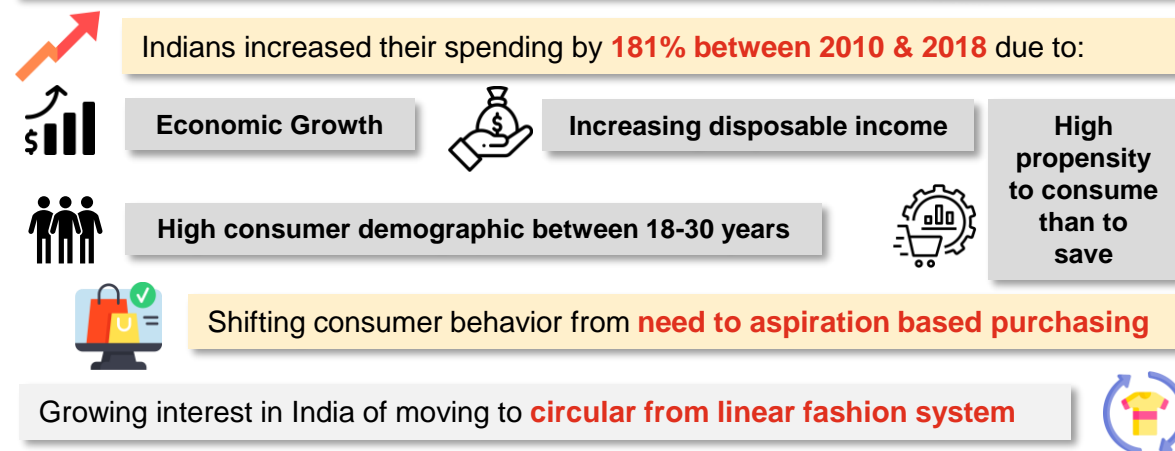
Initiatives by Indian government for promoting sustainability

Project SU.RE (sustainable resolution) with 16 fashion retail brands as signatories have pledged of using **sustainable raw materials & processes** substantially by 2025

Khadi & Village Industries Commission (KVIC) is promoting khadi & has tied up with brands like Arvind Mills, Raymond. Khadi is organic & has **Zero Carbon footprint**

NITI Aayog's Forum for North East has highlighted role of bamboo in development of NE. **Bamboo charcoal fiber** can be used in fashion industry

Why is Sustainable Fashion required?

The industry follows a **linear production & fast fashion model**

Global apparel industry accounts for **4% of total Carbon emissions**

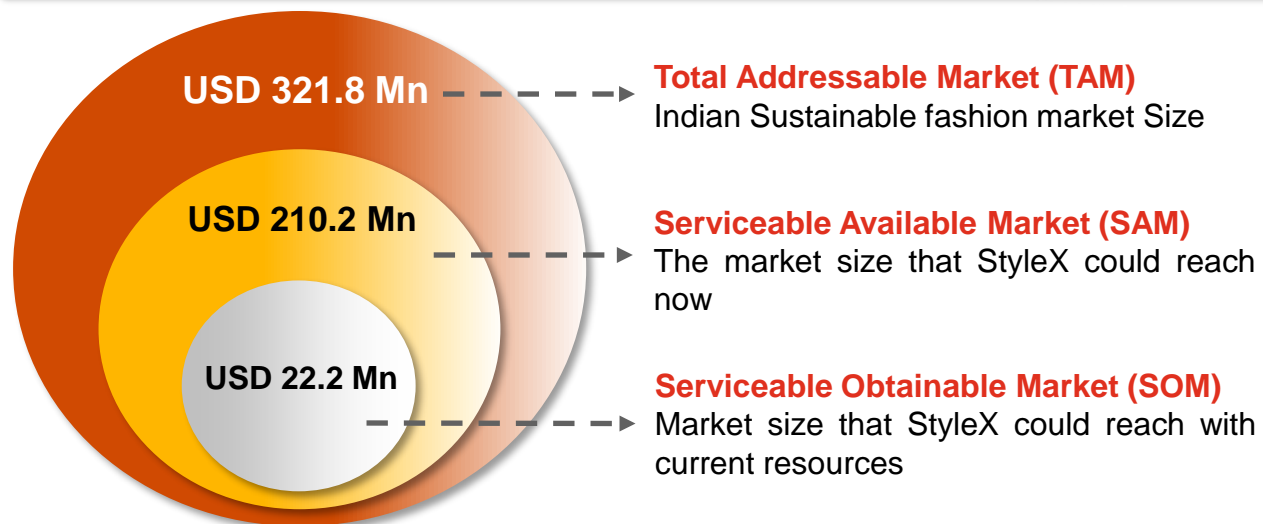Expected to emit **2.1 Billion tonnes of CO_2 equivalents** by 2030

Most of the clothes are produced in **China, India & Bangladesh** which are powered by coal, the most polluting fuel
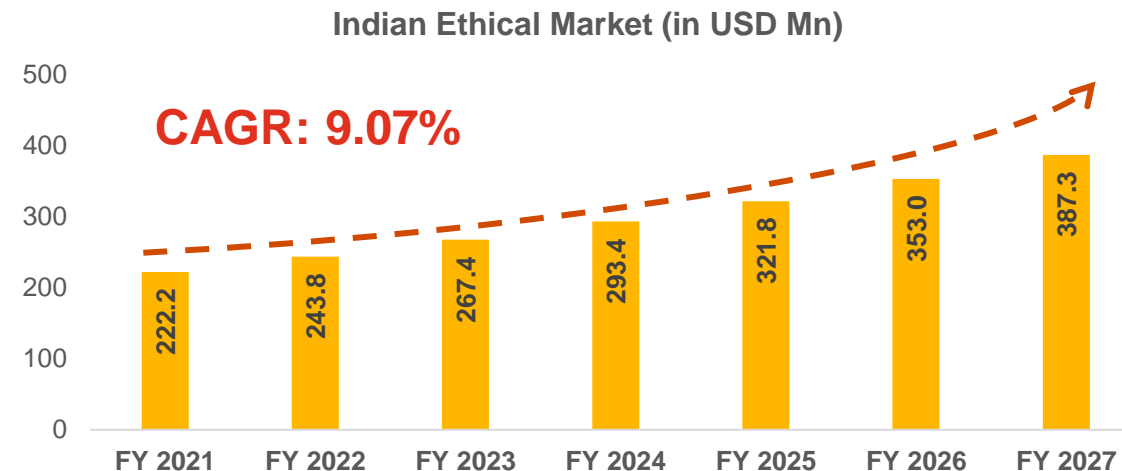
Source: Berg, A., Granskog, A., Lee, L., & Magnus, K.-H. (2020, December 14). *Fashion on climate*. McKinsey & Company. Retrieved August 21, 2022, from https://www.mckinsey.com/industries/retail/our-insights/fashion-on-climate
Global expert mission sustainable fashion in India - KTN. (n.d.). Retrieved August 21, 2022, from https://ktn-uk.org/wp-content/uploads/2021/11/KTN_Sustainable-Fashion-India.pdf
Jocelyn, V., &; Biagi, L. (n.d.). Apparel market in India. Statista. Retrieved August 21, 2022, from https://www.statista.com/study/58289/apparel-market-in-india/

Market Potential & Opportunities

Market Size in FY25*

USD 321.8 Mn
Total Addressable Market (TAM)
Indian Sustainable fashion market Size

USD 210.2 Mn
Serviceable Available Market (SAM)
The market size that StyleX could reach now

USD 22.2 Mn
Serviceable Obtainable Market (SOM)
Market size that StyleX could reach with current resources

Market Growth Potential*

Indian Ethical Market (in USD Mn)

CAGR: 9.07%

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
222.2	243.8	267.4	293.4	321.8	353.0	387.3

Competitive Landscape in India

Sustainability Rating (y-axis, 40%–70%) vs Brand Awareness (x-axis, 75%–100%)

Brands: Raymond, Myntra, Max Fashions, Pantaloons, Lifestyle, Zara, H&M, Manyavar, Central, Brand Factory, Shoppers Stop, AJIO, Fashion Big Bazaar, Reliance Trends
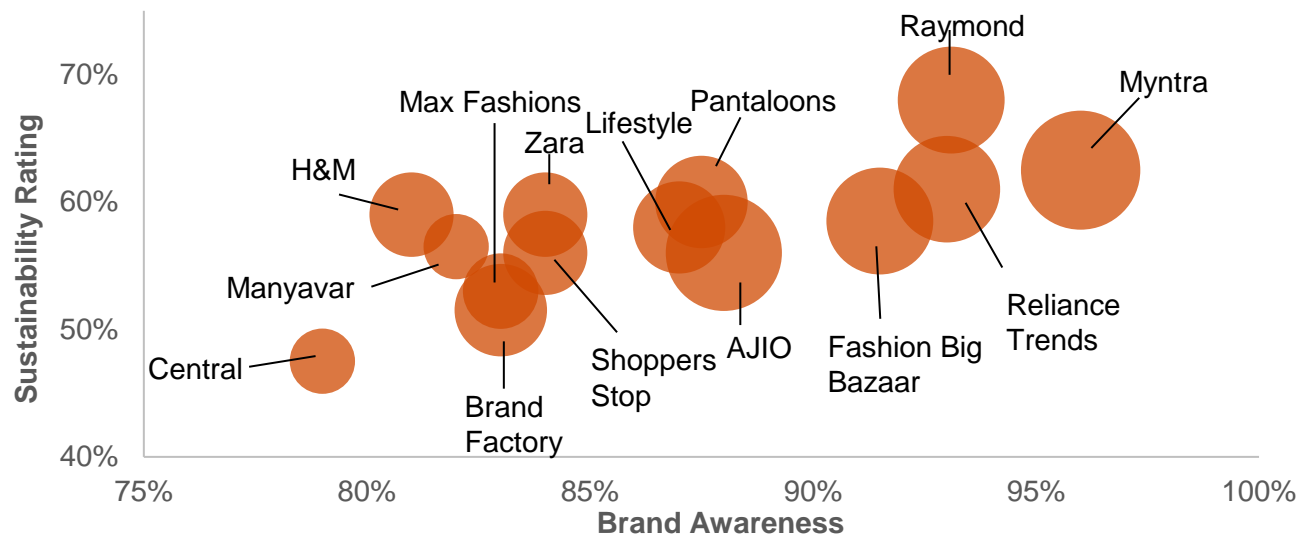
Risks & Challenges

- Perception Vs Reality – **Skeptical of Brand sustainability**
- **Price Sensitive Market**
- **Complicated Supply Chain**
- **Technological infrastructure and capabilities** required
- **High cost of sourcing materials**
- **Growing inequality in Income**
- **Increased transportation cost** in sustainable supply chain
- **Irregular employment** (20 – 24% homeworkers)

Source: *Detailed calculations in Financial Projections & Appendix slide
India, J. P. (n.d.). *Journal Press India®*. Journal Press India. Retrieved August 21, 2022, from https://www.journalpressindia.com/manthan-journal-of-commerce-and-management/doi/10.17492/jpi.manthan.v7i2.722014
Jocelyn, V., & Biagi, L. (n.d.). *Sustainable Consumption in India 2021 report*. Statista. Retrieved August 21, 2022, from https://www.statista.com/study/89748/sustainable-consumption-in-india-report/

Perception of Sustainable Fashion

Global Perception

Most supportive – People in **age group 18-24**

Features defining sustainable fashion are

High Quality	Ethical trade practices

Non-hazardous manufacturing process

Percentage of people willing to pay a premium

Only 13%	Max Premium – 25%

Key Consideration when shopping for Fashion

Price / Value	Quality	Size / Fit

Present association of sustainability with

Product – 46%	Brand – 11%

Insight

Mostly people associate sustainability with products instead of brands

Therefore, StyleX should emerge as a **brand focused on sustainability rather than focused on a sustainable product**

Indian Perception– (Primary and Secondary Research Findings)

Every third consumer states sustainability as decision forming purchase criteria

90% of consumers have adapted their consumption behavior due to sustainability

People in **age group 18-44** are most supportive of a sustainable fashion concept

The majority of the population doesn't know what to do with end-of-life products

Reasons for buying Sustainable Fashion

55%	53%	42%	41%	30%
For Better Quality	For Better Environment	For my own Conscience	To support social cause	To support regional suppliers

Reasons for not buying Sustainable Fashion

33%	28%	22%	21%	18%
Too Expensive	Often a scam	Don't have any added value	Don't look good	Have had a bad experience

Preferred Channel for making Sustainable Purchase

Online – 56%	Offline – 44%

Insight

- **Increasing awareness** among consumers to consider **sustainability as purchase criteria.** **30%** of consumers stopped buying products as they lack sustainability
- **More efforts** need to be put **on fashion dealing with end of their life**

Target Group: Millennials & Gen Z

Insight

- **Quality and Environment** inspire people **to buy** sustainable fashion but almost one-third of them are **put off by high prices**
- **Green Gap:** Although **90%** of population wants to adapt to sustainable products but **only 10 – 15%** finally ends up purchasing because of high cost
- **Focus on Quality:** Quality remains the top criteria for making sustainable fashion purchases
- **Sustainability Information:** **28%** of **people** consider sustainable products as scams. Hence, brands should provide more information on sustainability through labels or ratings

Insight

- **Both Offline & Online Channel must be equally focused** to drive sustainable fashion

Source: Sustainable fashion - A survey on global perspectives. KPMG. (n.d.). Retrieved August 21, 2022, from https://home.kpmg/cn/en/home/insights/2019/01/sustainable-fashion.html
Jocelyn, V., & Biagi, L. (n.d.). *Sustainable Consumption in India 2021 report.* Statista. Retrieved August 21, 2022, from https://www.statista.com/study/89748/sustainable-consumption-in-india-report/
Consumer survey (n = 80 respondents) – Details in Appendix

Competitor Benchmarking

Aim – To understand global best practices which can be adopted from leaders of the fashion industry

Companies	H&M	PVH	MANGO	Levi's	EVERLANE
Product-specific Strategies	• **Circular services** including re-sell, remake, repairs, garment rental, and collecting • Material Circulose, made from **recycled cotton waste**, developed by Renewcell	• Increased use of more **sustainable polyester** from 16-28% between 2020 and 2021 • Sourced only **"green shirt" suppliers** for 100% of viscose supply streams	• All of the fabrics are **PVC-free** • By 2020, 64% of MANGO garments with the main cotton composition come from sustainably sourced sources	• In 2020, 83% of cotton from more sustainable sources • **Recycled** polyester and nylon in outerwear and accessories • Increased **usage of hemp** & recycled fibers in products	• 97% of materials containing polyester & nylon from **GRS-certified recycled fibers** • 45% of plastic footwear components from recycled materials
Value Chain	• **Internal carbon pricing** • Launched circular design tool • **Energy Attribute Certificates,** PPAs on renewables projects	• In 2021, **paper packaging** for 63% of PVH's on-product • **Pre-sourcing assessments** at all Level 1 and key Level 2 factories before they produce product	• In distribution centers, boxes of 100% recyclable material • Suppliers offering **water-saving production processes** for denim • **Standardization** of boxes	• **Manmade cellulosic suppliers** using renewable energy • **8 LEED certified facilities** • Mannequins from 100% recycled base stock	• **GOTS**-certified brand in 2019 • In 2021, 18 of Tier 1 finished goods suppliers(72% of total) completed **Higg Facility Environmental Module**
Current Impact	• **Higg Index tool** for a large range of products on hm.com in 32 markets • Multi-year agreement to access to the **regenerated textile fiber** Infinna by Infinited Fiber Co.	• Piloted & launched the PVH **Circular Design Framework** for Tommy Hilfiger teams in Europe • 44% of total materials sourced from sustainable materials • **Reduced Scope 3** emissions by 28% from 2017 baseline	• 24% reduced **water consumption** in denim manufacturing • **100% Renewable energy** in HQs, warehouses and stores in Spain • In 2020, only 1% plastic packaging for online deliveries	• 57% **reduction in Scope 1,2 emissions** in 2020 than 2016 • 76% electricity in the facilities from renewable sources • 67% products using **Water<Less finishing** techniques	• 2021 **Scope 3 emissions** per-product, 32% less than in 2019 • **Higg Material Sustainability Index** for product life cycle impacts • Total emissions in 2021 were 9% less compared to 2019
Future Plans	• 100% of materials from recycled & **sustainable sources** by 2030 • **100% packaging** reusable and/or recyclable by 2030 • 100% renewable electricity in own operations by 2030 • Reduction of **CO$_2$ emissions in scope 1, 2 and 3** by 56%(baseline 2019) by 2030	By 2030: • 100% **renewable electricity** for facilities • Offices & distribution centers with **zero waste & single-use plastics** By 2025: • 100% of water leaving wet processors with **zero hazardous chemicals**	• 100% **sustainable cotton** & 50% **recycled polyester** by 2025 • Cellulosic fibers of controlled origin before 2030 • **Zero net emissions** by 2050 • Elimination of **single-use plastics** by 2030	By 2025: • Key suppliers to meet contextual Water<Less targets • **100% renewable electricity** in owned-and-operated facilities • 50% reduction of water usage in stressed areas against 2018 • **90% reduction of GHG emissions**(scope 1 and 2) in facilities, against 2016 baseline	• By 2025, 80% of materials to hold **chemistry certification** • **Net-Zero emissions** by 2050 • **Absolute Emissions reduction** by 46% by 2030(Scope-1,2) • Transition of cotton use **to organic sources** by 2023

Sources: *Sustainability report 2021. PVH.* (n.d.). Retrieved August 21, 2022, from https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2021.pdf
Sustainability report 2020. Mango. (n.d.). Retrieved August 21, 2022, from https://press.mango.com/en/sustainability-report-2020_21701
Sustainability report 2020. Levi Strauss & Co. (n.d.). Retrieved August 21, 2022, from https://www.levistrauss.com/wp-content/uploads/2021/09/LSCo.-2020-Sustainability-Report.pdf
Sustainability report 2021. H&M Group. (n.d.). Retrieved August 21, 2022, from https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Annual-and-Sustainability-Report-2021.pdf
Sustainability report 2021. Everlane. (n.d.). Retrieved August 21, 2022, from https://www.everlane.com/2021-impact-report#

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Customer Acquisition, engagement & retention strategy for target customer segments

Common Strategies for all segments

Customer Acquisition Strategy

- **Promotion by celebrities or influencers**: All the channels can be explored for communicating the brand image
- **Content marketing**: Encourages traffic to visit websites beyond the initial curiosity
- Marketing at fashion exhibitions
- **Traditional Marketing**: TV advertisements, Billboards
- **Paid searches, AdWords** and Targeted digital marketing via SEO, and affiliate marketing

Engagement and Retention Strategy

- Easy **reverse logistics**
- **Fashion designers,** environmentalists, & stylists can be invited as guests for live interviews on social media channels
- **Gamification**: Video games with trending fashion as the theme can be introduced
- **Flash sales** can generate short-term engagement & result in quick sales boost
- **Loyalty programs**, discount codes or special offers, Refunds and rebates
- **Rewards** for spend and engagement
- Customer account pages keep track of their orders & help in quick purchases
- **Upgradation of the POS** system to handle near-field communication (NFC) contactless payment options

Segment-specific strategies

Customer Acquisition Strategy

GenZ
- **Subscription box model**: Four to five selected samples of products once a month for a fixed monthly subscription fee
- **Offering credits** on bringing old clothes to store

Millennials
- **Limited free trials of products** before purchase
- **Blogs** on website and social media on product manufacturing
- **Virtual tours** of production factories briefing about the processes and raw materials

Engagement and Retention Strategy

GenZ
- Few free **add-on services** like fitting
- **Free pick-up services** for Second-Hand and Second-Life services
- **Personalisation in finishing stage** such as addition of decorative elements, buttons, hooks and eyes, snaps, zippers, and other fasteners

Millennials
- **Client testimonials** on website/social media
- **Proactive customer service**: Customer support team, live chat, CRM app

Pricing Strategy

*Whenever I think of purchasing a sustainable product, The high prices put me off most of the time. Can you explain **why sustainable products are priced so high**?*

The cost of sustainability is primarily in production, but this accounts for only a small portion of total production costs. The majority increase in cost occurs because of **various markups along the sustainability value chain**
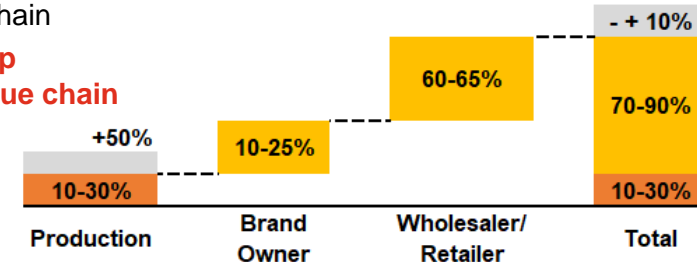
Sustainability markup along the value chain

			+ - 50%
		60-65%	
	10-25%		70-90%
+50%			
10-30%			10-30%
Production	Brand Owner	Wholesaler/ Retailer	Total
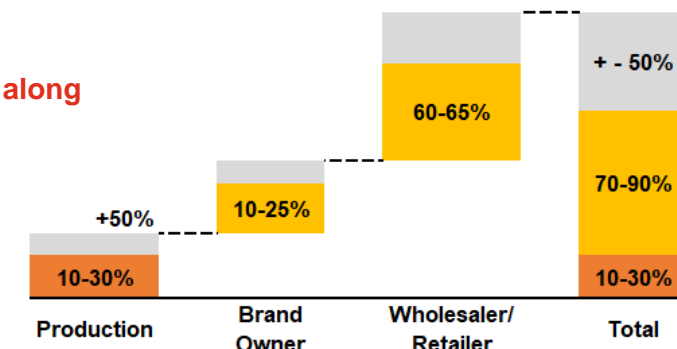
*Is there any solution to this problem? **How can we make sustainable product prices affordable to consumers?***

The ideal way to get the price in an affordable range is to adjust the pricing at the end of the value chain, shifting corporate thinking and accounting logic from a **relative margin to a fixed margin**. This would enable sustainable production as a fixed-cost markup rather than being multiplied throughout the value chain

Sustainability markup passed along the value chain

			- + 10%
		60-65%	
	10-25%		70-90%
+50%			
10-30%			10-30%
Production	Brand Owner	Wholesaler/ Retailer	Total

Transparent Pricing **Passed along markup** **Max Premium – 10%**

Sources: Why Today's pricing is sabotaging sustainability. Netherlands. (n.d.). Retrieved August 21, 2022, from https://www.nl.kearney.com/consumer-retail/article/-/insights/why-todays-pricing-is-sabotaging-sustainability

Product / Service Offering, Positioning And Value Proposition

Product Launch

Year 01
- Sustainable Fashion
- Circular Fashion

Year 02
- Co-Use Fashion

Year 03
- Co-creation Fashion
- Co-design Fashion

First Hand	Second Hand	Second Life	Second Chance
Offering **Recycled** garments	Customers can **sell no more required clothes**	Old non saleable clothes **recycled to new fibres**	Customers can **repair** their garments at StyleX Stores

Co-use Fashion
- It refers to **fashion rental and leasing services**
- **Advantages:** Intensifies garment use, Slow down material flows, Strengthen environmental interests
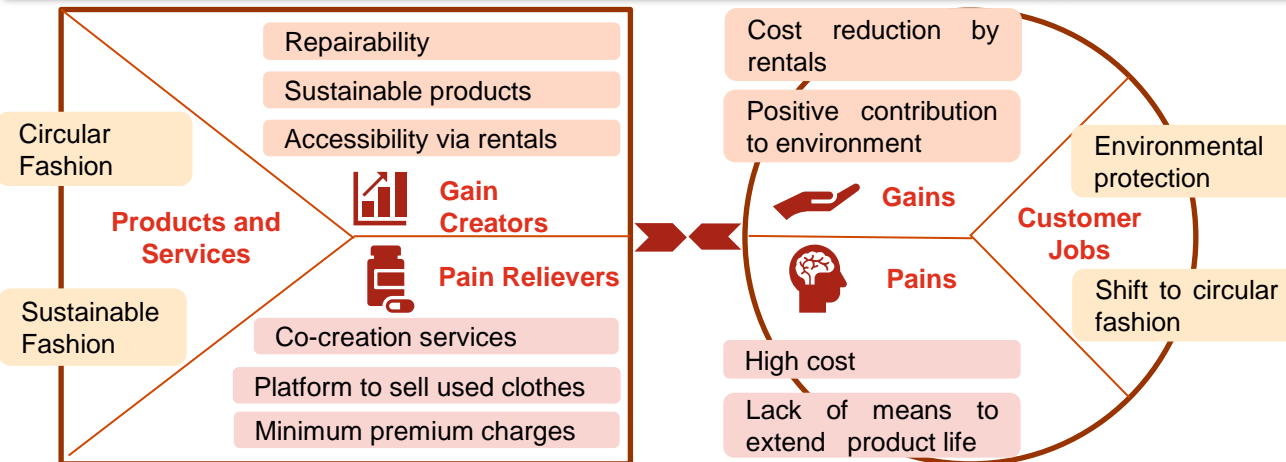
Co-creation Fashion
- Involving customers in the process of producing new items
- **Advantages:** Close to customer needs

Co-design Fashion
- Involving customers in process of designing to cater to their needs
- **Advantages:** Personalization, Customer satisfaction

Value Proposition

- Circular Fashion
- **Products and Services**
  - Repairability
  - Sustainable products
  - Accessibility via rentals
  - **Gain Creators**
  - **Pain Relievers**
- Sustainable Fashion
  - Co-creation services
  - Platform to sell used clothes
  - Minimum premium charges

- **Gains**
  - Cost reduction by rentals
  - Positive contribution to environment
- **Pains**
  - High cost
  - Lack of means to extend product life
- **Customer Jobs**
  - Environmental protection
  - Shift to circular fashion

Channels

Online

Horizontal Marketplace	Vertical Aggregator
Amazon (80.57%) is the most preferred channel followed by **Flipkart (75.56%)**	**Myntra (62.08%)** is most preferred channel followed by **Limeroad (8.11%)**

Offline

Traditional Trade	Modern Trade
This includes **traditional retail**. Example: Local retail shop	This includes **organized brick and mortar retail.** Example: Pantaloons

Channel Strategy

1 Eco-Material Preparation / Sourcing

2 Sustainable Manufacturing

3 Green Distribution

4 Green Retailing

3 Distributor → Retailer → Customer

- Majority of carbon emission takes place during transportation, the **use of rail and sea route** is recommended as these are relatively cleaner modes & will result in huge emissions reduction
- If in case road transport is required to reach the desired destination, **drivers should be educated on sustainability** and vehicles with age of more than 10 years must not be used

Direct Shipment
- Use of Intelligent Transportation system
- Avoiding intermediate stoppages

4
- Consumers should be allowed to **return old apparel products**. If the customer returns old apparel, he must be encouraged by providing discount coupons for their next purchases
- **Up-cycling process** can also be implemented wherein some returned products and fabrics can be reprocessed to create useful commercial products

Technology based Innovations (1/2)

Tech Challenges in Fashion Industry

Ethical treatment of industry workers	Lack of rentability
Counterfeit supply chain issues	Unlawful competition
Intellectual Property	Environmental sustainability

Technology Stack

Blockchain	Smart Contracts, Digital IDs, P2P, Virtualization, Data Feeds
AI & Analytics	NLP, ML, DL, Cognitive System, Neural Networks, Robotics
AR & VR	Google ARCore, Apple ARKit, Maxst 3D
Cloud & DB Storage	*Cloud*: AWS/ Azure/ GCP *Database*: SQL, MongoDB, PostgreSQL, Kafka

Blockchain

It can fix multiple issues such as:
- **Supply chain track record** to create trust in provenance of products
- **Identify sources** of production and manufacturing
- **Fixing** serious issues of middle men

Distributed ledger can:
- **efficiently manage large amounts of data** in real time, in a decentralized platform
- **encryption model** can keep undesired eyes off of the network

Implementation

Payments: **Eliminates inefficiencies** in trade allowing all members of the supply chain to connect to a secure decentralized network, exchanging information and data

Value Chain issue identification: Supports **smart contracts** thereby reducing human errors & misunderstandings regarding payment terms, returns, etc.
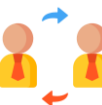
P2P Ecosystem: Customer **connected directly** with designer for co-creation, customization, co-pricing etc.

Real Life Examples

Patagonia & Everlane: Use blockchain for traceability & sustainability in their supply chain
Coin Fashion: Built ecosystem basis P2P principles for customers & designers
Bonafi: Protects consumers from counterfeits by implementing fail-safe authentication system

AI & Analytics

It can help in:
- **Optimization** of resources
- **Preview and find** the best approach to tackle issues
- **Automate, predict and manage** high concerns of supply chain & operations in real time

Implementation

Optimizing and improving Visual Searching: **Helping customers with their fashion dilemmas** and product queries while shopping online through a chatbot or visual stylist bot

Minimal Fabric Wastage: **Using ML to analyze** data & come up with garment patterns for reducing waste

Personalization: Transaction data can be used to determine customer preferences to **personalize all touch-points**

Smart Fitting: Enables online shoppers to **buy the right size**, either by measuring the clothes in their closet or by comparing specific brands and styles to their own

Real Life Examples

True Fit: Uses transaction data to determine customer preferences for personalization
Asos & Nordstrom: Experimenting clicking picture of apparels, uploading on website where AI presents the same or similar products
Virtusize: Enables online shoppers to buy the right size by comparing with specific brands

Technology based Innovations (2/2)

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AR/VR

It can help in:
- **Highlight & increase understanding** of apparels
- **Eliminates** hassle of **traditional experience**

Implementation

Virtual Try On Networks: An **image based virtual system** designed to help visualize how apparel in reference image might look

See now Buy now Trend: Integrates an online virtual reality commerce experience to runway show. It closed the gap between visibility of a fashion show & moment of purchase.

Virtual Tailor: It utilizes different ML technologies to provide highly accurate & precise body measurements for customers

Increasing Engagement: AR makeup & makeovers, VR catwalk shows & other exciting novelties make shopping more entertaining. This will **develop customer's interest** in the brand
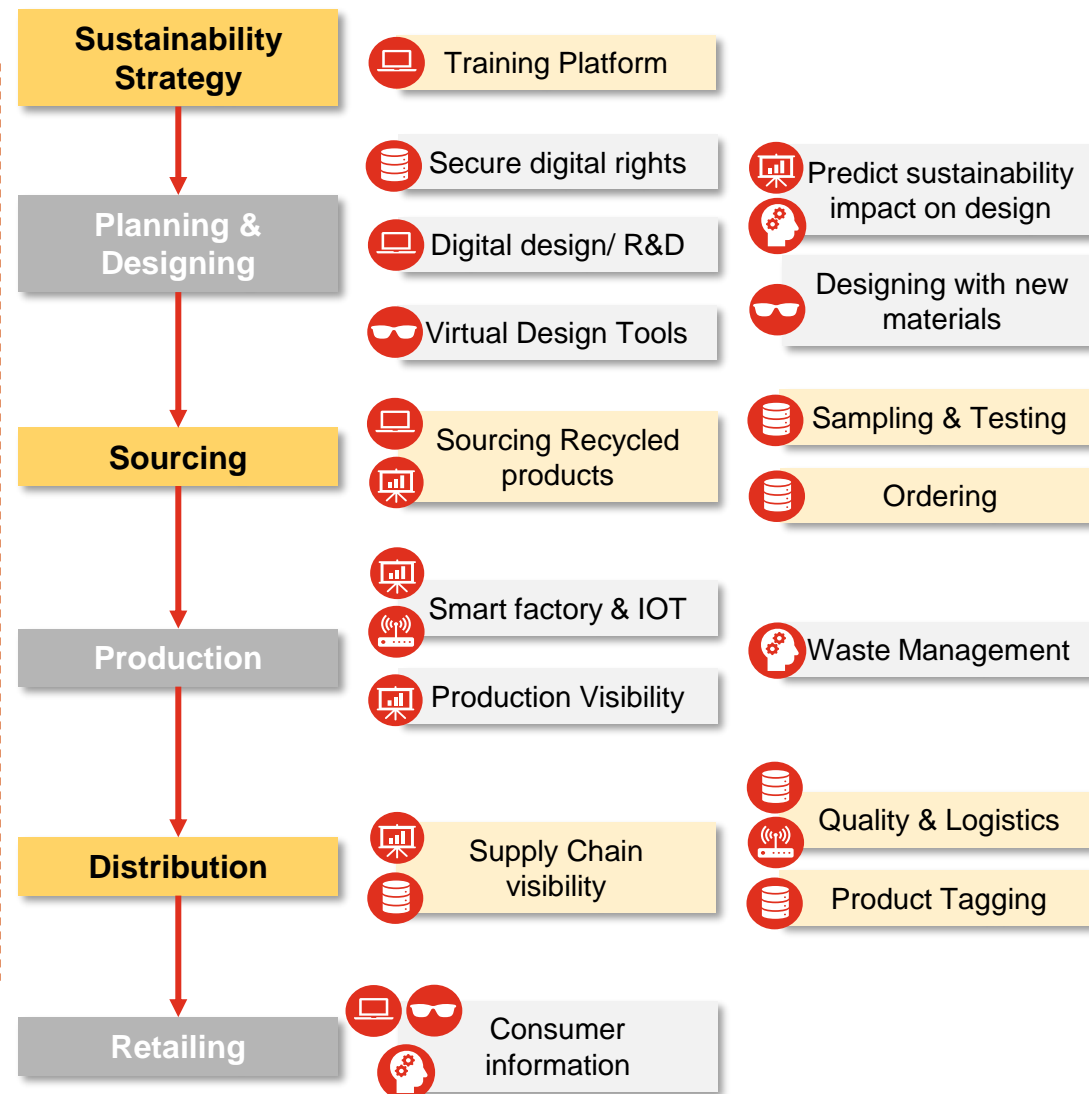
Real Life Examples

Zara: Zara disrupted the concept of window shopping with it's augmented reality displays. By holding phone on a sensor, one can view catalog model demonstrating selected look.

Converse Shoes: They introduced an AR try-on app. Now, customers don't need to waste time in lacing, they can aim mobile at their foot and swipe different models.

Technology Implementation in Fashion Value Chain

Sustainability Strategy
- Training Platform

Planning & Designing
- Secure digital rights
- Digital design/ R&D
- Virtual Design Tools
- Predict sustainability impact on design
- Designing with new materials

Sourcing
- Sourcing Recycled products
- Sampling & Testing
- Ordering

Production
- Smart factory & IOT
- Production Visibility
- Waste Management

Distribution
- Supply Chain visibility
- Quality & Logistics
- Product Tagging

Retailing
- Consumer information

Implementation Areas

- **Protecting IP using blockchain**
- **Designing using AI & AR/VR**
- **P2P ecosystem for circular fashion**
- **ML to reduce fabric wastage**
- **Smart Fit (AI) to reduce return rate**
- **Analytics & AI for assessment**
- **Issue identification in value chain & product tagging using blockchain**
- **Transaction data for personalization**
- **Virtual tailor & try-on using AR/VR**

AI | **Analytics** | **Blockchain** | **Digital** | **AR/VR** | **IOT**

Flowchart of Projections

Indian Fashion Market
Given: USD 85 Bn (2021) USD 190 Bn (2026) Calculated CAGR (18.83%) & projected for remaining years

Online — **Offline**

Online Fashion Market
Given: Expected to grow to 22.97 USD Bn at a CAGR of 18.83% (calculated)

Offline Fashion Market
Calculated by taking difference b/w Indian & online fashion market

Indian Sustainable Fashion Market
The global sustainable market is expected to grow from 6.3 Bn to 11 Bn at a CAGR of 9.7%. APAC constitutes 31% of it. Indian sustainable market is assumed to be 10% of the APAC market as GDP (India) / GDP (APAC) resembles the same.

Online Age Group Share
94% of users in age group of 18-64 who shop online lie in age range of 18-44

Offline Age Group Share
Calculated by considering equal distribution of people across age. Result – 57.45%

Online Market Channel
Collaborating with top horizontal marketplaces & vertical aggregator

Offline Market Expansion
Expansion basis cities have high retail spending. Top 10 (1st year) to top 100 (5th year)

Online Market Capture
Online Market share is assumed to grow from 9% to 33% in 05 years

Offline Market Capture
Offline Market share is assumed to grow from 5% to 30% in 05 years

RESULT: Serviceable Obtainable Market
*The market share of Indian sustainable fashion market that StyleX can cater is expected to grow from **2.46% to 11.79%***

Revenue Projection Calculations for FY 23-27

All Values in USD Mn

	FY 23	FY 24	FY 25	FY 26	FY 27
Fashion Market India (CAGR - 22.27%)[1]	**103,932.8**	**127,082.7**	**155,388.9**	**190,000.0**	**232,320.4**
Online fashion market (CAGR - 18.83%)	*23,666.1*	*28,122.4*	*33,417.8*	*39,710.4*	*47,187.9*
Offline fashion market	*80,266.7*	*98,960.3*	*121,971.0*	*150,289.6*	*185,132.5*
Sustainable Fashion Market India[2]	**267.41**	**293.35**	**321.80**	**353.02**	**387.26**
(In accordance with GDP compared to APAC)[4,5]					
% Share of total fashion market in India	*0.26%*	*0.23%*	*0.21%*	*0.19%*	*0.17%*
Market share captured by target cities	20.13%	28.18%	32.68%	37%	40%
No. of Cities Targeted[3]	*Top 10*	*Top 25*	*Top 50*	*Top 74*	*Top 100*
Targeted offline market share	6%	12%	18%	24%	30%
Targeted Age group share	57.45%	57.45%	57.45%	57.45%	57.45%
Obtainable offline sustainable fashion market	**1.43**	**4.44**	**8.54**	**14.25**	**21.28**
Targeted online market share	9%	15%	21%	27%	33%
Targeted Age group share	94%	94%	94%	94%	94%
Obtainable online sustainable fashion market	**5.15**	**9.15**	**13.66**	**18.73**	**24.40**
Total obtainable sustainable fashion market	6.58	13.59	22.20	32.97	45.68
Total obtainable sustainable fashion market (INR Cr)	**52.44**	**108.24**	**176.78**	**262.58**	**363.76**
% share of Indian sustainable market	**2.46%**	**4.63%**	**6.90%**	**9.34%**	**11.79%**

Source:1 Jocelyn, V., &; Biagi, L. (n.d.). Apparel market in India. Statista. Retrieved August 21, 2022, from https://www.statista.com/study/58289/apparel-market-in-india/
2 Global Ethical Fashion Opportunities and Strategies Market Report. The Business Research Company. (n.d.). Retrieved August 21, 2022, from https://www.thebusinessresearchcompany.com/report/ethical-fashion-market
3 India Fashion Market - ABFRL. (n.d.). Retrieved August 21, 2022, from https://www.abfrl.com/docs/investors/rights-issue/Indian_Fashion_Market_by_Wazir_Advisors.pdf
4 GDP (current US$) - East Asia & pacific. Data. (n.d.). Retrieved August 21, 2022, from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=Z4
5 GDP (current US$) - India. Data. (n.d.). Retrieved August 21, 2022, from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN

Cost Projection Calculations for FY 23-27

*All Values in INR '000s

	FY 23	FY 24	FY 25	FY 26	FY 27
Revenues	**524,378**	**1,082,384**	**1,767,831**	**2,625,827**	**3,637,558**
Manufacturing Cost	235,970	487,073	795,524	1,181,622	1,636,901
Employee Cost	52,438	108,238	176,783	262,583	363,756
General and Administration Expenses	26,219	54,119	88,392	131,291	181,878
Selling and Distribution Expenses	26,219	54,119	88,392	131,291	181,878
Trade Spent	41,950	64,943	88,392	105,033	145,502
Technology Cost	5,754	4,767	4,767	4,767	4,767
Blockchain implementation cost	*1,808*	*1,808*	*1,808*	*1,808*	*1,808*
AR/VR implementation cost	*538*	*403*	*403*	*403*	*403*
AI implementation cost	*3,408*	*2,556*	*2,556*	*2,556*	*2,556*
Commission from aggregators	103,000	183,000	273,250	374,500	488,000
Other Operating Expenses	52,438	108,238	176,783	262,583	363,756
Total Expenditure	**543,987**	**1,064,498**	**1,692,282**	**2,453,671**	**3,366,438**
Expenditure as % of revenue	*103.7%*	*98.3%*	*95.7%*	*93.4%*	*92.5%*
EBITDA	**-19,609.4**	**17,885.7**	**75,549.1**	**172,156.5**	**271,119.9**
EBITDA as % of revenue	*-3.7%*	*1.7%*	*4.3%*	*6,6%*	*7.5%*
Depreciation	50,000.0	40,000.0	32,000.0	25,600.0	20,480.0
Profit Before Tax	**-69,609.4**	**-22,114.3**	**43,549.1**	**146,556.5**	**250,639.9**
PBT as % of revenue	*-13.3%*	*-2.0%*	*2.5%*	*5.6%*	*6.9%*

*Detailed calculations in Appendix

Profit Before Tax over years (in INR Crores)
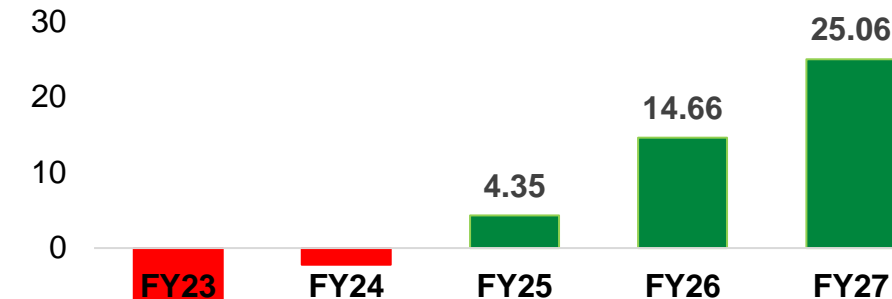
Assumptions

Cost Projections Rationale
Projected as a percentage of revenue based on the textile industry average and by considering competitors' financials. Major Competitors considered are Arvind Ltd., Raymond Apparel Ltd., Levi Strauss (India) Pvt Ltd.

Particulars	Industry Average	Our Assumptions
Manufacturing Cost	40 - 50 %	45%
Employee Cost	07 - 12%	10%
General Administration Expense	02 - 07%	5%
Selling & Distribution Expense	03 - 08%	5%
Trade Spent	02 - 10%	6%
Other Operating Expense	08 - 12%	10%

- **Depreciation Cost Projections:** *The depreciation cost is calculated by using double declining balance method with depreciation rate of 10%*
- **Technology Cost Projections:** *Detailed breakup and assumption are available in Appendix*
- **Commission from aggregators Projections:** *Amazon & Flipkart typically charge anywhere from 12-35% from sellers for different items*

Appendix

Primary Survey Results

pwc

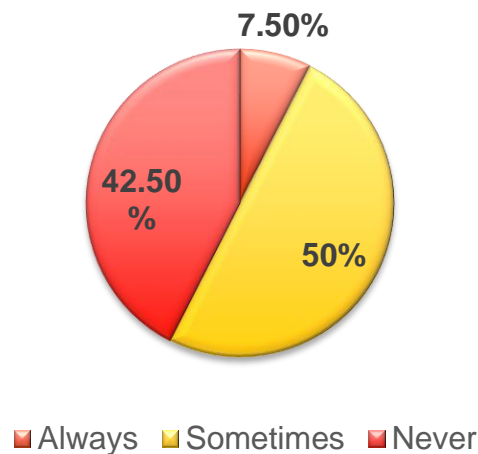| **80**	**72.5%**	**27.5%**
Number of responses	*Percentage Males*	*Percentage Females*

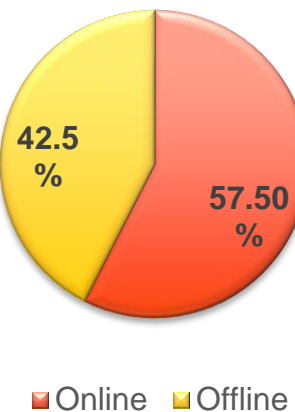**Best features defining sustainable fashion:**

Good Quality – 52.5%   Environment friendly production technology – 42.5%

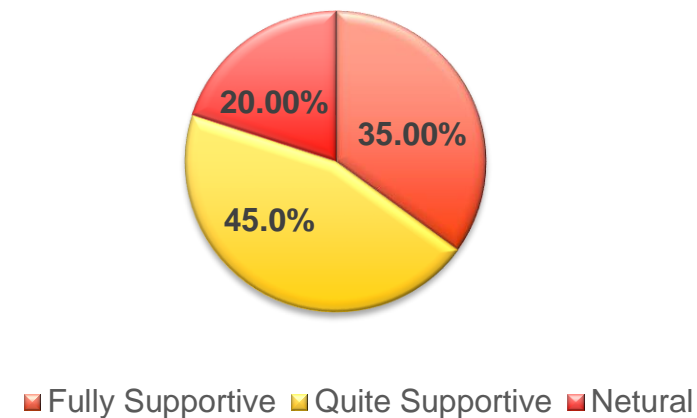Ethical & fair labor practices – 45%
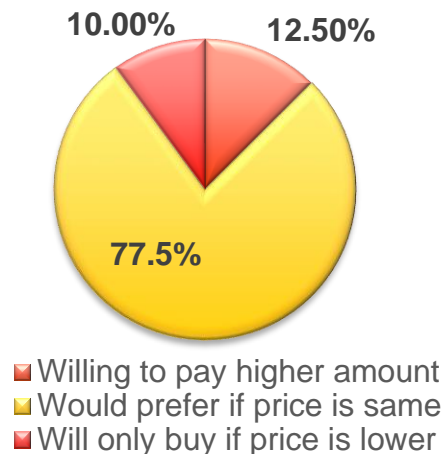
Sustainability consideration in previous purchases

7.50%
42.50%
50%

■ Always ■ Sometimes ■ Never

Preferred channel for making sustainable purchase

42.5%
57.50%

■ Online ■ Offline

People in support of sustainable fashion

20.00%
35.00%
45.0%

■ Fully Supportive ■ Quite Supportive ■ Netural

Willingness to purchase sustainable fashion

10.00%   12.50%
77.5%

■ Willing to pay higher amount
■ Would prefer if price is same
■ Will only buy if price is lower

Main reason for buying sustainable fashion

10.00%
10.00%
35.00%
22.00%
28.0%

■ Better Quality   ■ Better for enivronment
■ Better for own health   ■ Better for own conscience
■ To support social cause
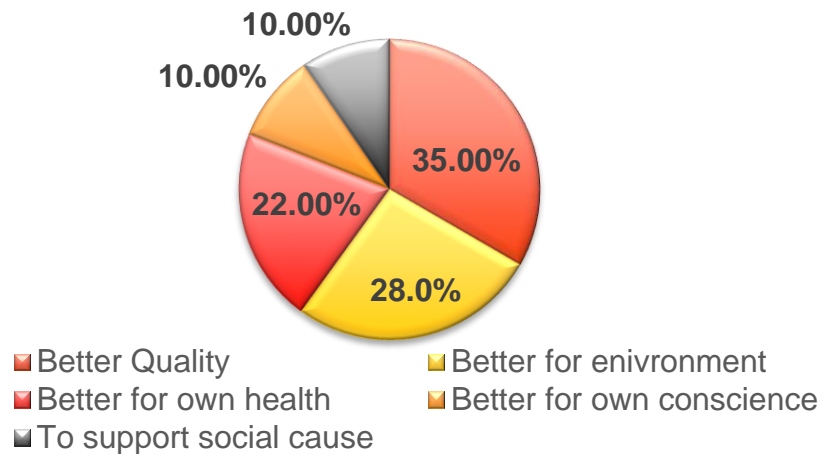
Present association of sustainability with product & brand

40.00%   40.00%
20.0%

■ Product ■ Brand ■ Both

pwc
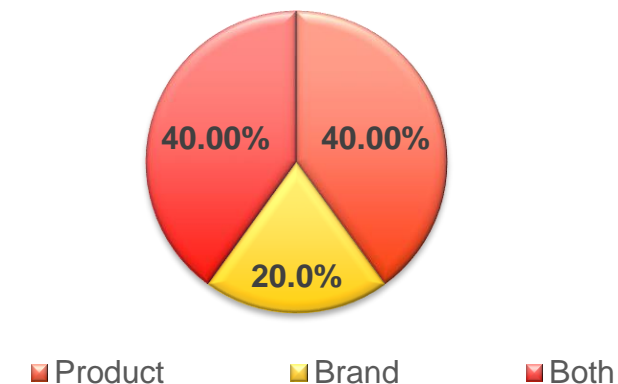
% of Target Users by age

Age	Online % users in 18-64 age bracket[1]	Offline % users in 18-64 age bracket[2]
18-24	29.2%	14.89%
25-34	38.8%	21.28%
35-44	26.0%	21.28%
45-54	5.3%	21.28%
55-64	0.7%	21.28%
Targeted age (18-44) share	94.00%	57.45%

Projection of Indian Sustainable Fashion Market[4]

	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Global sustainable market	6,965.84	7,641.53	8,382.75	9,195.88	10,087.88	11,066.41	12,139.85
APAC share: 31.9% overall for 2021 (CAGR - 11.9%)	2,222.10	2,437.65	2,674.10	2,933.49	3,218.03	3,530.18	3,872.61
India market share in accordance to GDP w.r.t. APAC	222.21	243.76	267.41	293.35	321.80	353.02	387.26

% Market share captured in channel (Assumption)

	Offline	Online
FY23	6%	9%
FY24	12%	15%
FY25	18%	21%
FY26	24%	27%
FY27	30%	33%

Projected Market Share of City to be Captured in Offline Channel[5]

Cities	Retail Spending (USD Bn)- FY 2020	%age w.r.t. total retail market size
Top 2 Cities	90	9.0%
3rd to 8th City	100	10.0%
9th -24th City	90	9.0%
25th - 74th City	90	9.0%
75th - 100th City	30	3.0%

Targeted City	Target Year	Cumulative market share catered to
Top 10 cities	FY23	20.12%
Top 25 cities	FY24	28.18%
Top 50 cities	FY25	32.68%
Top 74 cities	FY26	37%
Top 100 cities	FY26	40%

% Market share of India w.r.t. APAC[3]

	GDP (Nominal)	Apparel Retail Market Size
	Year 2021	Year 2021
APAC	30.88	465.40
India	3.05	66.54
% of India w.r.t. APAC	9.88%	14.30%

Source:
1. Fashion - India: Statista market forecast. Statista. (n.d.). Retrieved August 21, 2022, from https://www.statista.com/outlook/dmo/ecommerce/fashion/india?currency=USD#demographics
2. Offline market, being the traditional channel, the market share division by age has been done as per the age bracket. For eg., 18-24 age segment will contribute to 7/47 fraction of sales of the offline segment in which age segment of 18-64
3. GDP (current US$) - East Asia & pacific. Data. (n.d.). Retrieved August 21, 2022, from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=Z4
4. Global Ethical Fashion Opportunities and Strategies Market Report. The Business Research Company. (n.d.). Retrieved August 21, 2022, from https://www.thebusinessresearchcompany.com/report/ethical-fashion-market
5. For Offline market share for fashion catered to by different cities in India, the data for retail spending by all cities in India was referred. For eg., top 2 cities in India (Mumbai & Delhi), the retail spending was 90 Bn USD, which was 9% of the total retail spending by all cities in India. Similarly data for top 75 cities were looked at for the expansion plans in different years

Technology Cost Projection

	FY 23	FY 24	FY 25	FY 26	FY 27
Technology Cost	**71,920**	**59,590**	**59,590**	**59,590**	**59,590**
Blockchain Implementation - Assuming a Low Complexity Blockchain App[4]	**22,600**	**22,600**	**22,600**	**22,600**	**22,600**
Private Blockchain: ~$1500/month ~ $18000/Year	18,000	18,000	18,000	18,000	18,000
Maintenance costs (15-25%)- Assumed 20%	3,600	3,600	3,600	3,600	3,600
3rd Party tools that blockchain might need (AWS, Bug Tracking, Monitoring, Notification Services)	1,000	1,000	1,000	1,000	1,000
AR/VR Development cost[5]	**6,720**	**5,040**	**5,040**	**5,040**	**5,040**
Window on World VR ($2600-$3000)	2,800	2,100	2,100	2,100	2,100
Marker-Based AR with Animation ($2600- $3000)	2,800	2,100	2,100	2,100	2,100
Maintenance costs (15-25%)- Assumed 20%	1,120	840	840	840	840
AI Development Costs[6]	**42,600**	**31,950**	**31,950**	**31,950**	**31,950**
Prototype development- $2500	2,500	1,875	1,875	1,875	1,875
MVP basis client data- $8000	8,000	6,000	6,000	6,000	6,000
Implementation of complete AI Solution at a basic level	25,000	18,750	18,750	18,750	18,750
Maintenance costs (15-25%)- Assumed 20%	7,100	5,325	5,325	5,325	5,325

1. Assuming different technologies that need to be implemented, we assume the deployment costs would just comprise of the development costs
2. Maintenance costs for different technologies have typically varied from 15-25% as per different reports, the costs have hence been assumed to be 20% for the same.
3. Addition of new features for different technologies have assumed to be around 75% of the one-time implementation cost.
4. AI and Blockchain and the $3 Trillion fashion industry - challenges and opportunities. fashionabc. Retrieved August 21, 2022, from https://www.fashionabc.org/ai-and-blockchain-and-the-3-trillion-fashion-industry-challenges-and-opportunities/
5. How much AR-VR app development cost: Estimating an augmented reality app development cost. Clavax Technologies LLC. (2022, June 22). Retrieved August 21, 2022, from https://www.clavax.com/blog/how-much-ar-vr-app-development-cost-in-2019/
6. HOW MUCH DOES ARTIFICIAL INTELLIGENCE COST IN 2021? (n.d.). Retrieved August 21, 2022, from https://www.analyticsinsight.net/how-much-does-artificial-intelligence-cost-in-2021/