

# CHAPTER 1

## Integrated sustainable fashion business model applying the 3R- method

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### Business Highlights

**Type of business:** *Manufacturing*

**Start-up cost (range of capitalization):** *\$15,000 to \$20279.90\**

**Projected annual range of net profit:** *\$8701.21 - \$19092.08*

**Payback period:** *1 year and 2 months*

**Selling/Service price range:** *\$1.40 to \$170*

**Marketing strategy:** *Social media page, direct marketing, personal selling and sales promotion*

**Suggested form of ownership:** *Partnership or corporation*

**Required assets:** *machinery, equipment, inventory, physical stores/online stores*

**Required number of staff:** *maximum 17*

**Competitive advantage:** *The business offers fashion services based on the 3R criteria with the core value of reducing the amount of waste generated by the fashion industry. As a business focusing on*

*\* All calculations are based on US dollars.*

## **Business Background**

The idea originates from a strong passion for fashion. Moreover, personalization has become a number one trend in recent years, and more customers expect brands to implement this feature (The State of Fashion 2018, n.d.). This trend is showing promising signs of development and will be a potential idea in the future. Besides, the current environmental pollution situation is receiving attention from the entire community. This issue is not just a typical concern, but it is alarming. It is not apparent that it is a global issue, a severe alarm. Environmental pollution destroys the living space of all living creatures and people on Earth. It affects the health of everyone. Moreover, this situation is increasing day by day significantly (Xử Lý Chất Thải, 2021).

In the fashion industry alone, a vast amount of waste is generated. In the UK, 350,000 tons of clothing waste is generated annually. In the US, this number is 10.5 million tons. Incredibly, this "waste" has the potential to decompose into methane - a toxic substance for the air and water sources of humans (Anon, 2020). According to the UN, the fashion industry is the second most polluting industry in the world, after oil and gas, and accounts for 8-10% of global carbon emissions, more than the emissions of airplanes and ships combined. Statistics show that fast fashion releases around 1.2 billion tons of CO<sub>2</sub> into the air each year, global consumption of clothing has increased by 400% in the last two decades, the fashion industry has created 52 fashion trends corresponding to 52 seasons in a year, while there are only four seasons in a year. Notably, carbon emissions of the fashion industry account for 10% of total carbon emissions for all other industries combined. It takes 2,700 liters of water to produce a t-shirt and 7,000 liters to create a pair of jeans. The fashion industry uses up to 93 billion cubic

meters of water annually. These numbers serve as a wake-up call for all. The environment is being eroded by the wasteful shopping habits that fast fashion promotes, with no end in sight (Doanh nghiệp và Tiếp thị, n.d.). The question is how to have affordable fashion while also protecting the environment.

Sustainable fashion is the solution for the world's fashion industry. Sustainability here means the product life cycle, reducing the depletion of natural resources to maintain ecological balance. In addition, sustainability is also understood more profoundly, that is, maintaining the happiness and rights of everyone in society. The concepts of fashion and sustainability go hand in hand, creating meaning for "sustainable fashion." The 3R method is not only a solution for the fashion industry but also for environmental protection and pollution reduction that many countries worldwide are applying. Each component in the 3R has its specific meaning, including Reducing - and minimizing waste production through minimalistic consumption, lifestyle, and production processes. The less waste produced, the more optimized it is. Reuse - maximizing the functionality and lifespan of products for different purposes; Recycle - utilizing waste materials to create valuable products (Đạt, 2022).

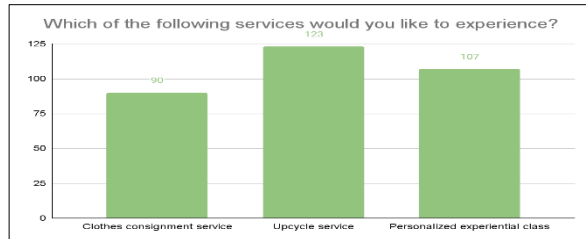
According to data from Boston Consulting Group, the global secondhand clothing market is expected to reach around \$77 billion by 2025. This market is predicted to surpass the fast fashion industry in 2027, with triple the growth rate of traditional fashion. Online platforms for shopping are the most popular method for secondhand clothing sales, with over 50% of secondhand products being sold through these platforms (Băng Hào, 2022). In the fashion industry, the new term Upcycle can be

understood as upgrading an old fashion item into a newer and more stylish one. This recycling process still preserves the original product or adds materials, patterns, and colors to create a new product. Recycled fashion, especially recycling and upcycling, is currently a trend in developing sustainable fashion for brands (Coolmate, n.d.). With the current environmental situation and the fashion industry's environmental impact, sustainable fashion is a trend and a necessary solution.

In the 80s and 90s, sustainable fashion began to emerge. However, at that time, "sustainable fashion" was still very unfamiliar and faced many limitations in widespread dissemination. The "big players" in the fashion industry constantly innovate worldwide, such as Nike - carbon and waste-free Target, Zara - using organic materials, and UNIQLO - recycling from plastic bottles. Furthermore, in Vietnam, innovation but keeping Vietnamese identity: ShoeX - utilizing coffee grounds, The BlueTshirt - saving water and limiting waste, and TimTay - aiming for no fabric waste (Trendsvietnam.vn, 2022). In addition, in recent years, handmade products have gained much popularity among consumers because they not only bring a sense of closeness to life but also offer uniqueness and express the preferences and personalities of everyone. The trend of consuming handmade products has blossomed and will continue to grow. People are increasingly bored with mass-produced items and standardized designs, significantly as their quality of life improves. Therefore, the demand for enjoying new and unique experiences through handmade products with their personalities is inevitable (www.sapo.vn, n.d.).

According to the State of Fashion report, up to 70% of consumers desire personalized products and services during their shopping experience.

This trend stems from a shift in values and desires among consumers, who increasingly prioritize individuality and uniqueness in shaping their style and fashion preferences (Style-Republik.com, 2021). Consumers, especially the younger generations of Millennials (people born between 1980 and 1996) and Gen Z (those born between 1997 and 2015 who came of age in the second decade of the 21st century), are increasingly interested in social and environmental issues. It is also reflected in their shopping behavior: they prefer sustainable products



In our survey to understand the customer demand for the three services planned for the launch, results showed that out of 218 respondents, 123 (56.4%) answers indicated a desire to experience the recycled fashion design service. The personalized recycled fashion class experience and consignment clearance service followed this. This indicates that the market demand for these services is high, especially the recycled fashion design service, and it is entirely feasible if we launch these services in the Da Nang market.

from brands that align with their values (Minh Nguyệt, 2022).

In the Vietnamese market, a survey on environmental awareness has shown that Vietnamese people strongly desire to pursue a healthy lifestyle while protecting the environment for future generations (De Koning et al., 2015). Other reports have also indicated similar results, with the green consumer goods industry being predicted as an essential trend in the context of the improving income of Vietnamese people and the increasing awareness of young people about responsible fashion consumption and the environment (Phi, 2021). 70% of the surveyed individuals said they prefer using eco-friendly products to protect the environment (Phi, 2021).

## Potential Services

**Table 1**

*Description of potential services*

| Name      | Material   |
|-----------|--|
| SOWING    | The clothes, dresses, and skirts may be old, or they may still be new, unused, or items that are no longer needed.   |
| FLOWERING | <ol style="list-style-type: none"><li>1. Redesigned models are available and sold to customers</li><li>2. Buy products directly and receive the desired design from customers.</li></ol> The products are clothes and accessories: <ul style="list-style-type: none"><li>• Used and no longer needed</li><li>• Products that have passed the trend, obsolete</li></ul> |
| BLOOMING  | Offer a customer-guided service for upcycling products based on their preferences (menu order). Customers can bring in their original items or purchase products at the store.   |

## Organizational Analysis

The business is more appropriate to be in a partnership or corporation type due to its capitalization requirement. The business is under manufacturing, specializing in designing and selling used garments. For a start-up, the business is still sustainable in a rented space.

The main activity is regularly producing recycled fashion clothing for customers with high demand. However, this process is more complicated than it sounds. Some vital core activities are necessary for the smooth operation of the model.

## **Production Process**

Producing fashion is introducing a new fashion product to the market. It includes all steps from design and development to production, packaging, and distribution.

### **a. Sowing (Clothes Consignment Service):**

**Step 1:** Locate and gather the source of the items. The first step in running a consignment service business is finding customers. The service has the characteristic that most of the inventory comes from individual customers. Therefore, to accumulate enough clothes to open the store, the business must use many ways to promote the service and attract customers and suppliers of used clothes to consign. Reach out to customers through online channels, such as posting introductions about the service on the fanpage to attract new customers who use the service for the first time or proactively approaching members of groups that buy and sell used clothes - those who already need to consign their clothes.

**Step 2:** Receiving consignment products and discussing details with customers. Once it has gathered a large enough customer base, receive, and inspect the quality of the incoming products. During this process, discuss with customers the process of consignment and liquidation so that they can clearly understand the information. Consignment products that meet the quality standards will be accepted and explain the reasons in detail to the customer.

**Policy for consignment:** The store will only accept fashion products with youthful, dynamic, and personality styles suitable for customers' needs. The selling price of the products will include a 30%

consignment fee. Regarding the requirements for consigned products, classify them into two different levels as follows:

**Table 2**

*Consignment criteria for clothing*

| Consignment criteria for clothing             |                                       |
|---|---------------------------------------|
| Type 1  | Type 2                                |
| The product is of average good quality finish | The product is of good quality finish |
| Condition: above 8/10                         | Condition: new or like new (9/10)     |

*Note:* Clothes must be washed before checking in. Refuse to accept products with signs of discoloration, frayed, peeling (for PU leather, leather, imitation leather products), yellowing, mold, bad smell, broken zipper, and lost/broken buttons.

**Table 3**

*Consignment criteria for accessory*

| Consignment criteria for accessory            |                                       |
|---|---------------------------------------|
| Type 1  | Type 2                                |
| The product is of average good quality finish | The product is of good quality finish |
| Condition: above 8/10                         | Condition: new or like new (9/10)     |

*Note:* Products must be thoroughly cleaned before consignment. Refuse to accept products showing signs of discoloration, frayed, peeling (for PU leather, leather, imitation leather products), yellowing, mold, bad smell, broken zipper, and lost/broken buttons.

**Step 3:** Categorizing products and displaying them. Next, categorize products based on style, material, and pricing and display them on shelves. Divide the store space into several separate areas so customers can easily find products according to their needs.



**Step 4:** Run advertising campaigns for the service and start operating the business. Once the store is fully set up, launch advertising and marketing campaigns to attract customers. Then, start operating the business according to the regular buying and selling process as planned from the beginning. Every 30-40 days, review the remaining inventory in the store and restock new products. Inform customers about the quantity of products sold and the amount of revenue generated and notify them about the number of unsold products that can be returned. Alongside selling products, continue implementing advertising campaigns to attract more customers to consignment sales, maintaining a stable supply source for the store.

**Step 5:** Building customer relationships. Customers are both service users and suppliers of clothing consignment service. Therefore, maintaining a good customer relationship is one of the most essential steps in the operational process. Interact directly with customers at the store and maintain communication through activities such as calling to ask about their shopping experience, answering their questions, and offering promotions and gratitude programs for regular customers.

## **b. Flowering Products**

**Step 1:** Sketching. The mandatory requirement for employees in the fashion recycling service is to continuously update the latest fashion trends on social media platforms and follow famous fashion shows and people with a reputation in the fashion industry because this will directly impact the briefing process for the design. When information was obtained about the latest fashion trends and customer needs (through customer

interactions), combined with product information, create a design brief with information such as shape, style, size, material, and design that is suitable for customer requirements while still ensuring the product's trendiness.

**Step 2:** Sourcing materials. Greatly emphasize product quality control regarding the raw material input source for recycling design services. The characteristic of this service is that the input product, after going through the production/design stages, will create a new product and go through another product life cycle. Therefore, the selection of raw materials must be rigorous to ensure that the product, after upcycling, can continue to be used for a long time.

**Step 3:** Create the product and get it manufactured. Designers take on a highly focused role in carrying out all processes, from sourcing, designing, manufacturing, and selling on the market. The primary design step in the recycling process involves the "patchwork" cutting technique, which allows for the best use of the designated amount of fabric. While color matching or printing patterns on products is often seen in conventional clothing production, it is replaced with creative designs and patterns in recycled fashion products. This cutting technique also allows for more flexibility in substituting different types of fabrics into designs, which aligns with the sustainable design strategy of "designing to minimize waste." After obtaining the design and materials, move on to the product manufacturing process. Designers and skilled tailors must be readily available in-store, making it a particularly closed-loop process at the studio. It helps us quickly understand and ensure the quality of the product before it reaches the customer's hands.

**Step 4:** Promotion. As the products are designed and recycled from other old products, each item is unique, with only one of its kind. Therefore,

communicate with the customers through various media channels, such as social media platforms, where the new collections can be easily shared and reached out to the customers. It promotes new products and the brand through the sustainable characteristics in each stage. In this way, it will positively attract consumers to the new products.

**Step 5:** Customer relationship management. Prioritize the business relationship with customers by providing programs and events to attract customers interested in the characteristics and lifestyle of sustainable fashion. Regularly strengthen good relationships with customers by using social media and interacting with them as the primary method in the advertising strategy.

### **c. Flowering Service**

**Step 1:** Receive the customer's description. When customers come to the shop to use the service, they must bring the item they want to recycle. Then, the tailor will advise customers on which design from the menu is suitable for their item. Divide each category and price level in the menu to make it easy for customers to choose. If customers want to provide a different design, continue to advise and provide the best solution. Similarly, collect customer information and mark the product.

**Step 2:** Recycling products. Recycle the product according to the customer's request.

**Step 3:** Giving recycled products back to customers. After 3-5 days of recycling, return the finished product to the customer and complete the payment.

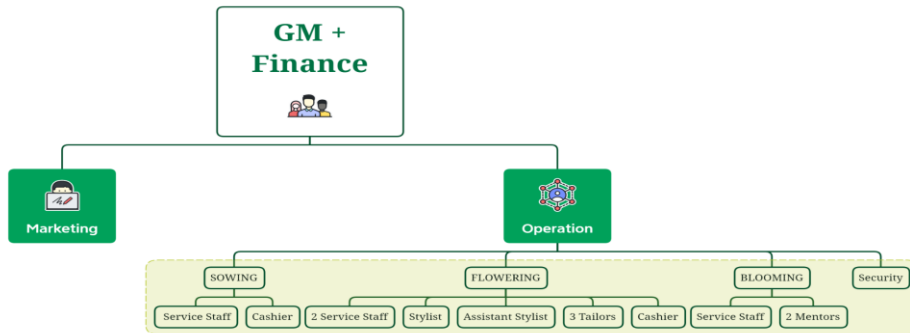
#### **d. Blooming (recycling experience class service)**

**Step 1:** Research and set up a menu and find sources of raw materials and equipment for the class setup. This is a fixed step for this type of service; study the market to grasp the customers' needs and create a menu of services that suits their tastes and purchasing power. This service has a significant advantage in utilizing raw materials from the consignment liquidation service and manpower from the recycled fashion design service. Rely on the created service menu to list the necessary ingredients, materials, and labor to set up the class. The location of the class organization is also placed next to the other 2 services, helping customers to experience multiple services in succession without spending too much time traveling.

**Step 2:** Implementing communication and marketing campaigns to promote the class. As this is an entirely new service in the market, invest much time in marketing and communication. Divide the marketing and communication campaigns into two phases. Phase 1 aims to educate the market and help customers recognize the service. Phase 2 is to launch attractive content and promotional programs to attract early adopters to experience the service.

**Step 3:** Control service quality and maintain relationships with customers. Like other services, focus on creating an excellent experience for all customers who come to avail the service. Always integrate customer service lessons in the staff training to maintain service quality. In addition, implement after-sales and loyalty programs for customers using this service.

## Proposed company structure



## Market potential

### a. Customer segment

The general target audience is individuals concerned about the environment, green lifestyle, and sustainable fashion. In the early years of seeking a foothold in the fashion industry, focus on the age group of 15 to 30 - young and always ready to catch up with new trends, with incomes ranging from low to medium. Moreover, they value personalization in their consumer experience, so self-made activities and handmade products are among their favorite activities.

### b. Value proposition

The business offers fashion services based on the 3R criteria with the core value of reducing the amount of waste generated by the fashion industry, which is currently causing alarming levels of pollution in the environment. The services contribute to environmental protection, help customers solve the problem of surplus clothing, and provide a passive income source. It is not just a single fashion model like other units but an

integrated fashion business, so it offers customers a more diverse range of services and products. The services will be creative recycled fashion products with a strong personal touch, and experiential classes will be an environment where customers can handcraft the old products they desire to recycle. Finally, as a business focusing on sustainable fashion, it raises environmental protection awareness and promote a love for green living in the community.

### **c. Channels**

A business can use various communication channels to propose its value proposition to its target customers. Businesses can use social media channels like Facebook, Instagram, TikTok, and Pinterest to promote and update their services. On social media platforms, customers can receive advice from staff, provide feedback, and request support. Additionally, social media is an excellent place for effective advertising as it has a vast user base of all ages and needs. The website is another valuable tool for promoting the image and services to the market. It helps customers quickly and conveniently learn about the business, giving them an overall look at the services and products before they visit the store. It also supports businesses in advertising nationwide, with information available on the website and can be viewed anytime.

### **d. Customer relationship**

Building customer relationships is critical in strengthening the competitive edge in the fashion market. The staff team is always available to support customers 24/7 through online consultation systems, specifically on the official social media pages. This helps leave a good impression on

customers. Additionally, to have long-term relationships with customers, always create promotional programs to retain existing customers and attract new ones, such as offering discounts, using loyalty cards for each purchase, and loyalty programs for loyal customers.

## Marketing Mix

### a. Product

Fashion is likened to an industry that fills the environment with waste. Therefore, the business wants to apply a sustainable fashion model that applies the 3R criteria: Reduce, Reuse, and Recycle to provide customers with more options in buying and reselling their products instead of using them only once and throwing them away into the environment.

Regarding the products, the sustainable fashion model 3R is prominent, focusing on design ideas and implementing product changes that bring to customers. Some of primary services include:

Sowing (clothes consignment service):

**Table 4**

*Flowering (customized recycling design service)*

| Product categories |          |
|--------------------|----------|
| Top                | Handbags |
| Dresses            | Wallets  |
| Skirt              | Jewelry  |
| Bra-top            | Hats     |

**Table 5**

*Blooming (recycling experience class service)*

| not including the product   | including the product |
|---|-----------------------|
| Decoration<br>(Dyeing, coloring, painting, attaching accessories) |                       |
| Recycling<br>(Tote bag, wallet, hat, 4 accessories)               |                       |
| COMBO   |                       |

**b. Place**

Finding a suitable storefront location will help the business develop more smoothly. It is better to choose a location with no fashion recycling stores; this is a potential area that can be exploited. In addition, an available storefront will be an advantage.

**c. Price**

The business focuses on fashion, color, uniqueness, and personalization in its services and products. For fashion enthusiasts, it is important to constantly innovate products in various new styles, following trends while still maintaining uniqueness. Based on this, the business offers various services with different pricing strategies for each fixed service (such as the experience class for recycling, liquidation/consignment) or pre-designed products to customized products.

With the goal of establishing a foothold in the market, focus on the mass customer segment, primarily targeting young customers with average income. The business aims for youthfulness, dynamism, and quality assurance. Moreover, designs are not mass-produced items but are carefully



crafted for each product from ideation to completion and sale. Experience a unique and highly personalized product when purchase and use the product. Therefore, most of the products can be priced from \$1.40 to \$170.

In different conditions and stages, businesses choose different pricing strategies. At the start-up, use a competitive pricing strategy. The products are at the same level as the fiercely competitive fashion market competitors. Customers tend to buy more when there are discounts or gifts included.

#### **d. Promotion**

**Advertisement:** Investing in advertising is the primary strategy. Paid, owned, and earned media can also be used to reach the target audience more effectively in the advertising campaign. On official social media platforms such as Facebook, Instagram, Zalo, and TikTok, TVCs and images of services can be posted, and ads can be run. This helps reach the target audience and potential new customers and enhances brand recognition in the eyes of social media users. Additionally, frequently update new product collections (lookbooks) on the Facebook platform, which is currently the platform that reaches the most diverse audience.

**Personal selling:** Always have a customer care and consultation team to support customers 24/7 on social media platforms.

**Direct marketing:** When using services or buying products, staff ask customers to provide their phone number or email address (for point accumulation and membership registration purposes). From there, send SMS or emails to customers, helping them access information about events and product collections quickly and accurately.

**Sale promotion:** To attract customers to purchase products, implement attractive promotion campaigns: discounts, vouchers, discount codes for holidays/birthdays and discounts for new collections.

## **Financial Feasibility**

### **a. Capitalization**

The estimated initial investment capital is USD 20990.

### **b. Initial Cost**

Invest in 3 service lines and 1 product line. The estimated project start-up costs include the following 8 components:

- **Market research:** Use this cost to conduct surveys and organize demo workshops for the services. Through this, the feasibility of product and service consumption can be evaluated.
- **Legal procedure:** This is an important cost when registering legal procedures for the business.
- **Renovation and reconstruction:** The cost of repairing and rebuilding the store space before entering the operational phase.
- **Equipment and furniture:** Use this cost to purchase furniture, equipment, and utensils for use in in-store and office operations.
- **Brand identity:** Brand identity includes business cards, signboards, aprons for store staff and customers, and bags for the store's logo.
- **Website creation:** Using costs for website design and purchasing a domain name for ten years.

- **Marketing costs on opening day:** To make an impression and attract customers, pay for store decorations, tea breaks, printing vouchers, and gifts for customers.
- **Materials:** Prepare tools and materials used in producing display products before opening.

The estimated total cost is \$14791.59.

### **c. Revenue stream**

The revenue mainly comes from business operations. The revenue stream from the offline sales channel will be the total revenue of all three services.

For Sowing, when customers come to consign clothes, the store and the customer will negotiate and offer a selling price for the consigned product, and the revenue generated will be 30% of the selling price of the product that the store sells.

The Flowering will be tailored to each customer's needs and based on a price list to advise customers. The price list for the service is diverse, with many different types of items such as shirts, pants, dresses, hats, etc., and each item will have many different styles for customers to choose from. In addition to the custom design service, sell ready-made recycled fashion products. These products are a solution for customers who want to experience recycled fashion products. Therefore, the revenue source of this service will depend on the number of customers using the design service and the type of service they choose. In addition, recycling design also brings revenue from the number of products designed and sold at the store.

The Blooming service has a pricing table with various options for activities (decorating or recycling) and forms (bringing the items or using available products from the shop). Therefore, the revenue source of this service will depend on the number of customers using the service and their chosen options.

#### **d. Key resources**

The resources are divided into four categories: physical, intellectual, human, and financial.

- **Physical resources.** This resource group comprises the business's physical assets, such as machinery, equipment, inventory, physical stores/online stores, and workspace. These are essential resources that any business needs to operate.
- **Intellectual property.** As a fashion business, it relies heavily on creativity for each product design. This includes customer data and feedback on the creativity of designers. As customer experience is a top priority, constantly research and adjust with the help of these resources.
- **Human resources.** As it is a sustainable fashion business model that integrates the 3R rules, it needs a sufficient workforce in this area. This resource includes a design team, department managers, and even simple employees, essential things in the business's daily operations.
- **Financial resource** is also a decisive factor for the business. Operational activities of store production this is also a sector with high waste generation, so it requires long-term revenue to continue

to operate smoothly.

#### **e. Cost structure**

The cost structure will consist of two main parts: fixed cost and variable cost. Fixed costs will include expenses such as rent, depreciation for equipment, salaries and insurance for employees, and utility bills such as electricity, water, and Wi-Fi. Variable costs, on the other hand, will change as the scale of production changes. Some variable costs may include commission fees for employee incentives, inventory costs for remaining products at the end of the year, and annual store maintenance/repair costs.

#### **Projected Financial Performance**

The main revenue stream comes from two primary sources: products and services, accounting for 30% and 70% of total revenue, respectively. Specifically, Flowering Products make up 30% of total revenue, while Blooming, Sowing, and Flowering Services make up 30%, 28%, and 12% of total revenue, respectively.

It is estimated to sell 56 weekly tickets for Blooming in the first year. Among them, the highest quantity of tickets sold is for the decoration service due to its reasonable price and being a popular choice among customers. In addition, there is a need to organize monthly workshops for promotional purposes, including two more extensive workshops with a limited number of tickets (15 tickets/workshop) and other regular workshops once a month with ten tickets/workshop.

In the first year, it is aimed to generate a revenue of \$20247.45 from the Recycling Experience Class and \$993.72 from Workshops. The total

revenue for the first year is \$21,241.17, with a growth rate of 15% in the second year and 10% in the third year.

For this service, product line is divided into three categories: offered clothing, accessories, and customized. It is aimed to generate a revenue of \$8794.99 from Flowering service in the first year. The growth rate is expected to be 15% in the second year and 20% in the third year.

With an estimated 300 products sold per week, it is aimed to generate a revenue of \$20120.91 in the first year from Sowing, with clothing accounting for \$18,981.99 and accessories accounting for \$1,138.92. The growth rate is expected to be 15% in the second year and 20% in the third year. Additionally, the consignment liquidation service will be offered both offline and online. For the online component, use social media platforms (Facebook, Instagram, TikTok) to live stream and increase the number of products sold.

There are three categories of products in Flowering products: clothing, accessories, and set. It is estimated that 45 products will be sold weekly with a revenue of \$20985.64 in the first year. The growth rate is 15% in year 2 and 20% in year 3, with revenues of \$24,133.49 and \$28960.18, respectively. This is also the primary source of revenue; therefore, it brings the highest revenue.

Table 6  
*Total revenue in 3 years*

| <b>Revenue Streams</b> | <b>Year 1</b>     | <b>Year 2</b>     | <b>Year 3</b>     |
|------------------------|-------------------|-------------------|-------------------|
| Blooming               | 21241.17          | 24427.34          | 26870.08          |
| Flowering Service      | 8794.99           | 10114.24          | 12137.08          |
| Sowing                 | 20129.91          | 23139.04          | 27766.85          |
| Flower Products        | 20985.64          | 24133.49          | 28960.18          |
| <b>Total Revenue</b>   | <b>\$71142.70</b> | <b>\$81814.11</b> | <b>\$95734.19</b> |

Operating expenses are the costs paid through the following activities:

- **Marketing Expense:** This includes Facebook ads, marketing events, influencers, video production, and discounts. The growth rate of each item over each year is considered and optimized. Total marketing costs increase slightly each year, with costs balanced for each service area and a focus on brand development.
- **Commission Fees:** Commission fees are taken from 5% of total revenue. It includes the cost of organizing employee activities, rewards for individuals who achieve KPIs, employee parties, and holiday bonuses.
- **Store Maintenance Cost:** The cost of repairing and maintaining damaged equipment, tools, and structures is calculated at \$20.28/month. This cost increases by 5% each year.
- **Rent:** The cost of renting a location is planned at \$405.60/month so the rent cost will be \$4867.18/year. After two years, the rental cost will increase by 10%, so in the 3rd year, the rent cost will be \$446.16/month.
- **Depreciation:** Use the straight-line method for this expense. The formula for calculating annual depreciation costs is Total equipment cost/depreciation time. The equipment for the garment industry has a depreciation time of 8 years.
- **Salaries:** The salary to be paid for the first year is \$37963.97. The salary will increase by 10% each year.
- **Insurance:** Every business must pay insurance for employees. This is estimated to be 10% of the employee's basic salary and will

increase by 10% per year.

- **Utilities:** Utility costs include electricity, water, and Wi-Fi. According to the business, the electricity and water costs are estimated: \$0.17/kWh for electricity and \$0.90/m<sup>3</sup> for water. Utility costs will increase by 5% per year. The estimated cost of Wi-Fi routers in the store and office is \$6.75/month.

The total operating expense in the first year is \$57234.34.

Table 7

*Total operating expense in 3 years*

| <b>Expenses</b>        | <b>Year 1</b>   | <b>Year 2</b>   | <b>Year 3</b>   |
|------------------------|-----------------|-----------------|-----------------|
| Marketing Cost         | 3155.55         | 3018.46         | 2949.43         |
| Facebook/Tiktok ads    | 1216.79         | 973.44          | 778.75          |
| Marketing events       | 1013.99         | 1115.39         | 1226.93         |
| Micro Influencers      | 438.05          | 394.24          | 354.82          |
| Produce Video          | 243.36          | 267.69          | 294.46          |
| Discount               | 243.36          | 267.69          | 294.46          |
| Commission             | 3557.14         | 4090.71         | 4786.71         |
| Store Maintenance cost | 243.36          | 255.53          | 268.30          |
| Rent                   | 4867.18         | 4867.18         | 5353.89         |
| Depreciation           | 604.42          | 604.42          | 604.42          |
| Salaries               | 37963.97        | 41760.37        | 45936.41        |
| Insurance              | 2932.47         | 3225.72         | 3548.29         |
| Utilities              | 3910.25         | 4105.77         | 4311.06         |
| <b>Total</b>           | <b>57234.34</b> | <b>61928.15</b> | <b>67758.51</b> |



**Table 8***Income statements in 3 years*

|                           | <b>Year 1</b>   | <b>Year 2</b>   | <b>Year 3</b>   |
|---------------------------|-----------------|-----------------|-----------------|
| <b>Initial Cost</b>       | <b>14290.64</b> |                 |                 |
| <b>Revenue</b>            | <b>71142.70</b> | <b>81814.11</b> | <b>95734.19</b> |
| Sowing                    | 20120.91        | 23139.04        | 27766.85        |
| Blooming                  | 21241.17        | 24427.34        | 26870.08        |
| Flowering Service         | 8794.99         | 10114.24        | 12137.08        |
| Flowering Products        | 20985.64        | 24133.49        | 28960.18        |
| <b>Cost of Goods Sold</b> | <b>3031.85</b>  | <b>3486.62</b>  | <b>4110.58</b>  |
| Gross Profit              | 68110.86        | 78327.48        | 91623.62        |
| Total Operating expenses  | 57234.34        | 61928.15        | 67758.51        |
| EBIT                      | 10876.51        | 16399.34        | 23865.11        |
| Income Tax Expense        | 2175.30         | 3279.87         | 4773.02         |
| <b>Net Income</b>         | <b>8701.21</b>  | <b>13119.47</b> | <b>19092.08</b> |

The total initial investment cost is \$20279.90. Bubbi Studio expects to break even in 1 year and two months.

## **Keys to success**

### **Business Development Roadmap**

**Stage 1.** Focus on implementing offline and online businesses in the first year. The first offline business store can start operating. At the same time, start an online business through live streaming and posting product introduction content on social media platforms and websites. Promote the Recycling Experience Service as an explosive trend during this time. In addition, continue researching and developing 3-5 new collections in the

year, constantly updating market trends to help customers have more diverse and trendy choices and look for new cool and functional themes for the recycling experience service.

**Stage 2.** Launch four new collections and increase the number of products for each collection. Besides, other products are also developed with more models and quantities. Expand the workshop scale and maintain the recycling experience service trend. Create promotional campaigns and customer appreciation programs and continue researching and releasing five new design collections in the next year.

**Stage 3.** Maintain the operating system as in previous years and focus on product development. Launch five new collections and research and design more collections with more diverse styles and materials for customers to have more choices, and this is also a premise to have that may expand the customer segmentation in the future.

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