iscte

INSTITUTO
UNIVERSITÁRIO
DE LISBOA

Development of an application that relates fashion stores and fast delivering – Delooks

Alexandre Miguel de Sousa Gonçalves

Master in Management

Supervisor: Renato Telo de Freitas Barbosa Pereira, Assistant Professor, Department of Marketing, Operations and General Management

October, 2022

iscte

BUSINESS
SCHOOL

Department of Marketing, Operations and General Management

Development of an application that relates fashion stores and fast delivering – Delooks

Alexandre Miguel de Sousa Gonçalves

Master in Management

Supervisor: Renato Telo de Freitas Barbosa Pereira, Assistant Professor, Department of Marketing, Operations and General Management

October, 2022

Acknowledgments

The conclusion of this thesis marks a very important tick in my to do list in life and for that I am grateful for all the process that led me here. It was an emotional journey that helped me grow mentally and professionally.

Firstly, I want to thank to Professor Renato Pereira for all the help he gave me throughout this journey, since fast responding to help me put all this craziness in a worksheet.

I want to thank my family for all the constant support that was deeply needed to complete this important task.

To Alexandre Fialho that helped me with all accounting, to my roomates, to Troliteiros and Say No More, a big thank you for always believing in me and trusting me with your friendship.

To all my family, friends and to all the people that directly or indirectly contributed to the development of this business plan, a big thank you

Abstract

Living in 2022 is living in a society that fully relies on their cellphones. Whether is to go through social media or keep up with the daily news, cellphones have become a part of the "things I can't forget when I leave home" such as house keys and wallet.

With this evolution of depending on our mobiles most businesses had to keep up with digitalization process and one of them was the fashion industry.

One company that was part of the inspiration of this project was Uber Eats. This company presents a transportation service of food from restaurants to consumer's home. This service is made using an application in which the person selects the restaurant and consequently the exact food that the consumer wants from that restaurant and after the request is completed, it is given an estimated time of delivery.

With this thesis our aim is to implement the same model that uber eats uses, but on fashion stores. We aim to discover the prices for transportation and what percentage should be applied on each piece of clothing. After we come to this conclusion, we are going to build our company using accountability tools and discover if the idea is a profitable one.

Resumo

Viver em 2022 é viver numa sociedade que depende totalmente dos seus telemóveis. Seja para navegar pelas redes sociais ou acompanhar as notícias do dia a dia, o telemóvel passou a fazer parte das "coisas que não posso esquecer quando saio de casa", como chaves de casa e a carteira.

Com essa evolução da dependência dos nossos telemóveis, a maioria das indústrias teve que acompanhar o processo de digitalização e uma delas foi a indústria da moda.

Uma empresa que fez parte da inspiração deste projeto foi a Uber Eats. Esta empresa apresenta um serviço de transporte de alimentos desde os restaurantes até ao domicílio do consumidor. Este serviço é feito por meio de uma aplicação no qual a pessoa seleciona o restaurante e consequentemente a comida que o consumidor deseja daquele restaurante e após a finalização do pedido é informado um horário com estimativa de entrega.

Com esta tese pretendemos implementar o mesmo modelo que a Uber Eats utiliza, mas em lojas de moda. Pretendemos saber os preços de transporte e qual a percentagem que se deve aplicar em cada peça de roupa. Depois de chegarmos a essa conclusão, vamos construir a nossa empresa usando ferramentas de contabilidade e descobrir se a ideia é lucrativa.

Index

Tables and Graphs

1 Literature Review

This chapter aims to get insights of the research topics including its relevancy to reality. To become more aware of this subject, proceeding studies will be presented and critically analyzed.

The first part of the literature review will be concentrated on explaining online sales, when did it start and since when it became a trend. This will be followed by defining key terms such as e-commerce in retail, fashion consumption, online customer experience and the world of apps.

1.1 Online Sale

First of all, a sale is a transaction between two or more individuals or parties in which one receives tangible or non-tangible goods, services or even assets in exchange for usually money, but it could be through data or other forms of payment such as trade of assets. One possible definition for the concept of online sales is an online product request according with the availability check in different warehouses of stores (Masaro *et al.,* 2020) through an electronic commerce which allows consumers to directly buy goods or services.

1.1.1 Impact of Covid-19

Due to the pandemic occurred in the beginning of 2020 while many retailers temporarily closed their physical stores some online-only retailers witnessed higher sales. (Hwang *et al.*, 2020). According to recent studies, this virus had a positive impact on the online sales increase, driven both by the acquisition of new customers and by online purchases from existing customers who previously purchased items primarily at physical stores (Hwang *et al.*, 2020).

1.2 E-commerce

E-commerce or electronic commerce can be defined as a business model that allows firms and individuals to purchase and sell assets over the use of the Internet. (Bloomenthal, 2020). Delina & Vajda (2006) defined E-commerce as any transaction that takes place via the computer network and results in the transfer of ownership or rights to use goods or services.

According to 99Firms' Ecommerce Statistics for 2020, the ecommerce market is not only thriving, but It is expected that more than 95% of all purchases to be conducted via ecommerce by 2040.

1.2.1 Types of e-commerce

There are 4 types of E-commerce, business to business, business to consumer, consumer to consumer and consumer to business. In a broad sense, e-commerce is any form of business relationship where interaction between subjects occurs through the use of Internet technologies.

- B2B: this specific kind of e-commerce covers all levels of interaction between companies and businesses. In this type of e-commerce, organizations sell materials, products and services to other businesses through online trading (Nanehkaran, 2013)

- B2C: This type of electronic commerce refers to the interchange of goods and services through the internet between online stores and individual customers (Datsko, 2019)

- C2C: In this type It is the capacity of consumers to cooperate for the interchange of commercial information. This might be the trading of involvement in the procurement of any product, the exchange of experience of interaction with a specific organization and more. (Datsko, 2019)

- C2B: In this type, multiple buyers cooperate to get a better offer for a specific product or service (Kraus *et al.*, 1998). In this model, buyers usually specify multiple items and their valuation on them, and a group leader is elected to divide the group into coalitions and calculates the surplus division among the buyers (Sycara, 2001).

1.2.2 E-commerce in retail

The E-commerce industry is growing each year and according to Statista report it is expected to arise to 4.9 trillion in U.S dollars in retail business in 2021 (Kedia et al., 2020). Analyzing this graph, we can retain that in the industry of retailing online sales has grown exponentially and the predictions continue to show that this trend is not going anywhere.

Retail e-commerce sales worldwide from 2014 to 2023 (in billion U.S. dollars)
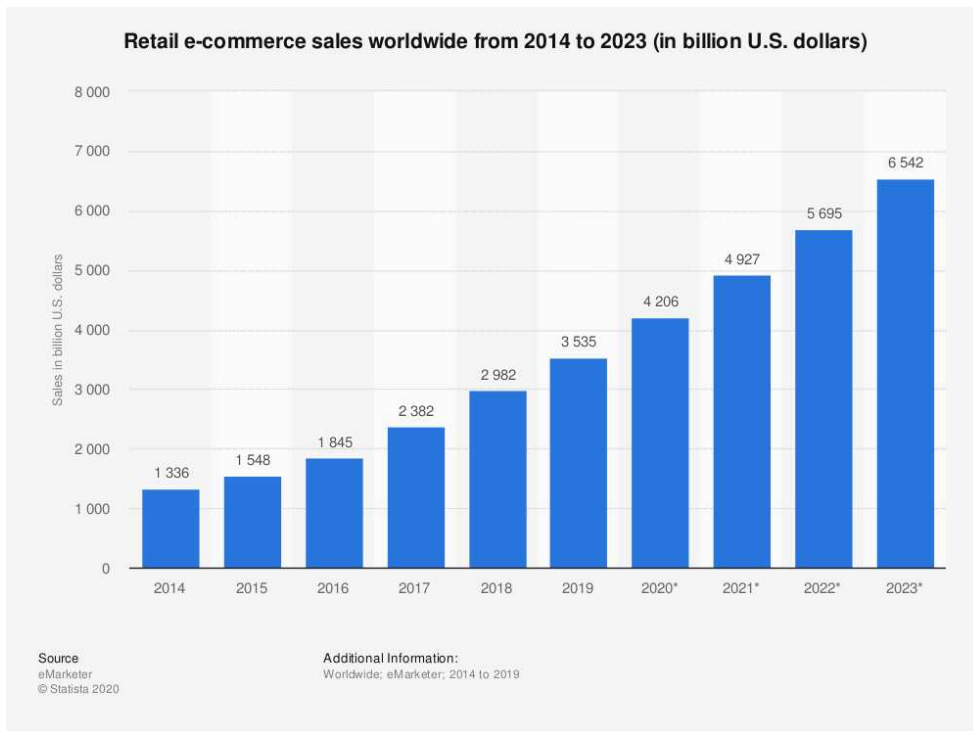
Fig 1.1: Retail e-commerce sales worldwide from 2014 to 2021 (in billion U.S. dollars). Source: Statista

Not also the number of e-commerce sales has been on a rise, but the e-commerce market has had a significant impact on the consumers purchasing habits since It is share in the retail market has been increasing. From 2015 to 2020 the share of total sales doubled in the retail market and the prediction are to continue leveling up.

E-commerce share of total global retail sales from 2015 to 2023
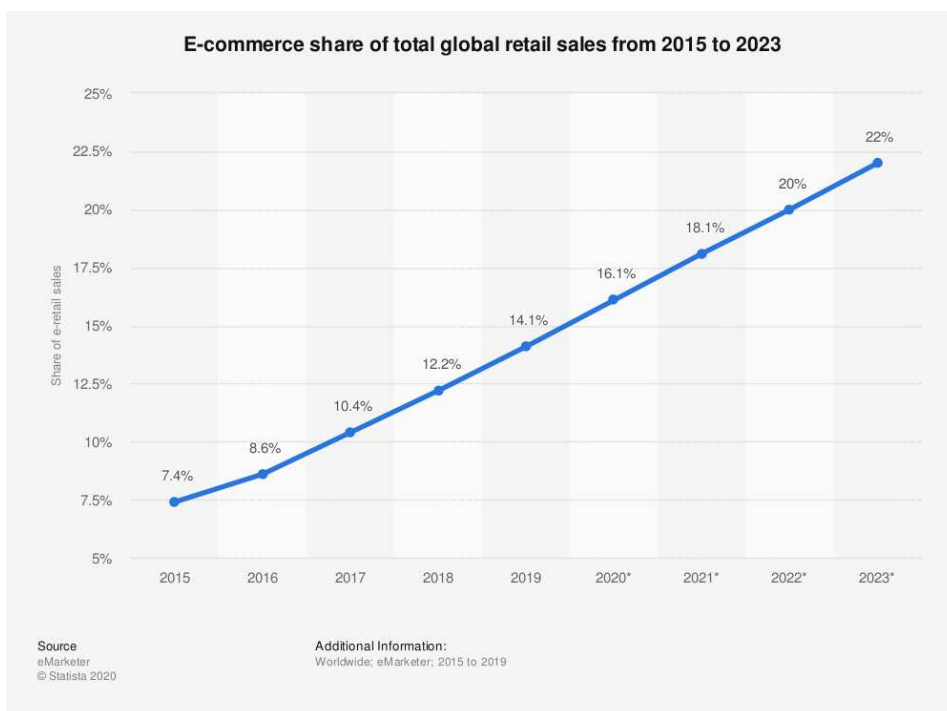
Fig 1.2.: E-commerce share of total global sales from 2015 to 2023 Source: Statista

1.3 Fashion consumption

Fashion nowadays is determined as a wide definition for products and markets associated with style, with goods such as clothing, shoes, and accessories. The life cycle of these kinds of goods is short, variability is high, and it is complicated to predict demand. (Christopher et al., 2004). According to DPD group analysis (2018) fashion is the most popular category for customer purchases online with the rate of 47%.

1.3.1 Digitalization in the fashion industry

Digitalization has accelerated the move from physical goods to service-based businesses (Suarez, 2013). These changes have affected the way retailers not only compete but also communicate with the consumers. According to recent studies the acceptance of electronic commerce by fashion retail companies has a positive effect on productivity which justifies the acceptance of modern business models by fashion retailers (Datsko, 2019). These models involve the mass utilization of technology for progress information. For consumers, digital business models make more potential outcomes to satisfy their need through the help of new forms of digital interaction between consumer and producer (Sashi, 2012), customer experience (Weill *et al.*, 2015) and consumer value (Grewale, 2009).

According to DPD group which is the 1st parcel delivery network in Europe in 2020, 58% of their deliveries was related to the fashion industry being this the top category followed by shoes and beauty/health care. In Portugal their top delivery is also fashion with 55%.

1.4 Online Customer experience

According to Liferay we define OCE as the sum of digital interactions between a customer and a company and the resulting impression that a customer walks away with. Customer interactions with an organization's website create opportunities for positive experiences that can lead to long-term relationship building. The range of potential interactions is now quite diverse, including product information search, purchase transaction and/or service delivery (Rose *et al.*, 2011).

1.4.1 Drivers of OCE

The drivers of OCE are mainly focused in three areas. The first one is focused on the website quality, including the development of measurement instruments (Black 2000; Loiacono *et al* 2002; Shchiglik, 2004 *in* Rose *et al.*, 2011). This body of works identifies a range of factors which result in effective website performance. The second one focuses on online customer behavior, particularly in relation to the linked activities of online search and online purchase (Cases, 2002; Cheung *et al.*, 2005; Childers *et al.*, 2001; Grant *et al.,* 2007; Johnson *et al.*, 2004; Klein, 2002; Kumar et al., 2005 *in* Rose, 2011). Investigations that study the consumers intentions in terms of the use of Internet for online purchasing have identified the importance of factors such as the frequency of Internet use and the link to trust to the environment. Linkage between a range of influencing factors such as risk, perceived customer service and shopping experience to attitudes and intentions to shop online has been found (Vijayasarathy, 2000 *in* Rose *et al.*, 2011). The third one is the delivery of the product. Services include the delivery of online banking, news and weather, travel bookings, education programmes and knowledge communities.

1.5 Fast delivering

Nowadays the boundary between digital and physical retail is becoming more blurred than ever before. As a result, customers expect retailers to deliver anything at any time. The delivery service will continue to play an increasingly important role in the future. Consequently, retailers must develop their delivery strategies. This not only serves to meet the wishes and convenience of customers but offers companies the opportunity to differentiate themselves from the competition through the service provided (Spanke, 2020). In terms of online shopping the time spent on the delivery can be a huge factor in consideration. People feel that time convenience is an important ingredient. It can be indicated that most people consider time convenience as a major reason for buying online (Tamta, 2020). Growth in online shopping has led to increased numbers of small delivery vehicles in urban areas (Cherret *et al*., 2017) which when we refer to fast deliveries usually is small vehicles such as scooters, bikes or even motorcycles.

1.6 Smartphone

Since IBM released the Simon Personal Communicator in 1992, smartphones have brought modernization, convenience, communication, and revolution to human society (Shen *et al.*, 2019). Mobile phones and smartphones are both mobile, personal devices that can indicate social identity and create an idea of status, but the main differentiating feature between them is that a smartphone has permanent access to the Internet which gives constant access to all internet's features whether appealing or problematic content (Panova *et al.,* 2018). According to Forbes magazine in an article published in August of 2020 in April the average user spent a quarter of their waking time on their mobile device with an estimated 4.3 hours per day and the total hours spent. In 2017, 26% of people worldwide spent more than 7 hours per day on smartphones and only 4% spent less than 1 hour (Statista). The most voted option was from 3 to 5 hours with 29% which is a sign of strong attachment to their mobile devices.

1.6.1   Applications

Mobile applications, commonly referred to as apps, are software developed for use on wireless mobile devices such as smartphones and tablets. The value of the apps is not created just by the technology, but through the interplay of the technology, the user, and the purpose of use (Lee *et al.,* 2015 *in* Ehrenhard, 2017)

According to Statista the number of mobile app downloads in 2019 was 204 billion worldwide. When compared to 2016, which was 140.7 billion, we can retain that in three years the number of downloads increased by almost 70 billion which is an astonishing number.

In terms of revenue worldwide, app revenues have increased exponentially. In 2014, the revenue worldwide was 97.7 billion U.S. dollars and in 2018 was 365.2 billion U.S. dollars. The prediction for the year of 2020 is approximately 581.9 billion U.S. dollars which represents almost 6 times the revenues of 2014. This trend appears to continue in the future since the predictions are that in 2023 the number reaches almost 1000 billion in revenues (935.2 billion).

Mobile applications particularly provide organizations new opportunities to create value, for example by meeting new demands, increasing efficiency, supporting knowledge sharing and improving competitiveness (Sheng et al., 2005, Unhelkar and Murugesan, 2010 *in* Ehrenhard, 2017)

1.6.1.1   Delivery applications

Mobile applications have seized the opportunity of adapting to restaurants and food delivery services, recognized as an alternative strategy to increase sales revenue and for consumers

to conveniently receive products and services (Cho, 2019). One of the most impactful delivery service apps is Uber Eats. This app was created in 2014 and according to Fortune in 2019 Uber Eats reportedly controlled 29 percent of global food delivery market. This company made $1.9 billion U.S. dollars in 2019 and it was the most downloaded food delivery app worldwide. In the second quarter of 2020 it already made $1.2 billion U.S dollars and this service became so big that, also in the second quarter of 2020, Uber Eats surpassed Uber Rides in revenue, becoming Uber's main source of income.

After our extended research about different topics related to our idea, we decided to test the following hypothesis:

- How much is the customer willing to pay for the fast-delivering service?
- What is the maximum percentage of increase in clothing that the client will prefer to use online service instead of going to a physical store knowing that will have a fast delivery?
- Is online purchasing going to be more significant than buying in physical stores?
- What type of devices are most used in clothing online purchasing?

2   Methodology

The value proposition will later serve as the basis for the financial business plan, which will thus dictate, on an empirical basis, whether the proposal is financially viable.

These questionnaires will be performed through google forms and will aim population above 18 years old that live in Portugal. The questionnaire was distributed via the internet and spread through social media platforms such as Instagram, Twitter, Facebook and WhatsApp.

The survey that gave rise to the analysis was prepared using Google forms, using multiple choice questions and tick boxes.

In this questionnaire our aim was to discover the impact on online purchasing in the fashion industry to reach to the conclusion of the viability of the app.

After testing the market and discover our target price for the use of the application we will make a financial evaluation and define deadlines for the execution of the program itself.

In terms of legal concerns, our team will make sure to follow all the rules and will contact the stores and brands about our business and a study will be made to get awareness about what the price should be discussed with each brand in case they want to be a part of our business.

We will also get informed about the transportation method, which will be a critical part in the financial evaluation of the project since in case it is an external service, which in similar businesses like ours usually is, it will affect our entire structure, and this will be a critical point in addition to the deals with the different brands. In case it is an internal service, more costs are going to be considered which will imply the request of more credit for the financial project and it will change its viability.

2.1   Sample characterization

Our sample was adequate in terms of number of respondents since our total was 306 people.

From those 306 people 67% were females and 86,3% of the total inquired were between 18 and 25 years old. Only 2% were not Portuguese but they all lived in Portugal.

Almost 80% (78,4%) was from the center followed by the south with 11,8% and north with 9,8%.

2.2 Sample purchasing

In terms of commonness, 44,1% purchases clothes online once every three months followed by, with the same percentage of 21,6%, once a month and once a year.

Almost 8% purchases 3 times a month and only 4% never purchased online.
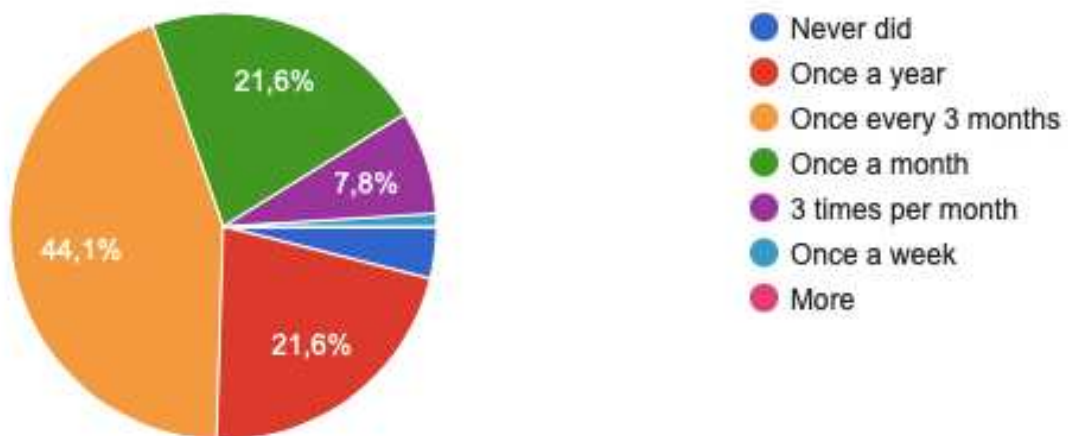
Fig 2.1: How often do you purchase clothes online? Source: Author from survey using google forms

From these 4%, 75% indicated the reason they didn't do it was due to afraid that the clothes won't fit well.

Also from these 4%, 75% indicated that in the next 2 years they will buy clothes online.
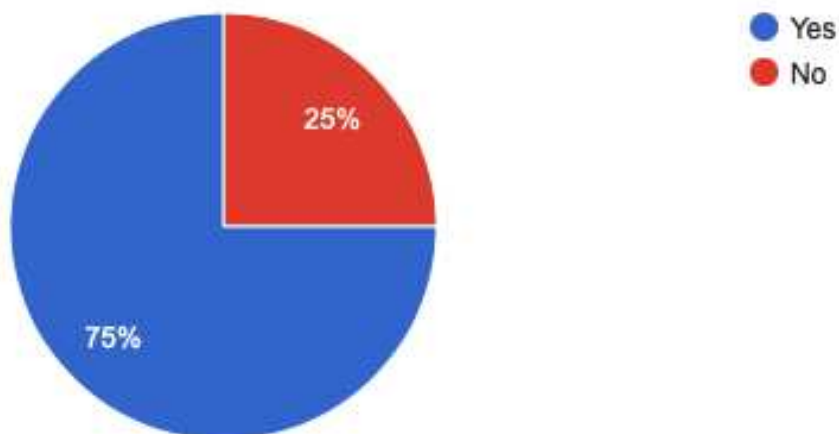
Fig 2.2: Do you see yourself buying online in the next 2 years? Source: Author from survey using google forms

2.3   Sample importance in time delivery

In terms of time delivery 42% said it takes them 2 to 5 days do receive their orders followed by 30% with 1 week to receive and 22,4% with 2 to 3 weeks to receive.

When questioned the importance of time delivery, the majority responded that it was extremely important with 46%.
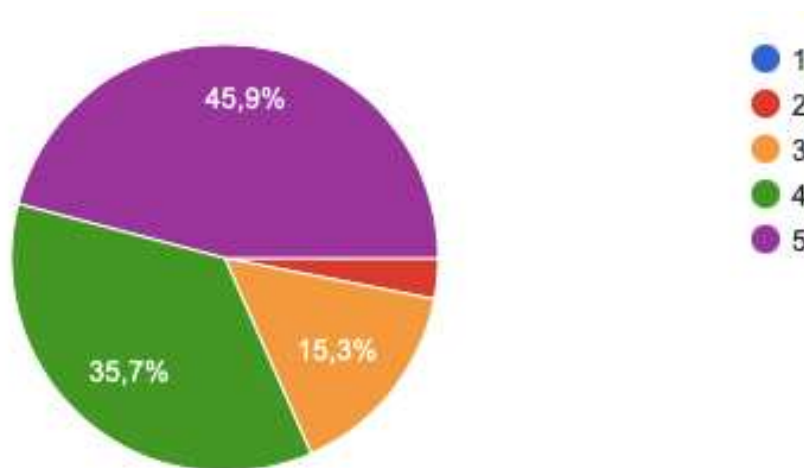
Fig 2.3: From a scale of 1 to 5, being 5 - extremely important and 1 - not important at all how much do you value the time delivery? Source: Author from survey using google forms

2.4   Technology used to purchase

When asked how often the population uses their cellphone for online shopping the most common answers were both, most of the times and sometimes with 29,6% followed by always with 27,6%. Only 13% answered never.

To these 13%, it was asked which device they usually use, and the most representative answer was laptop with 90,5%. Ipad and other were tied with 4,8%

These questions were asked in order to obtain how important is to have an app that can be compatible with both cellphone and computer and the conclusion we take, is that is very important.

2.5   Online vs Physical

This section was made with aim of discovering the importance of online shopping vs going to physical stores and we approached the impact of the pandemic on the people's consumption.

We asked people if they will continue to use online shopping after the pandemic was over and the results were very clear with 97% of people saying yes.

We then asked if they believe that in the future, they will buy more online than physical and 60% said yes.

This was a positive answer to our business which indicates that the future goes through online shopping.

2.6   Final solution

We asked the inquired population about if they had an app that includes all the clothing stores nearby where they stand and that you have access to their inventory. This way they could purchase everything without having to go to the physical stores knowing that they will have almost immediate access to the clothes (20-40 min), how much would they be willing to pay for that commodity.

The most common answer was 3 to 5€ with 36,6% followed by 2€ with 30,7% and 25,7% answered under 2€. Only 7% answered above 5€.
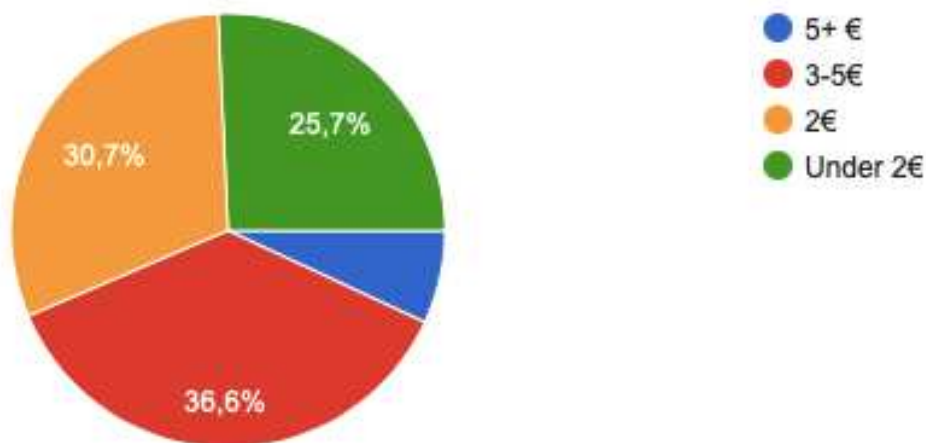
Fig 2.4: How much would you be willing to pay for that commodity? Source: Author from survey using google forms

This is one of the most important data because we have now found the answer for which price should we ask for the delivery.

Now we need to know what percentage of increase the consumer would consider to still use the app and not to go to the store, knowing that they will have almost immediate access to the clothes (20-40 min).

The most common answer was lower than 3% of the price with 40,6% followed by 36,6% answering 3-5%. The third most common is the gap between 6-10% with 14,9%. This is also very important because we can conclude that consumer is very sensitive in terms of price when compared to practicality.
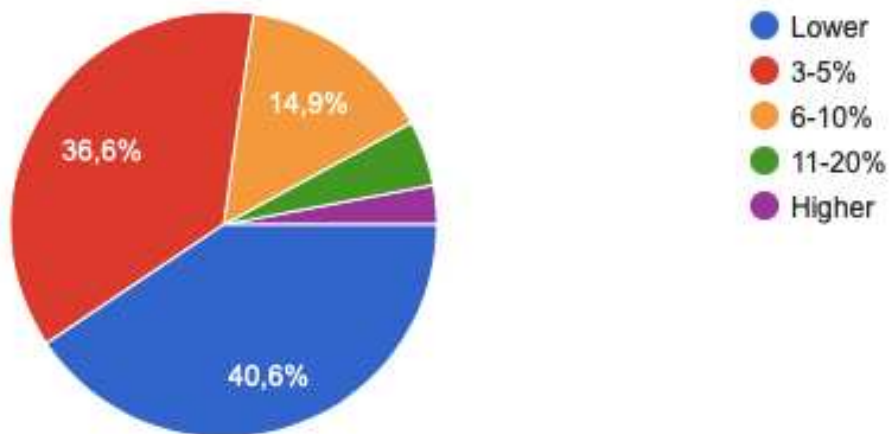
Fig 2.5: What percentage of increase would you consider to still use the app and not to go to the store? Source: Author from survey using google forms

3   Market analysis

According to Statista, e-commerce has been growing each year and in the retail market the share of online sales has been growing exponentially. In 2019 online sales represented 14.1% which compared to 2015 was 7.4%. The predictions for the following years are the same tendency, to continue to grow. This information led us to believe that betting in the online market is a "good call" in terms of not only a business prepare for the future but also a business that follows the society trend.

Fashion industry has suffered a lot of changes in the last couple years and with the arrival of the Internet and the development of globalization, fashion has become more available to everyone. According to the DPD group, which is Europe's 2nd largest parcel delivery network, in 2018 fashion was the most popular category for online customer purchases with 58%.

According to different authors the digitalization era has had a positive effect on productivity which justifies the acceptance of modern business models by fashion retailers (Datsko, 2019). By aiming our project to a market that adapted well to the changes in their business environment our project becomes safer and more appealing to prospect investors.

3.1   Why an app?

According to Deloitte, computer is still the technological device most used for online shopping but It is starting to decrease its percentage. In 2017, 83% of people used their laptops to purchase online but in 2018 that percentage decreased to 76%. On the contrary, the mobile phone had a percentage of 40% in 2017 and in 2018 the percentage increased to 46% which led us to believe that the use of mobile phone for online shopping is starting to grow. Not also that but an app can also be used in most laptops nowadays which would expand our business to potential clients that only used their computers for online purchases.

In terms of fast delivering, the app that comes to mind is always uber eats due to its impact in our current society. Uber eats started in 2014 and in 2017 it had a revenue of $600 million. In the 2019 it had a revenue a $1.9 billion and in the second quarter of 2020 it already had a revenue of $1.2 billion. The takeaway has increased and, in some cases, saved some restaurants from going bankrupt specially with crisis due to the pandemic of SARS Covid-19.

Although the market of food is different from fashion, we can retain that society is wanting things faster, simpler and all that with minimum effort and I strongly believe that by combining the concepts of fast delivering and fashion, it will have a positive effect and it will be a business quickly accepted by our society.

3.2   PESTEL analysis

PESTEL Analysis is a strategic framework used to evaluate the external environment of a business by breaking down the opportunities and risks into Political, Economic, Social, Technological, Environmental, and Legal factors.

3.2.1   Political factors

When creating a company, we must be aware about the political factors in the country that we are going to open business.

The corporation tax rate (IRC) in Portugal is 21% on the net profit of a business, plus surtaxes that may apply. For small and medium-sized enterprises that earn until fifteen thousand euros is fixed at 17,00%.

Associated with this tax there are three more taxes which are:

- Municipal surtax - is updated annually and corresponds to the revenue that municipalities receive from the taxable income of local companies.
- State surtax (it varies from 3% to 9%) - If the company has a taxable profit of more than 1.5 million euros, you will have to bear additional fees. Between €1,500,000 – €7,500,000 the rate is 3%; between €7,500,000 – €35,000,000 – is 5%; and from €35,000,000 the additional fee is 9%.
- Autonomous Taxation, applied to expenses not related to the company's activity, undocumented expenses and vehicle charges, representation expenses, subsistence allowances and travel abroad, among others.

Furthermore, we have taxable income of the company corresponds to the value of the income obtained through its activity, minus the expenses that it had. That means that you must analyze the amount of taxable income and subtract the tax benefits and tax losses that are subject to deduction.

In terms of social security, the rate is 23,75% which is paid monthly until the 20th day of the last month.

For VAT, most companies bear VAT on purchases, but liquidate VAT on their sales. This means that the state will only give the difference between the VAT bared and the VAT liquid. The delivery of VAT can be monthly or quarterly depending on the company's framework.

As for the value of VAT, the rate differs depending on the type of goods or services your company offers. There are three VAT rates in Portugal, the normal rate of 23%, the intermediate rate of 13%, and the minimum rate of VAT of 6%.

3.2.2   Economical

3.2.2.1   GDP

In terms of economic status, we compared since 2010 to the present time. Between 2011 and 2014 the growth rate was negative and is due to, some part, of the global financial crisis occurred in 2008 which had a negative impact in all countries, especially in terms of growth and public debt. In 2011 Portugal recurred to the three-year program from IMF, which was a strategic rescue program. This resulted in a severe austerity which reflected into a lot of economic contraction. This program finished in June of 2014.

In 2020 and part of 2021, the growth rate was affected due to the global pandemic of SARS-Covid19.
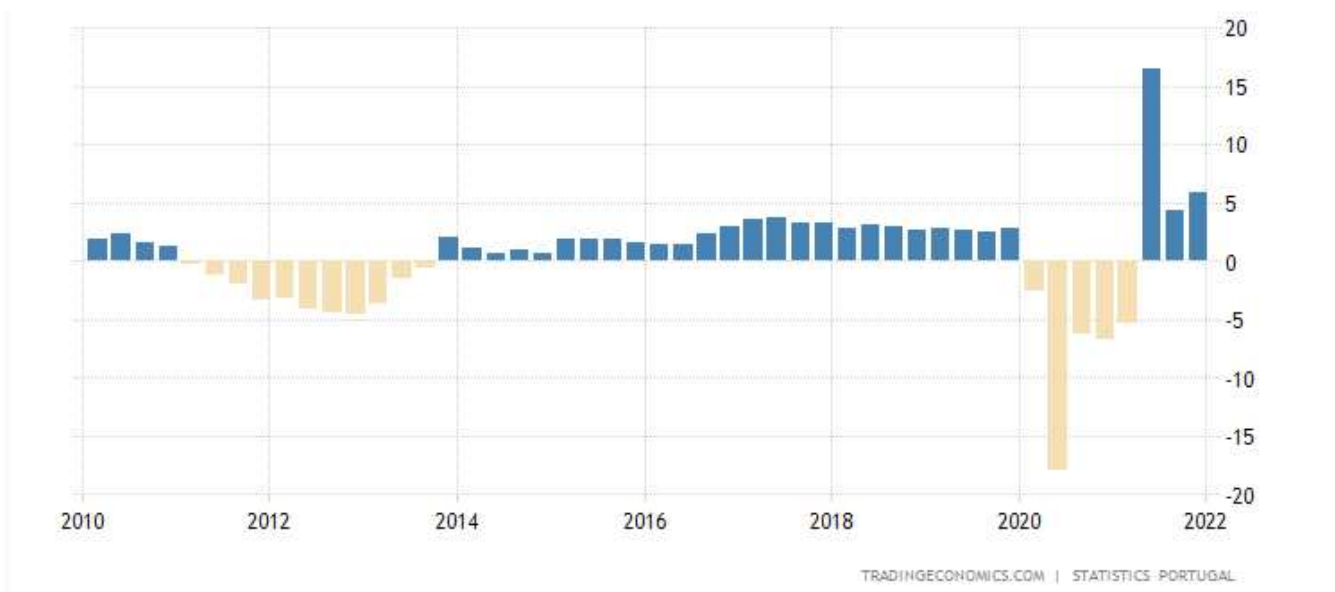
Fig 3.1: Annual GDP rate since 2010, source Statistics Portugal

3.2.2.2   Portugal Business Confidence

In Portugal, the National Statistics Institute (INE) economic climate indicator on three terms moving averages is calculated in order to receive a timely composite indicator for the several sectors of economic activity. It is estimated using balances of questions from the Manufacturing Industry, Trade, Construction and Public Works and Services surveys. The calculation is based on the factor analysis and the estimated series is calibrated using the GDP change rates. The use of moving averages smooths out the series by removing the irregular movements, allowing the detection of the short-term trends.

Between 2011 and 2014, Troika imposed a lot of austerity which a direct consequence in consumption and in business areas. After that period Portugal started to grow again and Business regain their trust. As mentioned before the periods of 2020 and 2021 there was global pandemic which affected everyone lives.

According to Statistics Portugal, the 3-month moving average of the economic climate indicator in Portugal rose to 2.3 in April of 2022.
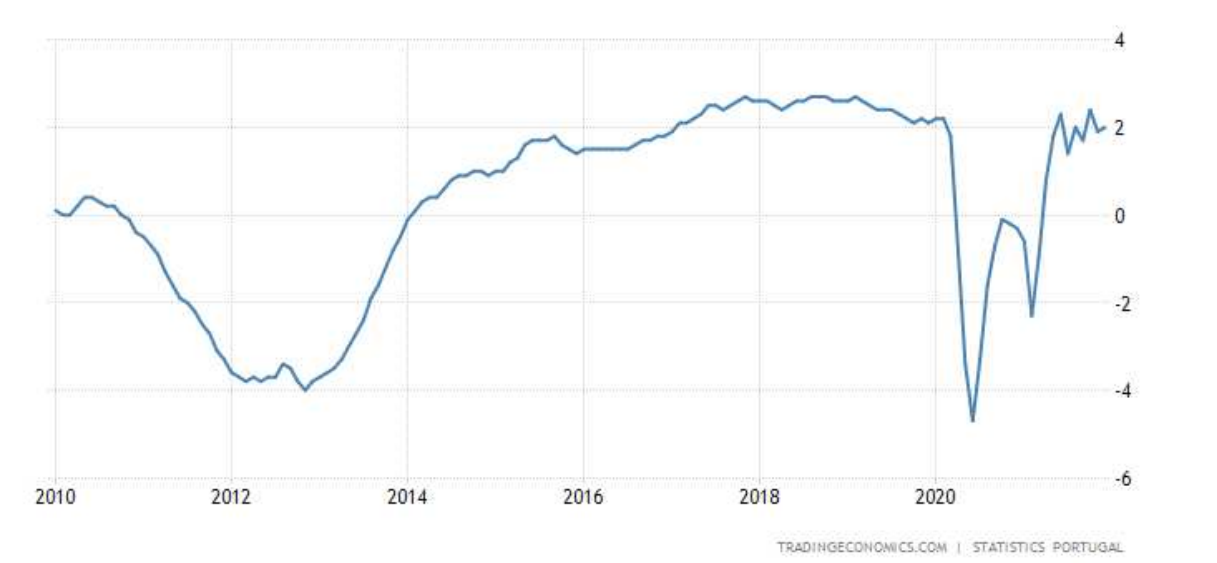
Fig 3.2: Portugal Business Confidence rate since 2010, source Statistics Portugal

3.2.3   Social

Analyzing socially, Portugal has an estimated population of 10.3 million people, 2.1% less than in 2010. It has 52,4% of women and 47,6% of men.

Unfortunately, Portugal has suffered in the aging index and there has been a continuous growth in the elderly people that now represent 182% of increase.

According to Pordata, in terms of active population Portugal has 5.151 million people where 2.590 million are men and 2.560 million are women

Portugal provides a public healthcare system known as SNS (Sistema Nacional de Saúde)

In terms of unemployment rate Portugal has gone better compared to 2010, the slope is downwards. The peak was in 2013 with an unemployment rate of 17,1% and now is sitting at 6,6%

Unemployment rate: total and by age group (%)
Rate - %
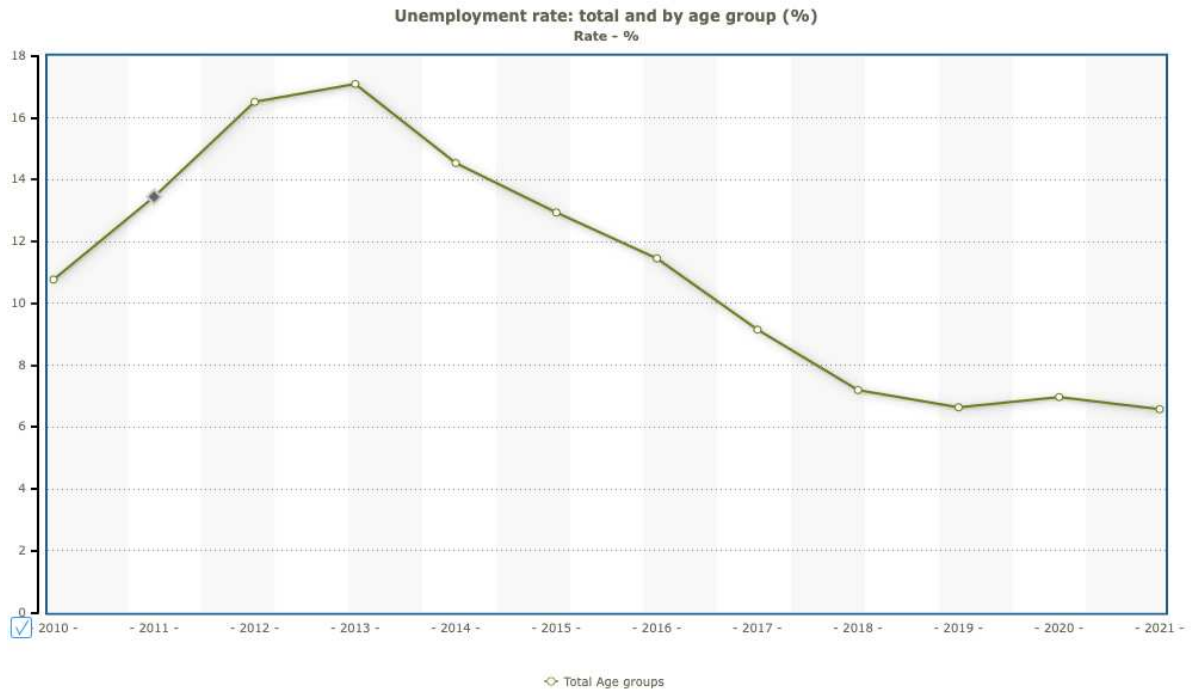
Fig 3.3: Portugal Unemployment rate since 2010, source Pordata

3.2.4   Technological

In terms of technology, Portugal has followed the world trend of purchasing more and more online. The revenue has increased in almost every sector.

It is estimated that in 2025 the revenue would be around 9.68 billion dollars (~9.22 billion €) in e-commerce revenue.
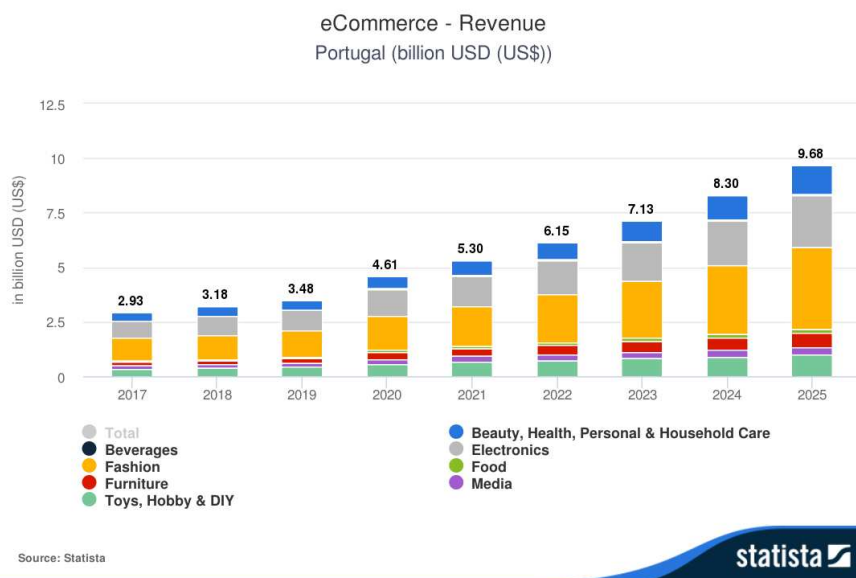
Fig 3.4: Portugal Revenue in Ecommerce, source Statista

The most purchased segment in Portugal is electronics which translates in almost 5 million users followed by fashion with 4.7 million.

According to Statista, It is expected to have around 5.7 million in 2025 users purchasing online which now sits at 5.3 million.

Demographically, Portugal has a higher percentage of women buying online with a rate of 51.3% and men with a rate of 48.3%.

In terms of age the most active users are between the ages of 35 to 44 years old with 26.2% followed by 45 to 54 years old with 23.4%. The third highest is the group age of 25 to 34 years old with 21.8%. This data refers to October of 2021.

3.2.5   Environmental

Portugal is a part of UN, which is constituted by 193 countries all over the world. The UN has an environmental agenda with objectives to 2030.
The 2030 Agenda calls for the integration of the SDGs (Sustainable Development Goals) into the policies, procedures and actions developed at the national, regional and global levels.

3.2.5.1   Portugal's negotiating position in the process of adopting the 2030 Agenda

Portugal played an active role in drafting the document adopted at the Summit, including in the establishment of the common position to be taken by the European Union (EU), particularly in:

- recognizing the need to give more attention to issues related to peace, security, and good governance, with an emphasis about fragile States.
- promoting and advocating the conservation and sustainable use of the oceans, an issue of critical importance to Portugal
- integrating a strong human rights dimension that tackles inequalities, while paying particular attention to the gender equality issues

Concerning the debate on the adaptation of the United Nations system to the challenges of the 2030 Agenda, Portugal has been arguing for an adjustment that would enable it to follow up on the degree of political commitment made, while highlighting the need to ensure the efficiency and effectiveness of a UN system based on structured co-operation and complementarity between the different actors at the global, regional and national levels.

3.2.5.2   Legislation

The key pieces of environmental legislation are:

- Criminal Code.
- Environmental Framework Law.
- Environmental Misdemeanor Law.
- Environmental Liability Regime.
- Water Law and Water Resources Use Regime.
- Environmental Impact Assessment Regime.
- Industrial Emissions Regime.

The Ministry of Environment and Energy Transition is the government body responsible for carrying out and enforcing environmental policies. The main regulatory authorities are:

- Water and Waste Regulatory Authority (ERSAR).
- General Inspection of Environment, Spatial Planning, Agriculture and Sea (IGAMAOT).
- Portuguese Environment Agency (APA).
- Institute for Nature Conservation and Forests (ICNF).
- Regional Spatial Planning Commissions (CCDR).

The necessary permits to start an activity in terms of environmental issues are an operation permit (título de exploração) that is issued by the Co-ordinating Licensing Authority that can vary according to the specific industrial activity at stake and an environmental license (licença ambiental) that is issued by the Portuguese Environment Agency (APA). The operation permit will only be issued after the environmental license is issued or after the term for a decision regarding the environmental license elapses and nothing was said by the competent authorities. Industrial activity must not be initiated before the issue of the above licenses.

3.2.6   Legal

3.2.6.1   Data Protection and cybersecurity in Portugal

In addition to the GDPR (General Data Protection Regulation) which is mandatory in all EU, the Portuguese legal framework comprises specific local legislation on data protection, namely:

- Law no. 58/2019 of 8 August, Portuguese Data Protection Law on the protection of natural people about the processing of personal data and on the free movement of such data
- Law no. 59/2019 of 8 August, which approves the rules on the processing of personal data for prevention purposes, detection, investigation or prosecution of criminal offences or the enforcement of penalties
- Law no. 41/2004 of 18 August, amended by the Law no. 46/2012 of 29 August, concerning the processing of personal data and privacy in electronic communications sector
- Law no. 32/2008 of 17 July, concerning the retention of data generated or processed in the context of electronic communications services (Directive 2006/24/EC)

The Portuguese framework also constitutes a set of legal diplomas that foresee multiple legal provisions regarding data protection, such as:

- Constitution of the Portuguese Republic, which sets forth the main principles and fundamental rights regarding privacy and data protection.
- Law no. 7/2009 of 12 February, (Portuguese Labour Code), that includes provisions on data protection regarding employees
- Law no. 34/2013 of 16 May, regarding the use of video surveillance systems by private security entities and auto protection
- Law no. 1/2005 of 10 January, which establishes the provisions concerning the use of video surveillance means by public authorities in public places
- Decree-Law no. 207/2005 of 29 November, on electronic surveillance used by public authorities in traffic control.
- Regulation no. 798/2018, approved by the Portuguese Data Protection Authority regarding the List of Personal Data Processing Activities subject to Data Protection Impact Assessment

3.2.6.2   Framework of corporate law in Portugal

- Commercial Code ("Código Comercial", dated 1888);
- Portuguese Companies Code ("Código das Sociedades Comerciais", Decree law no. 262/86)
- Portuguese Securities Code ("Código dos Valores Mobiliários", Decree law no. 486/99)
- Several specific laws and regulations.

4   Internal analysis

4.1   Strongest assets

4.1.1   Time saving and comfort

One of the strengths of this idea is time saving and comfort of the consumer. Since everyone who has a mobile phone or a laptop that can be connected to the internet, by accessing our platform the request could be done in the comfort of their homes, offices, restaurants and so on. By getting access to the inventory and storage of the shops, the consumer can make a choice of not leaving the place where he currently is.

4.1.2   Environment sustainability

Related to the previous topic, by making the consumer not leave the house he diminishes his carbon footprint. Also, since the service of this company is based on using electrical transportation, It is a win-win situation in terms of environmental safety which can be translated in a better image of the company and consequently attract more customers into the service use.

4.1.3   Diversity

By using our app, the consumer can get access to a wider diversity of clothes and other related fashion objects in one single place. This is also related to the time and saving comfort topic.

4.1.4   Increase sales

Small businesses by being a part of our app, could have more visibility and consequently increase sales and expand their brand.

Also, because our app is online, there is no limitation on the number of people that can be in a physical store so everyone can check their inventory independently of the number of people and the time schedule.

4.2   Weaknesses

4.2.1   Using the app as research

Users can check through the app the clothing available at the stores and then go to the store and buy what they want without using our service. Basically, using our app as research, diminishing their time at the actual store because now they know exactly what they want to purchase.

4.2.2   Price

Our service will increase the prices on the products, due to transportation costs and the margin applied. This could lead the consumer to get back to the classic method of physical shopping.

4.2.3   Range

Unfortunately, if someone is at a considerable distance from the shops/malls it will not be possible for people to purchase via app and the stores will not appear as available in their area.

4.3   VRIO

Furthermore, we will use VRIO as is a useful tool to discover powerful insights in terms of advantages and resources that give them a competitive edge.

This strategic analysis tool is based on four components which are value, rarity, imitability, and organization.
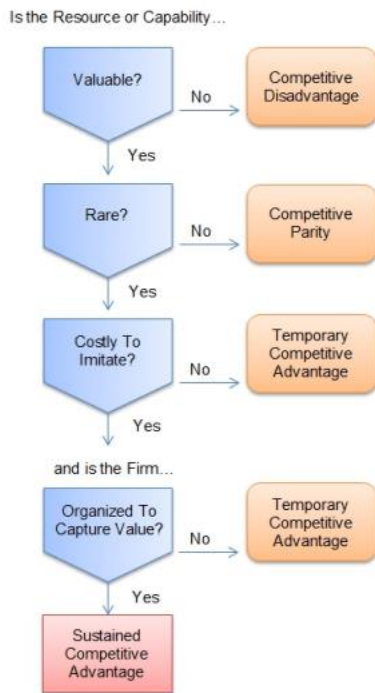
Fig 4.1: VRIO model, source Rothaermel (2013)

We believe the company has value, firstly because it will be unique in the Portuguese market. Secondly, because it facilitates the purchase of fashion items and it can, not also increase value in our company, but also increase value in stores that have an agreement with us. This will consequently have returns in sales increase and even awareness about the brands.

In terms of rarity, in Portugal there is no other service compared to the service we are presenting. There are similar ideas, but It is related to food, not fashion.

We believe with proper licensing we can become inimitable, at least for a short-term period which will allow us to start ahead in the race and make more profits than copycat ideas.

In terms of organization, it is true that we will depend on external factors (transportation) to have the client satisfaction and to close the sale but with the right objectives and good communication the structure will maintain solid and very much functional.

5   Competitive analysis

For our competitive analysis we will use the SWOT analysis.

A SWOT analysis is designed to facilitate a realistic, fact-based and data-driven look at the strengths and weaknesses of our organization.

The SWOT framework is credit to Albert Humphrey, who developed the approach at the Stanford Research Institute (SRI) in the 1960s but It is still a very useful tool used especially in strategic management.

As the acronym indicates, it is to investigate the company's strengths, weaknesses, threats and opportunities.

Fig 5.1: SWOT model, source Fenix from ISCTE-IUL

SWOT			
Strengths	Weaknesses	Opportunities	Threats
• Time saving • Increase awareness on small businesses • Environmental sustainability • System similar to Uber	• Price slightly above compared to the stores • Distance of stores can influence product availability	• Fashion is one of the biggest e-commerce segments in Portugal • Uniqueness (No one has the same business) • Can become a fashion sales trend setter	• Idea being copied by bigger companies such as Uber • Transportation issues can destroy reputation • Being used as catalog not as a platform for purchase

6 Objectives of the plan

The main reason of this business is to connect comfort and time saving to the consumer through the purchase of fashion items.

We believe that is possible through the creation of an app which will allow people to purchase clothes in a more rapidly way and wherever they are located.

The plan is to understand the viability, economically speaking, of our business and what is necessary to make this idea turn into a profitable one.

Our first defined objectives are clear:

- Arrange a meeting with an IT team so they can explain how much would cost to make the application as we desire
- Arrange meeting between fashion stores/brands in order to discuss a partnership between the companies
- Search for drivers – scooter driving

Then the more specific objects are:

- Understand the Portuguese adaptation to the new business idea
- Understand the importance of fashion on a daily basis
- How profitable can fast delivery be?
- Does the company offer a resource that adds value to customers?

7 Development strategy

Business firms are confronted with strategic considerations at both the corporate and business-unit level. In this regard, the management-control system is of major importance (Magnus *et al.*, 2000). Our development strategy is firstly to develop the app and when It is fully operational we start to implement several strategic measures.

Based on the answers from the questionnaire we can now define the right prices for delivery and the increase in the price of clothing compared to the stores.

We can also understand due to our research which our target will be and It is between 18 to 54 years old which is the segment of population that is more active online in terms of purchasing. We also discovered that women tend to shop more so we will use that information, especially in terms of advertisement (female known influencers for example).

In terms of our company, we need to define what is going to be our mission and values and what is the message we want to transmit to our clients.

In terms of market, we will use the segmentation, targeting and position analysis in order to conclude the best approach possible.

We will invest in marketing using Instagram influencers due to the topic related. It is very common for influencers to be related to fashion, and we believe this will be a safe bet in terms of creating awareness for our brand.

In terms of long-term objectives, we have an ambition of taking this project overseas and have brands making unique pieces of clothing only for our company creating uniqueness and increasing value in our service. Another long desire is to create collaboration between brands and our company expanding the business to a different area, instead of just transportation of fashion clothes, we desire to be a part of fashion.

8 Implementation strategies

8.1 Marketing strategies

8.1.1 Segmentation

Market segmentation is the process of identifying segments of the market and the process of dividing a broad customer base into sub-groups of consumers consisting of existing and prospective customers. Market segmentation is a consumer-oriented process and can be applied to almost any type of market (Camilleri, 2018).

We chose to divide into 3 segments, which are demographically, geographically and psychographic.

8.1.1.1 Demographically

In terms of age our main target is between people with age of 18 to 65 emphasizing on the group of people between the ages of 18 to 54 years old which we previously recorded that are the most active users in terms of online shopping. In terms of gender, as our questionnaire and other studies prove, women are more active in fashion consumption so our target will be mostly women. In terms of nationality, we will have 4 languages available, which will be Portuguese, Spanish, English and French which are the most common languages of people that live in Portugal.

8.1.1.2 Geographically

We will start firstly in Lisbon and Porto because they are the most populated districts in Portugal and then we will evaluate if It is worth expanding. It could be a geographic barrier but due the centralization that exists in Portugal, we believe this is the best solution.

8.1.1.3 Psychographic

The psychographic variables are used when purchasing behaviors correlate with the personality or lifestyles of consumers (Camilleri, 2018).

In terms of psychographic analysis our aim will be active online purchasers and people with an active lifestyle.

8.2 Target

The target group is online active users that have a desire for fashion purchases.

Studies have showed that is between users from ages of 18 to 65 and are mainly women. However, we believe that if the idea comes through it will be directed to all types of customers.

8.3 Position

Nowadays there are multiple delivery apps in Portugal but all of them are focused on food. Glovo already has a pick-up service which can pick-up any type of object, including clothing, keys, handbags, between many other products but with this app we would be pioneers in terms of relating all types of fashion stores into a single app.

When you are pioneer at something, you need to make sure that you can defend your position long enough that the brand is the first thing that pops into the mind of consumers when they think fashion delivery.

8.4 Marketing mix

The marketing mix concept was created in the 1950's by Neil Bourden. Also known has the four P's, this technique is still being used by companies in order to advertise their goods and services.

The four P's are product, price, place and promotion

8.4.1 Product

Within this P, we will define the products your brand has to offer and how they can be differentiated from the competition's products.

Our product offers comfort through fast delivering services combined with fashion.

The company would be responsible for the transportation method, which would include the transportation from the stores to the desired place. The main product that we are offering in

the company is the availability of the fashion pieces in the stores nearby the customer and through our app they can purchase those products.

We can differentiate from the competition such as Glovo, which already as a pick-up service of any type of object, by having exactly the pieces directly in the app, so we aren't going to be the intermediary like Glovo, we are going to be the first direct contact with the client by offering any information required about the pieces available in each store.

Another great advantage is that through the same application, we can have multiple stores. The customer instead of using multiple websites or apps can use only one for multiple brands (if they are available within the same perimeter distance).

The responsibility on the product if it doesn't fit, will be assigned to the person that purchased the product and if it doesn't look the same as in the picture will be assigned to the store, however our customer support team will try to help cover that part of the issue.

8.4.1.1   Transportation

Although the transportation is a responsibility of the company, we will use the same methods as both Uber and Glovo and we will hire drivers, relaying the responsibility on the vehicle of the drivers, accepting only scooters.

Each person would carry a bag that looks like this. This bag is made to protect the package that goes inside, and It is used in most delivery companies

Fig 8.1: Glovo backpack, source: Glovo website

8.4.2   Price

The price will have two variables, the price of transportation and the price of each product. Based on the answers from our questionnaire, the price of the transportation will be a fixed 3,5€ for each delivery, and for each item will have an increase of 2,5% of item of clothing. For example, a t-shirt that costs 20€ at the store will cost 20,30€ by the app. It is noted that even if different brands are on the same building such as the mall, the customer will have to pay different fees of transportation.

The bag in which each product was placed is in charge of the client. For example, if the stores charges 0,10€ per bag, that would be explicit when purchasing those products and it would include in the final receipt of the store.

These are the prices for our customers. On the other hand, for our workers the price would variate. We would contract multiple people on a part time schedule of 6 hours, and we would pay around 800 euros. This price was based on Domino's prices, which is a famous pizza brand that has the system of delivery and is considered to be one of the best in terms of wages.

The number of people would probably be around 10 in Lisbon and 10 in Porto at first and then if all went well, we would hire more to reach different districts but our main core in the beginning would be Lisbon since It is the capital and the city with more people in Portugal and Porto which is the second most populated district in Portugal. The pay methods would be through Mb Way or via Mastercard.

8.4.3   Place

Our company will be placed in Lisbon, nearby Marquês de Pombal. We will need to purchase computers and hire an IT team in order to maintain everything functional at all times and also hire people to work in customer service.

8.4.4   Promotion

Promotion includes advertising, public relations, and promotional strategy. The goal of promoting a product is to reveal to consumers why they need it and why they should pay a certain price for it.

In terms of promoting the brand, as referred priorly, we will recur to famous influencers in Portugal such as Margarida Corceiro or Helena Coelho, which are related to fashion and can influence a lot of potential customers.

We would also use social platforms not only to promote our brand but also to be in touch with our customers.

Each Instagram post as a cost of 5000 to 100000€ for this type of influencers on Instagram.

According to new online stores in Portugal, such as About You, there has been a great investment in promoting on Tik Tok.

Tik Tok was launched in 2016 by a Chinese start up and now is one of the biggest social media applications in the world. It is based only on videos that you like and can send to other people. Different from Twitter, Facebook or even Instagram which you can share photos, videos or just writing, Tik Tok is exclusively based on videos that you can send to your friends through direct massages whether in the app or even through other social media. The purpose would be to create and small video (15 seconds or less video) to promote on Tik Tok. We could use that video to share in all different apps mas the main idea was to build an Instagram, Facebook, and Twitter page to communicate to potential clients and to solve their problems/complaints, to share the customers outfits that were purchased by our app and to share feedback.

A good example of this situation is the About You page on Instagram:
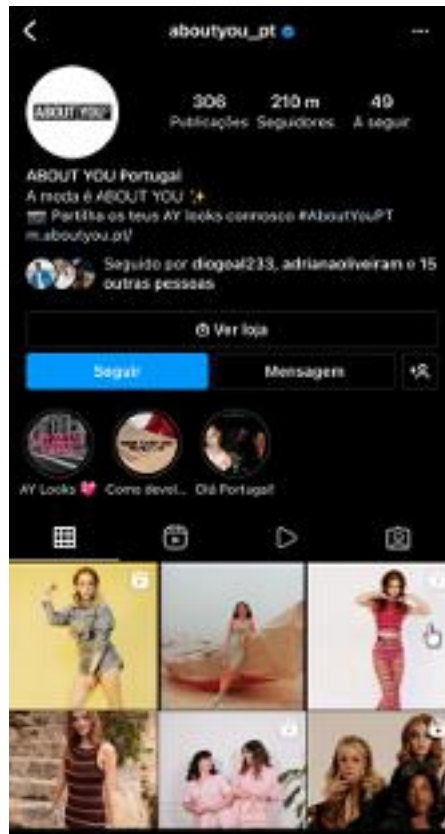
Fig 8.2: Instagram page of About You, source: Instagram

8.5   Structure

The company structure will be composed by five separated areas:

- Transportation management
- R&D
- Management and Finance
- Customer support
- Drivers

The Transportation management will be composed by two people which will have the responsibility of hiring 10 drivers in each district and will manage those people. In the second year we will hire 2 more people 1 for each region. It will remain the same 4 people until the year 5 where we will have 3 people in each region.

The R&D team will have 4 IT people working on the development of the app and then only 2 after the application is finished for maintenance purposes.

The Management and Finance will have 4 people, 1 for Tax and financial advisory, 1 to deal with different brands, 2 for accounting. I will have direct contact with this team every day in order to discuss the best possibilities for the future of the company. After the first year we will hire one more person for tax and accounting. After the second year we will hire 2 more people to deal with different brands and 2 more for accounting. After that we will ugrade their salaries and hire one more people to deal with different brands.

The Customer support will be composed by 4 people for customer support, two people for Lisbon, 2 people for Porto. After the first year we will duplicate the number of people on each side.

Drivers will be 20 in the beginning, 10 in Lisbon and 10 in Porto. After our first year we wil hire 5 more to each region. After the 4th year we will hire more 5 people to each region again and on the 5th year the same.

9   Implementation Requisites

The first decision in order to register the company, is to decide whether the company is going to be a Sociedade Anónima (SA), Sociedade por Quotas (Lda.) After that decision is made, we can now choose, whether to register the company online or to do it personally through Empresas na hora or the traditional method. This information is strictly expressed in Portuguese government website.

The Online method allows the creation of single-person limited liability, limited liability and anonymous companies, using a digital certificate, such as the Citizen's Card. Subsequently, you will be able to follow company creation process online through the Company's Electronic Dossier. However, companies whose capital is paid up using contributions, that is, in which the partners' contributions to the share capital are not made in cash, cannot be incorporated through the online method.

At Empresa na Hora branches, it is possible to set up a sole proprietorship, by quotas or joint stock company, simply by having the partners accompanied by all the necessary documents.

The creation of the company by the traditional method involves a series of steps in different Entities and at different times, such as: the request for the Certificate of Admissibility, the deposit of the company's share capital, the preparation of the pact or instrument of incorporation of the company, the delivery declaration of commencement of activity, commercial registration and registration with social security.

Financially, we will recur to business angels as a form a capital injection. Business angels are private investors who can finance projects and startups that need financial funds to grow and prosper, which is our case. In Portugal the most knowkned business angels are Business Angels Club or even Invicta Angels.

10 Financial Evaluation

This financial plan is planned to measure a forecast of 5 years, from 2023 to 2028.

10.1 Expenditures

10.1.1 HR

Fig 10.1 General, Selling and Administrative Expenses, source: Author

General, Selling and Administrative Expenses (Thousands)	2023	2024	2025	2026	2027	Total
Management and Finance	84	126	210	308	338,8	1066,8
R&D	80	40	40	40	40	240
Transportation management	33,6	67,2	67,2	67,2	100,8	336
Drivers	224	336	336	448	560	1904
Costumer support	56	112	112	112	112	504
Total	477,6	681,2	765,2	975,2	1151,6	4050,8

We will spend almost a million euros on the first year in salaries.

Each person of Management and Finance team will receive 1500 euros per month, the R&D team would be paid as a total for project which will be 80 000 euros divided by 4 people. The maintenance will be by done by two different people with the cost of 40 000 euros per year.

In the team of transportation management each one will receive 1200 euros per month.

Each driver will receive 800 euros per month.

On the customer support each person will receive 1000 euros per month.

10.1.2 Renting

We are going to suppose that the firm will maintain in the same place, Marquês de Pombal, and we are going to pay rent monthly of 10000 euros per month. Which per year represents 120000 euros on rent.

10.1.3 App fees

According to Apple, the fee for having an app on their store is 99 euros per year. However, for Google Play Store, it has a different amount set up for the users for publishing their apps. It costs 25 euros as a one-time developer fee to publish apps. This will translate in a total of 520 euros in total of the 5 years.

10.1.4 Marketing

According to our projections, we should invest more in the first two years as a way of making propaganda and to assert ourselves in the market. With that being said we expect to invest 50000 euros on our first year and 30000 on our second year. The other three years we are going to invest 20000 euros per year.

Since each post costs around 5000 euros we expect to have 10 posts on our first year, 6 on our second year and four on the other three years.

Fig 10.2 Marketing expenses

	2023	2024	2025	2026	2027	Total
Marketing (Thousands of euros)	50	30	20	20	20	140

10.2 Revenues

10.2.1 Revenues per sales

Fig 10.3 Revenue in sales, source: Author

Revenue					
	2023	2024	2025	2026	2027
Users (thousands)	100	300	600	800	1000
Active users (30%)	30	90	180	240	300
Products	10	10	10	10	10
Average price per product	20	20	20	20	20
Margin per product	2,5%	2,5%	2,5%	2,5%	2,5%
Cost per travel (euros)	3,5	3,5	3,5	3,5	3,5
Total revenue (thousands of euros)	6675	20025	40050	53400	66750

Supposing that Portuguese people buy 10 products of fashion pieces online per year and that the average price of each item is about 20 euros, applying a margin of 2,5% due to the reason that it was the most common answer in our questionnaire was "lower than 3% of the price", applying a tax of 3,5 euros per travel also due to the questionnaire responses, in our first year we should be able to have almost 7 million in sales in our first year, if we reach the 100 000

49

thousand people mark. We will consider that every user buys two pieces of clothing per purchase so the number of travels will be more realistic. Due to the reason that there are people that will create an account and may not use it, we will consider that only 30% of users will actually purchase.

On our second year we estimate to have 300 thousand people in our app resulting in a total revenue of 20 million in sales. For our third year we expect to have 0,6 million users resulting in 40 million euros in revenue. And we expect to reach 66,75 million euros in our fifth year with 1 million users.

10.3 Income Statement Forecast

Fig 10.4 Income State Forecast, source: Author

Income Statement Forecast (Thousand)					
	2023	**2024**	**2025**	**2026**	**2027**
Revenue	6675,0	20025,0	40050,0	53400,0	66750,0
Cost of Sales	-6000,0	-18000,0	-36000,0	-48000,0	-60000,0
Gross profit	675,0	2025,0	4050,0	5400,0	6750,0
Wages	-477,6	-681,2	-765,2	-975,2	-1151,6
Marketing	-50,0	-30,0	-20,0	-20,0	-20,0
Variation on Intagible Assets	0,0	0,0	18,0	0,0	80,0
Rent	-12,0	-12,0	-12,0	-12,0	-12,0
Other	-0,1	-0,1	-0,1	-0,1	-0,1
EBITDA	135,3	1301,7	3270,7	4392,7	5646,3
Depreciation and Amortization (20%)	-2,4	-4,3	-5,3	-5,5	-6,0
EBIT	132,9	1297,4	3265,4	4387,2	5640,3
Taxes (21%)	-27,9	-272,5	-685,7	-921,3	-1184,5
Net Income	105,0	1024,9	2579,7	3465,9	4455,8

It is a bit odd that we have a positive final result in the first year, but our company depends solo on delivery, which means that our profit comes from the margin of the clothing plus the cost of delivery. Other is dedicated to the payment of the app fees.

10.4 Cash flow statement

We will consider a foreign investor in order not also to promote the brand but also to have more cash available in the first year. The Cash flow from Investing activities will come from the computers from each person working on HR, except the drivers and the R&D team which will be paid as a total project. The Intagible assets represent the money invested in the patent, which will be quite important in order to protect our idea, since there is not anything similar in our country.

Fig 10.5. Cash flow statement, source: Balance sheet

Cash Flow Statement (thousands)					
	2023	2024	2025	2026	2027
Cash Paid Wages	-477,6	-681,2	-765,2	-975,2	-1151,6
Cash paid Marketing	-50,0	-30,0	-20,0	-20,0	-20,0
Cash Paid Suppliers	-6012,1	-18012,1	-36012,1	-48012,1	-60012,1
income tax payment	0,0	-27,9	-272,5	-685,7	-921,3
Cash Received from Sales	6675,0	20025,0	40050,0	53400,0	66750,0
Cash Flow from Operating Activities (1)	135,3	1273,8	2980,3	3707,0	4645,0
Tangible Fixed Assets	-12,0	-9,6	-4,8	-1,2	-2,4
Intangible Assets	-2,0				
Cash Flow from Investing Activities (2)	-14,0	-9,6	-4,8	-1,2	-2,4
Increase in Share Capital	100,0	0,0	0,0	0,0	0,0
Cash Flow from Financing Activities (3)	100,0	0,0	0,0	0,0	0,0
Variation of Cash and Cash Equivalents (4)=(1)+(2)+(3)	221,3	1264,2	2975,5	3705,8	4642,6
Cash and Cash Equivalents at The Beginning of The Period	0,0	221,3	1485,5	4460,9	8166,7
Cash and Cash Equivalents at The End of The Period	221,3	1485,5	4460,9	8166,7	12809,3

Fig 10.5. Cash flow statement, source: Balance sheet

Fig 10.6. Balance sheet, source: Author

Balance sheet (thousands)					
	2023	2024	2025	2026	2027
Assets					
Current assets:					
Cash	221,3	1485,5	4460,9	8166,7	12809,3
Total current assets	221,3	1485,5	4460,9	8166,7	12809,3
Fixed assets:					
Property and equipment	12,0	21,6	26,4	27,6	30,0
Less accumulated depreciation	-2,4	-6,7	-12,0	-17,5	-23,5
Total fixed assets	9,6	14,9	14,4	10,1	6,5
Other assets:					
Intagible assets	2,0	2,0	20,0	20,0	100,0
Total assets	232,9	1502,4	4495,3	8196,8	12915,8
Liabilities and equity					
Current liabilities:					
Income taxes payable	27,9	272,5	685,7	921,3	1184,5
Total current liabilities	27,9	272,5	685,7	921,3	1184,5
Equity:					
Investment capital	100,0	100,0	100,0	100,0	100,0
Accumulated retained earnings		105,0	1129,9	3709,6	7175,5
Net Income	105,0	1024,9	2579,7	3465,9	4455,8
Total Equity	205,0	1229,9	3809,6	7275,5	11731,3
Total liabilities and Equity	232,9	1502,4	4495,3	8196,8	12915,8

There is an increase in the intangible assets which is the value of the patent, that is going to be higher due to increase in sales and valorization of the company/idea.

11   CAPM

We calculated the discounted rate based on the Capital Asset Pricing Model concept. The formula needed to calculate our CAPM is re = rf + Pm x βe.

The Risk-free Rate (rf) is the minimum rate of return that is expected on investment with zero risks by the investor. For a time period of 5 years, it was chosen the yield of the Portuguese government bonds that is 1.4%, according to Statista.

The Market Risk Premium (Pm) is the additional return an investor will receive (or expects to receive). According to Statista, this corresponds to 6,8%

The Beta (βe) is a measure of market risk. According to Damodaran the Beta for retail online is 1,10.

Therefore, the CAPM that determines the fairest price for investment, based on risk, potential returns and other factors, is 8,8% (re = 1,4%+6,8%*1,1). Thus, the actualization rate of this project is 8,8%.

11.1   WACC

The weighted average cost of capital (WACC) is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds, and any other long-term debt, are included in a WACC calculation.

It is most usually used to provide a discount rate for a financed project, because the cost of financing the capital is a logical price tag to put on the investment. WACC is used to determine the discount rate used in a Discounted cash flow (DCF) valuation model. The formula that is used is

$$WACC = re \times E/(D+E) + rd \times (1-T) \times D/(D+E) \qquad (11.1)$$

The Rate of return (re) was calculated above, and it is 8,8%. The Percentage of capital that is equity was calculated using just dividing the $D+E$ equity for the same equity of the business because there is not debt. It means that 100% of the capital can be considered as equity. In the Cost of debt (rd) was used 2,78% (Euribor 12 months).

The Corporate tax rate (T) is the tax charged by the government on the profits earned by the company at a specified rate every year and is calculated as per specific tax norms. A flat CIT rate of 21% applies on the global amount of taxable income realized by companies'

resident for tax purposes in Portugal (also applicable to Portuguese PEs of foreign entities). But since the business doesn't have debt, it won't be calculated.

WACC = 8,8% x 1 + 2,78% x 0 = 8,8%

11.2 Free Cash Flow

In order to calculate the NPV we need to calculate the Free Cash Flow.

	2023	2024	2025	2026	2027
Operational results	132,88	1297,38	3265,42	4387,18	5640,30
Depreciations and amortization	2,40	6,72	12,00	17,52	23,52
Working Capital	193,37	1213,02	3775,19	7245,38	11624,82
Net Operating Cashflow	328,65	2517,12	7052,61	11650,08	17288,64
Capex	-10,00	-21,60	-26,40	-27,60	-30,00
Free cash flow	318,65	2495,52	7026,21	11622,48	17258,64

Fig 11.1 Free Cash Flow, source: Author

11.3 NPV

The Net present Value is a method used to calculate the current value of a project/business. It can be very helpful to evaluate the decision for an investment. Since we are doing a 5-year projection we will calculate NPV on a 5-year period.

The NPV formula is: $NPV = \dfrac{FCf^t}{(1+i)^t}$ (11.3)

Where FCt is the free cash flow for each year, i is going to be the WACC previously calculated and t is going to be 5 which is the number of time years for this projection.

To calculate it, the following actions were done:

Calculate the discount rate for each year, which is the WACC previously calculated

- Discount the Free Cash Flows by each year rate
- Using the excel formula we can obtain

NPV (8,8%; 318,65; 2495,52; 7026,21; 11622,48; 17258,64) or

- Using simple calculations

318,65/(1+0,088)+2495,52/(1+0,088)^2+7026,21/(1+0,088)^3+11622,48/(1+0,088)^4+ 17258,64/(1+0,088)^5 = 27 471,31

The NPV is equal to 27 471 310€. This high number can be explained by having always positive cashflows, including in the first year.

11.4 Terminal Value of the company

The terminal value of a company aims to capture the value of the business beyond the projection period in a discounted cash flow analysis and is considered to be the present value of all subsequent cash flows. The formula is determined by:

$$TV = \frac{FCF_n \times (1+g)}{WACC - g}$$

(11.4)

Where:

- FCFn - FCF for the last 12 months of the projection period (5 years)
- g - Perpetuity growth rate (at which FCFs are expected to grow forever)
- WACC - Weighted-average cost of capital

In general, perpetual growth rates vary from the average inflation of 3% to 4% to the historic GDP rate of 5% to 6%. We will consider a perpetuity growth rate of 5%.

TV = (17258,64*(1+5,5%)) / (8,8%-5,5%) = 205 926,87

The terminal Value of the company is equal to 205 926 807 euros.

12   Conclusions

The previous analysis confirms that fast delivery combined with fast fashion are a perfect match.

With the use of smartphones, fashion has suffered a tremendous increase not only in sales but in terms of visibility. Stores are now pressured to have more collections each year due to the constant market change. Trends now are constantly changing, and consumers are getting more demanding.

With our questionnaire we realized that time delivery is an important factor for the client, thus the concept of our idea.

With this thesis we aim not only to develop a business plan but also to notify how comfortless is being described as one of the most important factors for the consumers. We can conclude that by analyzing time people are not only willing to pay for the transportation but also for the increase in price for each product.

By having access to different stores, we can conclude that we can be very helpful to the Portuguese market and also follow the trend on online shopping, which was demonstrated earlier that keeps growing each year. When asked, if after the pandemic people would still prefer to online shop instead of physical shop, the results were very clear, with 97% of people saying yes, as mentioned before.

In terms of financial measures, by estimating that only 30% of users will actually buy products and that on average they will buy 10 pieces of clothes per year with an average cost of 20 euros our outcome is quite positive, due to our responsibility be only inducted to the transportation.

Analyzing the 5-year long analysis, we can obtain a viable positive result, reinforcing the idea that this project is not also doable but also very profitable. The difficulty will be to make sure that the products are actually bought, and the app will not be utilized as gateway to actually buy in the physical stores.

Bibliography:

Almarashdeh, I., Jaradat, G., Abuhamdah, A., Alsmadi, M., Alazzam, M. B., Alkhasawneh, R., & Awawdeh, I. (2019). The difference between shopping online using mobile apps and website shopping: A case study of service convenience. International Journal of Computer Information Systems and Industrial Management Applications, 11, 151–160. https://www.researchgate.net/profile/Malik_Alazzam4/publication/333852148_The_Difference_Between_Shopping_Online_Using_Mobile_Apps_and_Website_Shopping_A_Case_Study_of_Service_Convenience/links/5d08df14a6fdcc35c1560ed6/The-Difference-Between-Shopping-Online-Using-Mobile-Apps-and-Website-Shopping-A-Case-Study-of-Service-Convenience.pdf

Camilleri, M.A. (2018). Market Segmentation, Targeting and Positioning. In: Travel Marketing, Tourism Economics and the Airline Product. Tourism, Hospitality & Event Management. Springer, Cham. https://doi.org/10.1007/978-3-319-49849-2_4

Chen, D.-N., Jeng, B., Lee, W.-P., & Chuang, C.-H. (2008). An agent-based model for consumer-to-business electronic commerce. Expert Systems with Applications, 34(1), 469–481. https://doi.org/10.1016/j.eswa.2006.09.020

Cherrett, T., Dickinson, J., McLeod, F., Sit, J., Bailey, G., & Whittle, G. (2017). Logistics impacts of student online shopping – Evaluating delivery consolidation to halls of residence. Transportation Research Part C: Emerging Technologies, 78, 111–128. https://doi.org/10.1016/j.trc.2017.02.021

Cho, M., Bonn, M. A., & Li, J. (Justin). (2019). Differences in perceptions about food delivery apps between single-person and multi-person households. International Journal of Hospitality Management, 77, 108–116. https://doi.org/10.1016/j.ijhm.2018.06.019

Datsko, E. (2019). Successful Factors and Barriers for E-Commerce Business Within the Fashion Industry. https://riunet.upv.es/bitstream/handle/10251/124237/Datsko_-_SUCCESSFUL_FACTORS_AND_BARRIERS_FOR_E-COMMERCE_BUSINESS_WITHIN_FASHION_INDUSTRY.pdf?sequence=1&isAllowed=y

Ehrenhard, M., Wijnhoven, F., van den Broek, T., & Zinck Stagno, M. (2017). Unlocking how start-ups create business value with mobile applications: Development of an App-enabled Business Innovation Cycle. Technological Forecasting and Social Change, 115, 26–36. https://doi.org/10.1016/j.techfore.2016.09.011

Fancello, G., Paddeu, D., & Fadda, P. (2017). Investigating last food mile deliveries: A case study approach to identify needs of food delivery demand. *Research in Transportation Economics*, *65*, 56–66. https://doi.org/10.1016/j.retrec.2017.09.004

Hwang, E. H., Nageswaran, L., & Cho, S.-H. (2020). Impact of COVID-19 on Omnichannel Retail: Drivers of Online Sales during Pandemic. SSRN Electronic Journal, 1–21. https://doi.org/10.2139/ssrn.3657827

Kedia, S., Jain, S., & Sharma, A. (2020). Price Optimization in Fashion E-commerce. ArXiv. https://arxiv.org/pdf/2007.05216.pdf

Masaro, A., Mustich, A., & Galiano, A. (2020). Decision Support System for Multistore Online Sales Based on Priority Rules and Data Mining. *Computer Science and Information Technology*, *8*(1), 1–12. https://doi.org/10.13189/csit.2020.080101

Oveis Madadian, Walter Aerts, Tom Van Caneghem, Value relevance of peer-based benchmarking of discretionary expenses and business strategy, Applied Economics, 10.1080/00036846.2021.1885610, 53, 32, (3694-3714), (2021).

Pereira, M. (n.d.). *Environmental law and practice in Portugal: overview, Practical Law Country Q&A... Environmental law and practice in Portugal: overview*. [online] Available at: https://www.vda.pt/xms/files/05_Publicacoes/2020/Livros_e_Artigos/Practical_Law_Environmental_law_and_practice_in_Portugal_overview_2020.pdf

Peter K. Smith Jess Mahdavi Manuel Carvalho Sonja Fisher Shanette Russell Neil Tippett. (2008). J @ Onlinelibrary.Wiley.Com. In Journal of Child Psychology and Psychiatry (Vol. 49, Issue 4,

p.   [1]   Peter   K.   Smith   Jess   Mahdavi   Manuel   Carvalho   So).
https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1365-2575.1993.tb00125.x

Rose, Susan & Hair, Neil & Clark, Moira. (2011). Online Customer Experience: A Review of the Business-to-Consumer Online Purchase Context. International Journal of Management Reviews. 13. 24 - 39. 10.1111/j.1468-2370.2010.00280.x.

Shen, L., & Su, A. (2019). Intervention of Smartphone Addiction. In B. Bozoglan (Ed.), Multifaceted Approach to Digital Addiction and Its Treatment (pp. 207–228). IGI Global. https://doi.org/10.4018/978-1-5225-8449-0.ch010

Spanke M. (2020) Delivery. In: Retail Is not Dead. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-36650-6_13

Tamta, M. and Kumar, B. N. 2020. Consumer behaviour in online shopping. *Vigyan Varta* 1(4): 55-59 https://www.vigyanvarta.com/adminpanel/upload_doc/VV_0820_15.pdf

Weingarten, J., & Spinler, S. (2020). Shortening Delivery Times by Predicting Customers' Online Purchases: A Case Study in the Fashion Industry. Information Systems Management, 3. https://doi.org/10.1080/10580530.2020.1814459

Unpublished references taken from the internet:

Corporate Finance Institute (2021). *PESTEL Analysis*. [online] Corporate Finance Institute. Available   at: https://corporatefinanceinstitute.com/resources/knowledge/strategy/pestel-analysis/.

DPDgroup. (n.d.). *E-shopper comparison tool - DPDgroup's online survey results*. [online] Available   at: https://www.dpd.com/group/en/eshoppers-behaviour/?chart_category=0&chart_question=0

Eportugal.gov.pt. (n.d.). Guia para o seu negócio - ePortugal.gov.pt. [online] Available at: https://eportugal.gov.pt/pt/inicio/espaco-empresa/guia-a-a-z#constituiraemprsaonline

ILP Abogados. (2018). *Corporate Law in Portugal*. [online] Available at: https://www.ilpabogados.com/en/corporate-law-in-portugal-1/.

Koetsier, J. (n.d.). *We've Spent 1.6 Trillion Hours On Mobile So Far In 2020*. [online] Forbes. Available at: https://www.forbes.com/sites/johnkoetsier/2020/08/17/weve-spent-16-trillion-hours-on-mobile-so-far-in-2020/?sh=6f8a2e7d6d61

Statista. (n.d.). eCommerce - Portugal | Statista Market Forecast. [online] Available at: https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/; https://www.statista.com/statistics/1060149/share-of-devices-online-shoppers-use-to-buy-in-the-uk/; https://www.statista.com/outlook/dmo/ecommerce/portugal#revenue

Sustainabledevelopment.un.org. (n.d.). *Portugal .:. Sustainable Development Knowledge Platform*. [online] Available at: https://sustainabledevelopment.un.org/memberstates/portugal.

Tradingeconomics.com. (n.d.). *Portugal GDP Annual Growth Rate | 1996-2019 Data | 2020-2022 Forecast | Calendar*. [online] Available at: https://tradingeconomics.com/portugal/gdp-growth-annual.

Appendix A - Questionnaire

Online shopping

This questionnaire will be used in a thesis research about online shopping which aims to discover the audience interest in the app that the author is trying to create

alexandreg19797@gmail.com (não compartilhado)
Alternar conta

*Obrigatório

Gender *

○ Male

○ Female

○ I don't identify with none of the above

Age *

○ 18-25

○ 26-34

○ 35-49

○ 50-60

○ +60

Are you portuguese? *

○ Yes

○ No

In which part of Portugal are you currently living? *

○ North

○ Center

○ South

How often

How often do you purchase clothes online? *

○ Never did

○ Once a year

○ Once every 3 months

○ Once a month

○ 3 times per month

○ Once a week

○ More

Never purchased online

If your answer was "Never did" what were the motives?

☐ Trust in payment methods

☐ Scared that clothes won't fit well

☐ Scared that the product does not correspond to reality

☐ Don't know how to do it - technological problems

☐ Other

Do you see yourself buying online in the next 2 years? *

○ Yes

○ No

Time to arrive

How long does your order usually take to arrive? *

○ 1 month

○ 2 to 3 weeks

○ 1 week

○ 2 to 5 days

○ 1 day or less

From a scale of 1 to 5, being 5 - extremely important and 1 - not important at all *
how much do you value the time delivery?

○ 1

○ 2

○ 3

○ 4

○ 5

Device

How often do you use your phone for online shopping? *

○ Always

○ Most of the times

○ Sometimes

○ Never

If your answer was "Never", what is your other device?

○ Laptop

○ IPad

○ Other

Online vs Physical

In the last 2 years, due to COVID-19 a lot of people had to use online shopping *
due the restrictions inside the physical stores. Do you believe that in the future
you will continue to use online shopping?

○ Yes

○ No

Do you believe you are going to purchase more online than in a physical store? *

○ Yes

○ No

App

Imagine you have an app that includes all of the clothing stores nearby where *
you stand and that you have access to their inventory. This way you could
purchase everything without actually having to go to the physical stores
knowing that you will have almost immediate access to the clothes (20-40
min). How much would you be willing to pay for that commodity?

○ 5+ €

○ 3-5€

○ 2€

○ Under 2€

Imagine that the clothes were more expensive in the app than in the physical *
stores. What percentage of increase would you consider to still use the app and
not to go to the store, knowing that you will have almost immediate access to
the clothes (20-40 min)?

○ Lower

○ 3-5%

○ 6-10%

○ 11-20%

○ Higher

Online shopping

alexandreg19797@gmail.com (não compartilhado)
Alternar conta

Clique em "Enviar" para concluir.

Voltar   Enviar   Limpar formulário