**Executive summary of my business concept:** **To design a 3D virtual fitting room for online mass market clothing stores.**

**When ordering clothes online, a client is often faced with the problem of a mismatch between the item of clothing and his figure when trying it on since there is no option of a personal fitting. From here, such problems arise for the client as: he needs to pack the product, send it back and wait for a refund or for a replacement of the product. This wastes time and the client receives negative emotions and dissatisfaction due to not getting what he expected. On the part of the business, such problems arise as: a direct loss of money due to the failing of the sell, the cost of returning the product, and the product can also be damaged by the client. With these factors in mind, I came up with the idea of creating an application in which a client can try a 3D model of the clothes he likes on a 3D model of his figure. In this way the customer will be able to see how the particular wardrobe item will fit him or her. In order to implement this idea, it is needed to offer retailers who have offline stores, for instance “Zara”, “Mango” etc., to install 3D scanners at their expense. In order to convince a retailer to install this scanner, it is necessary to compare the cost of purchasing the required number of 3D scanners with the annual losses from the returned goods. In 2017, retail losses on the return of clothing items amounted to $400 billion. This trend is growing: in 2017, 53% more goods were returned than in 2015. While offline stores have around 8% returns (according to CBRE), e-commerce has up to 15% or 30%. The cost of buying a 3D scanner starts from $5000. So, the difference between the cost of returning clothing items and the cost of the 3D scanner is huge. This fact will most probably serve as a motivation for the retailer to consider, try and in the long-term realize this business concept. When the engaged retailer will purchase the 3D scanner, any customer can visit the shop where he would like to make the purchase at in order to make a scan of himself. Every customer interested will have to make a personal account on the shops’ website where his scan will be uploaded. After that, the customer can use his identical digital twin in order to see precisely how the clothes that he would want to purchase will suit him. The 3D model is completely individual to each person which, brings the opportunity of conducting a precise fitting process. The 3D model will not display the face of the customer which enables confidentiality and will provide safety to the clients. The store itself also receives advantages of using virtual fitting rooms: the company receives information about the actual sizes and preferences of customers, which can then be used to form the assortment of the online store. The profit that my business will be earning will be gained by 2 ways: at first the retailers will be paying the monthly or yearly subscription fee for using the personal account application to the business and in the long-term there might be an opportunity of earning profit by selling space for advertisement in the application to companies that produce goods that are not sold by the particular retail chain, for instance beauty segment companies that sell shampoos, cosmetics, perfumes and so on. My business will be responsible for managing the online fitting room division of the stores’ website and will be in charge of its’ implementation. In order to do so, my business will need a team consisted of the team leader which will be first of all responsible for managing the finances, negotiating with retailers, the technical department with a minimum of 3 people and the technical support with a minimum of 1 person. One of the technical department employees will be the programmer which will be responsible for designing the application, another employee will be the user interface designer which will be responsible for the design of the application and the third employee will be responsible for conducting the video tutorials for the technical support department with the explanation of how to use and manage the 3D scanner and application as well as for being in touch with the technical support employee if any problems arise. The technical support employee will most probably be the store’s employee that will be physically assisting the customers at the shop when they will visit it to make their 3D scan. The employee will be able to do so by passing the online training course about the use of the application and 3D scanner and will be responsible for creating the personal account for each interested client, conducting the 3D model, processing and uploading it into the personal account application. This is a digital business concept rather than e-commerce which enables data storage in which a business (retailer) can find the pattern of purchases which can be used for the understanding of the buying habits of customers. When introducing this service, a huge digital array of personal data will be obtained for further processing and making business decisions.**

**Description of the market**

**The market for virtual fitting rooms is likely to expand considerably in the coming years. The retailers will be attracted and willing to provide a convenient and enjoyable online shopping process to its consumers. This feature is expected to increase the growth of the virtual fitting room market size. The virtual fitting room lets the customer try and buy from home, which is a key factor aiding the market’s growth. Due to the COVID-19 outbreak, the substantial reduction in footfalls at the physical stores, product sales have dramatically declined. In this pandemic scenario, most consumers favor online shopping, resulting in a strong demand for e-commerce platforms. This is expected to increase the growth of the Virtual Fitting Room Market size. The global virtual fitting room market is expected to witness growth at an accelerated rate as market players adopt strategies such as, furthermore the free shipping, online promotions, and lenient return policies to improve their online sales. Rising advanced solutions offered to customers for better shopping experience backed by accurate fitting garments will be the key market driver of my business concept.**

**An outline of the organization of the business**

**The organization of the business will firstly be based on developing a digital platform and an application. The user uploads his 3D scan into his personal account. It doesn't really matter where he obtained it. Either at the retailer (if the retailer installs 3D scanners at his own expense), or at a fitness center nearby. Retailers upload their goods (clothes) and their corresponding 3D models of clothes onto my digital platform (which will be used by the buyer on his 3D model for fitting). The monetization of the platform will be based on the freemium principle. For example, a customer is given only N number of fittings per day for free. The number of fittings greater than N will already be charged for. Subscriptions can be sold for a month, quarter or year. In the case of subscriptions, the number of fittings per day will be unlimited. A retailer can place only a certain number of products in a certain number of categories for free. Anything that will exceed that limit will include a fee, which is discussed separately with each retailer. Another scheme can also be considered: the retailer uploads as many commodity items as he wants and pays only for those cases where the purchase of a product was not returned later (the product is sold, so there are no return costs). The additional monetization of my project will be obtained from the sale of advertisements on my platform, since the project assumes the presence of a mass audience and, accordingly, high traffic to the platform. Since retailers will not have access to the 3D models of customers, they can therefore buy statistical data obtained as a result of data processing within my platform that I could be selling. In order to create the platform and application, I will need funds to pay the salaries to the developers. The sources of these funds can be either the cash investments of the retailers themselves in shares in my company, or venture funds, or both. If my project will not receive support and will not be able to raise enough funds to enter the market within the first three years and make a profit in the next two years, then I will close this project and start a new one. If neither retailers nor customers are inspired by my business goals, do not want to massively support them with their funds, then no resources will help. I believe that achieving a successful functionality of the application can be done within a perspective of 5 years. During the first year I will be nailing down the developing business contacts, deals, and technological assets, during the second year I will be developing and launching into production the application and during the third to fifth years I will be selling advertisements in my application, developing the application for its use not only in the field of clothing, but also in other areas and providing paid services within the application itself for its users.**

**The financials of the business**

**Price formation. Because the main goal of my project is to reduce the number of returns, I will be receiving a percentage from the sale of those garments that were tried on in a virtual fitting room, then bought, and were not returned after the period during which the clothes can be returned. Presumably, either 5-10% of the item's value, or a fixed price of $2-5 for each item sold in this way. This money will be paid by the retailer.**

**The additional sales of related advertisements within the app will be charged $2 per 1000 impressions from an advertiser.**

**A paid subscription can be charged 2 dollars (2 euros) from the users of the application that will prevent him from not seeing ads in the app.**

**There can also exist a paid subscription for the user for seeing upcoming new items with the possibility of their virtual fitting even before they appear on the stores’ shelves, and users could buy them by pre-order. It is also beneficial for the manufacturer, because by the number of orders, he will be able to assess how successful or not the proposed model is. Moreover, the manufacturer can make only the 3D model, present it, and produce as much as there will be orders, or a little more if he sees that there are a lot of orders, which indicates that the model is successful. This saves material.**

**Estimated sales. Here I looked at the statistical data of the annual sales of the retailers. Source:**[**https://www.statista.com/statistics/455287/leading-global-clothing-and-accessories-retailers-based-on-revenue/**](https://www.statista.com/statistics/455287/leading-global-clothing-and-accessories-retailers-based-on-revenue/)

**“Further forecasts suggest that the global apparel market could alone be valued at around 1.52 trillion U.S. dollars in 2020.” “In 2019 apparel and footwear were sold to the amount of 1.92 trillion U.S. dollars.”**

**If the apparel market is estimated at $1.5 trillion in value terms, then if assuming that the average cost of one item is $30, then 50 billion items of clothing will be sold annually. If assuming that at least 1% will be sold through my application, then this will be 500 million sales (in pieces). So, I can offer the retailer to pay me only $1 for the item tried on in my application, paid for and not returned within the time allotted for the return. Thus, the estimated annual sales revenue could be $500 million per year. Even if I make an even more pessimistic forecast that 0.1% of the entire clothing market will be sold through the application, then this is 50 million of revenue per year.**

**Operating expenses. The salary of the programmers (3 people) =$100000 a year to each programmer**

**UI designer (1 person) =$100000 a year**

**Tester (1 person) =$100000 a year**

**In total=$500000 a year**

**Required capital investments. Negotiations with retailers to install 3D scanners in their offline stores at their own expense. If such are found, then I proceed to the search for an investor.**

**Investor search. An investor can be either the retailer itself, an independent investor or a group of investors. The required investment amount is $2 million. $1 million for the first year and the same amount for the second year. It should cover the costs of registering the company, staff salaries, taxes, office rent (if necessary, since programmers can work remotely), the cost of holding meetings and presentations.**

**Possible business growth points. The creation of an international business for the collection and processing of 3D models of (anonymous) people.**

**The sale of a controlling stake in this business to an alliance (which will be an investor) of clothing retailers. Only members of the alliance will be able to have access to the entire database of the 3D models.**

