MASTER IN BUSINESS ADMINISTRATION

BUSINESS PLAN
MIKA

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I would like to express gratitude to my parents, Teresa and Sergio, who have always supported me in pursuing my dreams. Their unwavering encouragement and love have been instrumental in helping me achieve this milestone. I would also like to thank my sisters, Tere and Dany, for being my greatest motivation and for being there for me during the most important moments of my life.

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Executive Summary

Mika is a baby and children´s clothing rental business based in Mexico. Mika offers a sustainable solution for parents who want high-quality clothing for their children without having to buy new clothes for every special occasion. The service offers four different plans, which vary depending on the cost of the items and the rental duration.

The target market for Mika is parents between 32 to 42 years old who have children between 6 months and 7 years old. These parents are concerned about the future of their children and environmental issues and enjoy traveling and socializing. Mika´s platform is specifically targeted towards these people, as the clothes are more suitable for special events, travel, and occasions, rather than daily wear.

Mika´s objective is to reduce clothing waste by offering an alternative to buying new clothes every time the family has a social event to assist or a trip. Mika´s service makes life easier for parents, who can enjoy events and travel without worrying about the perfect outfit for their child. Parents can contribute to a more sustainable future for their children while saving money by renting clothes.

Mika´s growth strategy is focused on advertising through social media platforms, educating parents on the impact of clothing waste, and the convenience of the service. The company projects a growth rate of around 20% each year, based on the forecast of Rent the Runway, a similar business model in the United States. However, Mika believes that because of their

unique service offering and the fact that there is no direct competitor in Mexico, they will be able to outperform these estimates.

The biggest challenge Mika faces is influencing customer behavior on México. The company must educate people that renting garments is not a sign of financial struggle, but rather a responsible move that contributes to our planet´s sustainability over time. Mika hopes to set a good example for future generations by delivering a service that puts the environment over profit.

Key Words: sustainability, children's fashion, overproduction of garments, garment waste, environmental pollution, convenience, economy in Mexico, active social life.

Resumen Ejecutivo

Mika es un negocio de alquiler de ropa para bebés y niños con sede en México. Mika ofrece una solución sostenible para padres que desean ropa de alta calidad para sus hijos sin tener que comprar ropa nueva para cada ocasión especial. El servicio ofrece cuatro planes diferentes, que varían según el costo de los artículos y la duración del alquiler. El mercado objetivo de Mika son los padres de entre 32 y 42 años que tienen hijos de entre 6 meses y 7 años. Estos padres se preocupan por el futuro de sus hijos y los problemas ambientales, y disfrutan de viajar y socializar. La plataforma de Mika está dirigida específicamente a estas personas, ya que la ropa es más adecuada para eventos especiales, viajes y ocasiones, en lugar de uso diario. El objetivo de Mika es reducir el desperdicio de ropa ofreciendo una alternativa a comprar ropa nueva cada vez que la familia tiene un evento social al que asistir o un viaje. El servicio de Mika facilita la vida de los padres, que pueden disfrutar de eventos y viajes sin preocuparse por el atuendo perfecto para su hijo. Los padres pueden contribuir a un futuro más sostenible para sus hijos mientras ahorran dinero al alquilar ropa. La estrategia de crecimiento de Mika se centra en la publicidad a través de plataformas de redes sociales, educando a los padres sobre el impacto del desperdicio de ropa y la conveniencia del servicio. La empresa proyecta una tasa de crecimiento de alrededor del 20% cada año, basándose en las previsiones de Rent the Runway, un modelo de negocio similar en Estados Unidos. Sin embargo, Mika cree que debido a su oferta de servicios única y al hecho de que no hay competidores directos en México, podrán superar estas estimaciones. El desafío más grande que enfrenta Mika es influir en el comportamiento del cliente en México. La empresa debe educar a las personas de que alquilar prendas no es una señal de dificultades financieras, sino más bien un movimiento responsable que contribuye a la sostenibilidad de nuestro planeta a largo plazo. Mika espera dar un buen ejemplo a las futuras generaciones al ofrecer un servicio que pone el medio ambiente por encima de las ganancias.

Palabras claves: sostenibilidad, moda infantil, sobreproducción de prendas, desecho de prendas, contaminación en medio ambiente, conveniencia, economía en México, vida social activa.

1. Introduction

Mika is a service for parents of children aged 6 months to 7 years who are environmentally conscious and enjoy an active social lifestyle with their family, such as going weekend trips to visit grandparents, Christmas holidays, or attending social events with their children. This service makes it easier for babies and kids to get a wardrobe for a trip, a special event, a weekend getaway, or in some cases for everyday use. This is particularly useful for families who live in warm places and require winter clothes for the kids for a trip to the mountains, or for those who live in colder weather and need summer clothes for their children for a beach holidays. By using Mika´s service, parents can avoid purchasing expensive seasonal apparel for the kids that will only be worn for a short time (due to the fast growth of children) before being discarded, adding to the waste of children´s clothing and harming the environment. Mika provides parents with access to a wardrobe for their children that is convenient, practical, and environmentally responsible.

Mika´s goal is to reduce textile waste in México by providing an alternative to traditional clothing consumption. Many parents often find themselves buying clothes for their children that are only used a few times due to their children´s rapid growth. Mika provides a solution to this problem by offering a service that allows parents to rent clothes for their children for a specific period, rather than buying new clothes for each occasion. Mika´s service is designed to make it simple for parents to have access to a wide range of stylish and high-quality clothes for their babies and children, without having to worry about the cost, storage, or waste associated with traditional consumption, the clothes are thoroughly cleaned and disinfected before and after each use, ensuring that they are in good condition for reuse. In addition, to increase revenues the company holds a yearly sample sale in which the stock in good conditions (they consider it to be 75% of the inventory) is sold at just a small percentage (20%) of the retail price of a new item. This gives a second chance for our garments to be used by the new owner for a longer time. The remaining 25% of clothes that are not in good condition will be donated to Novabori[1] to be recycled.

[1] Nájera, M., & Jiménez, A. (2018, September 6). Novabori, Reciclaje y Telas Sustentables. Coolhuntermx. Retrieved February 20, 2023, from https://coolhuntermx.com/moda-novabori-recicladora-textil-telas-sustentables-mexico-0918/

By encouraging sustainable fashion techniques, the company hopes to have a good impact on society and the environment. By choosing a circular business model, parents can lower the carbon footprint and help their children live in a cleaner and healthier future.

The purpose of this research is to develop a business plan for Mika, a circular business model within the baby and children´s fashion industry in the Mexican market. Through the use of the Canvas model, Porter´s 5 forces, and Swot analysis, we will analyze the industry, identify risk factors and opportunities, and develop a marketing plan, operational process, and a financial plan for the company. Our ultimate goal is to determine if Mika is feasible and profitable in the Mexican market. Additionally, we will highlight how Mika´s circular business model benefits society and the environment by reducing waste, promoting sustainability, and positively impacting the local community.

2. Market analysis

2.1 Industry Analysis

2.1.1 Fashion Industry and consumer analysis

The fashion Industry is responsible for a 10% of global Carbon Dioxide emissions[2], also is responsible for a staggering 2.1 billion tons of greenhouse gas emission[3] every year, according to recent estimates. To better understand the negative effects of manufacturing within the fashion industry, figure 1 highlights the main reasons for this damage.

Figure 1: Five key reasons why clothes manufacturing is so environmentally destructive.

Source: The Eco Experts

[2] Dottle, R., & Gu, J. (2022, February 23). The real environmental impact of the Fashion Industry. Bloomberg.com. Retrieved March 7, 2023, from https://www.bloomberg.com/graphics/2022-fashion-industry-environmental-impact/

[3] Howell, B. (2023, February 15). *Top 7 most polluting industries in 2023*. The Eco Experts. https://www.theecoexperts.co.uk/blog/top-7-most-polluting-industries

As can be seen in Figure 2[4], the statistical data presented by Statista has projected a 32% increase in Carbon dioxide emissions from the fashion industry since 2019 to 2030.

Projected carbon dioxide equivalent emissions of the apparel industry worldwide from 2019 to 2030 (in megatons)

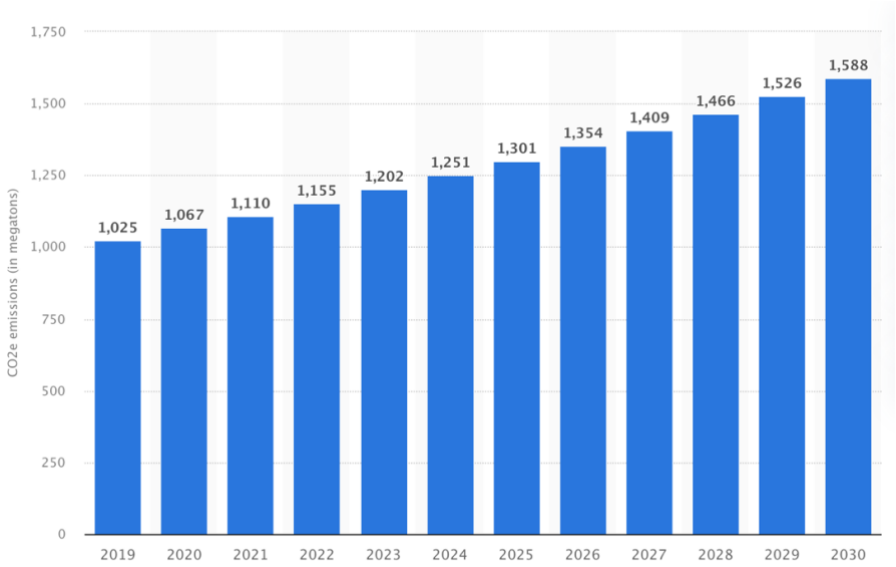


Figure 2: Projected carbon dioxide equivalent emissions of the apparel industry worldwide from 2019 to 2030

Source: Statista 2023

Furthermore, the excessive waste of clothing and overproduction of textiles has resulted in a significant environmental impact globally. According to a BBC article[5], around 92 million tons of clothing end up in landfills every year, and if this trend persists, garment waste is projected to increase by 45% by 2030. Additionally, consumer behavior has been changing, with people buying clothing more frequently and discarding it after a short period of use. Approximately 56 million tons of clothing are purchased annually, and this is expected to increase to 93 million tons by 2030 and 160 million tons by 2050. The article also mentions that only 12% of these

[4] Smith, P. (2022, December 9). Apparel industry CO2E emissions 2019-2030. Statista. Retrieved March 7, 2023, from https://www.statista.com/statistics/1305696/apparel-industry-co2e-emissions/

[5] Beall, A. (2020, July 13). Why clothes are so hard to recycle. BBC Future. Retrieved March 7, 2023, from https://www.bbc.com/future/article/20200710-why-clothes-are-so-hard-to-recycle

clothing is currently recycled, emphasizing the need for increased efforts to promote sustainable fashion practices.

The fashion sector must reinvent itself and find sustainable alternatives to reduce its environmental impact. While the industry has a significant responsibility for reducing waste and promoting sustainability, consumers also play an important role in the process. Consumers can contribute to a healthy environment by considering their purchase habits and investing in quality, long-lasting apparel. This is especially true among younger generations, who are becoming more aware of the negative effects of pollution on the environment.
Richard Kersley and Nannette Hechler-Fayd´herbe wrote an article for Credit Suisse[6] about the perceptions of sustainability among young consumers in various industries, including fashion. The study focuses on generation X and millennials, emphasizing how worried they are about the environment and actively pursuing sustainable solutions.

As shown in Figure 3, the article cites research data indicating that environmental concerns are high among Mexican Gen X and millennial consumers, with 90% expressing concern about the environment, and 45% specifically emphasizing the fashion industry´s impact on the environment. These findings highlight the growing relevance of environmental sustainability to consumers, as well as the need for businesses to prioritize sustainability activities in order to remain competitive in the market.

The following graph displays consumer concern about the environment and the fashion industry, showing any potential correlation or disconnect between concern about the environment and concern about the fashion Industry.

[6] Kersley, R., & Hechler-Fayd'herbe, N. (2022, February). csri-the-young-consumer-and-a-path-to-sustainability. Credit Suisse.

Concern about the environment versus concern about the fashion Industry

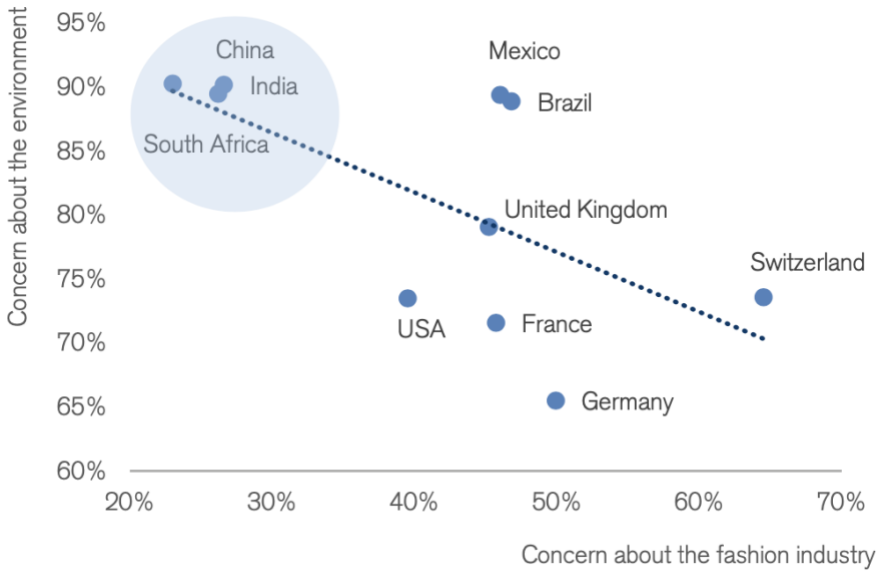


Figure 3: Concern about the environment versus concern about the fashion Industry

Source: Credit Suisse Sustainable Consumer Survey

Credit Suisse´s research, as shown in Figure 4, has revealed important insights into sustainable clothing consumption. According to the report, 65% of Mexican consumers are willing to pay a premium price for sustainable apparel, despite the fact that such products are often more expensive than fast-fashion alternatives. This significant discovery implies that young customers prioritize sustainability over cost, realizing the long-term environmental benefits. In addition, the graph below indicates the relationship between consumers who believe fashion is unsustainable and their intention to spend more money on sustainable fashion.

Consumers who feel fashion is unsustainable versus willingness to spend more for sustainable fashion (bubble size GDP per capita, ppp)

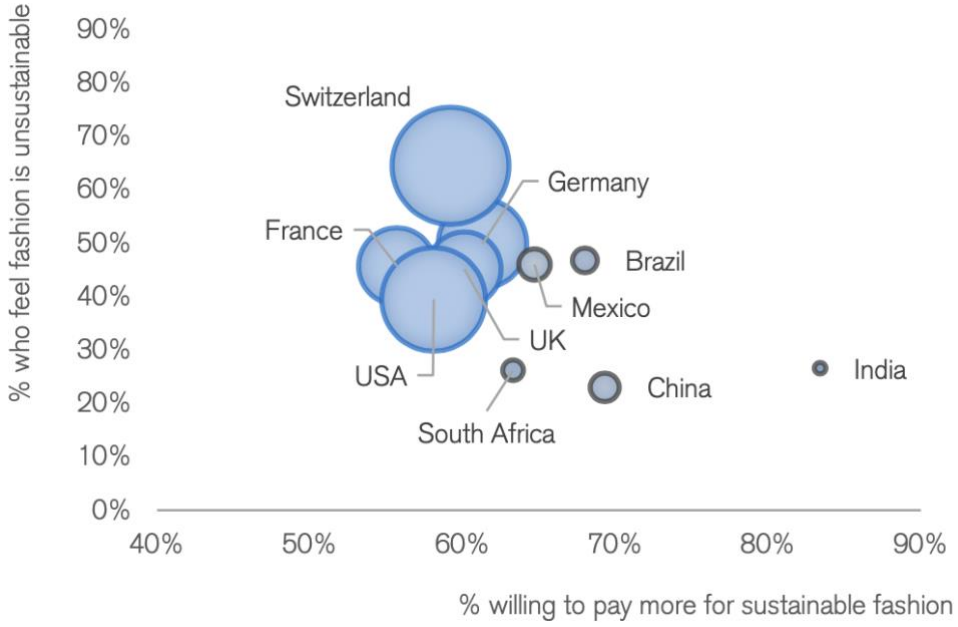


Figure 4: Consumers who feel fashion is unsustainable versus willingness to spend more for sustainable fashion

Source: Credit Suisse Sustainable Consumer Survey

Furthermore, as shown in Figure 5, the research found that younger generations in developed countries are increasingly turning to clothing rental services, with a 5.9% growth, while emerging markets have seen more than 10% increase in the use of rental clothing platforms.

As we seek to capitalize on the growing demand for sustainable and rental children´s clothes, these trends establish interesting opportunities to grow our business. We remain confident in our capacity to rapidly expand our market share and establish ourselves as a market leader in the rental children´s clothes sector in Mexico.

Moreover, the graph below provides a useful overview of consumer expectations for the utilization of clothing rental channels, indicating whether such usage is expected to increase or decrease.

"In the future, do you expect your usage of the following clothing retail channels to increase or decrease?" (Net balance increase versus decrease)

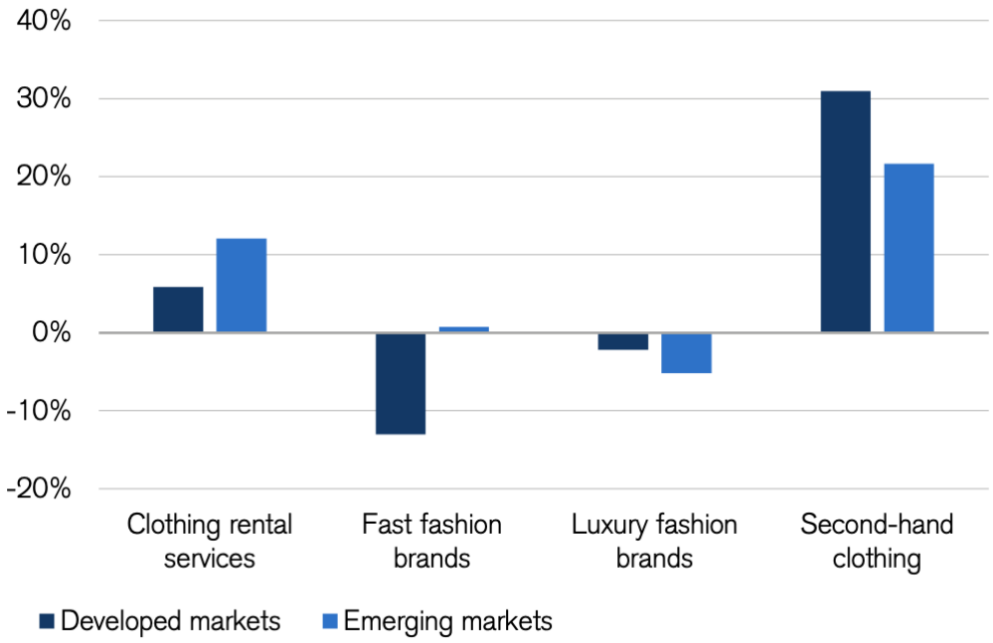


Figure 5: "In the future, do you expect your usage of the following clothing retail channels to increase or decrease?" (Net balance increase versus decrease)

Source: Credit Suisse Sustainable Consumer Survey

To summarize, the fashion industry has significant environmental concerns, such as excessive waste and carbon emissions. However, there are encouraging signs of progress, particularly among younger generations who value sustainability and are ready to pay more for it.

The growing use of clothing rental services also reflects a shift toward more environmentally friendly purchase patterns. Overall, there is a growing understanding of the need for sustainable fashion practices, and it is up to consumers and businesses to push this shift toward a more sustainable future.

The fashion industry is the second most polluting industry globally, responsible for 10% of global CO2 emissions. The industry´s carbon dioxide emissions are expected to increase by 32% by 2030. Around 92 million tons of clothing end up in landfills every year, and if this trend persists, garment waste is projected to increase by 45% by 2030. Only 12% of garments are currently being recycled, highlighting the need for more sustainable fashion practices. Younger generations are becoming more conscious of the negative impact of pollution on the planet and prioritize sustainability, with 65% of consumers in Mexico willing to pay a premium price for sustainable clothing. There is also an increasing use of clothing rental services, indicating a shift towards more sustainable consumption practices. Both consumers and companies need to drive the change towards a more sustainable future in the fashion industry.

2.1.2 Porter´s 5 Forces, Describing the Industry

Porter five forces model

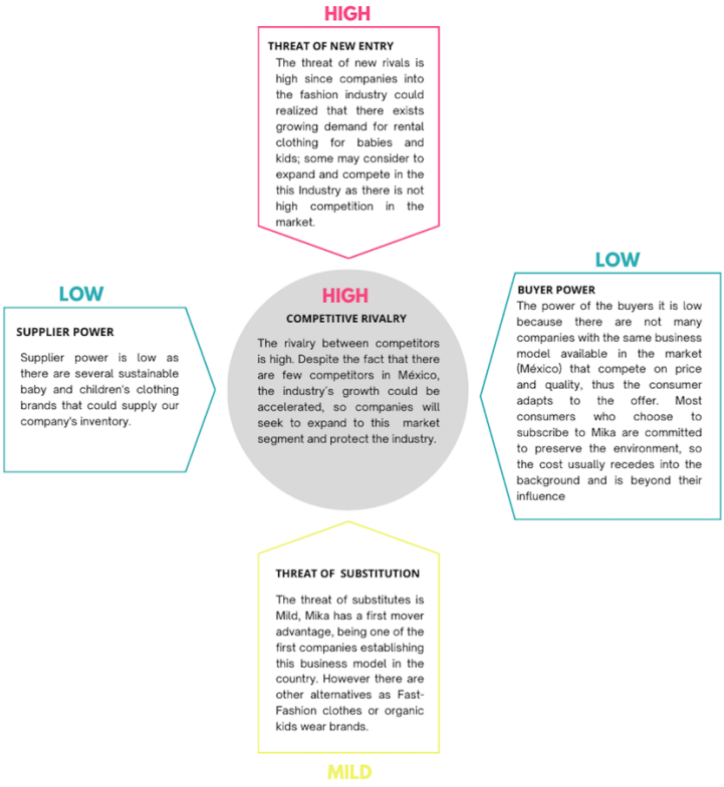


Figure 6: Porter five forces model

Source: Own elaboration

We utilize the Porter´s Five Forces model to assess the competitiveness and profitability of the industry the company is targeting. This framework allows us to acquire an in-depth understanding of the market´s competitive forces, such as the bargaining power of customers, suppliers, potential new entrants, substitutes, and existing competitors. By leveraging this analysis, the company will be able to make informed decisions about the business strategy and position Mika for success in a highly competitive environment.

We used the Porter´s Five Forces framework to get insights into the industry dynamics and the level of competition the company may face in the context of the company´s business strategy in the Mexican children´s apparel rental industry. The conclusions of the analysis are shown in Figure 6, which was made up by the author.

We found out that competition among rivals is high due to the growing demand for sustainable and second-hand clothing, as consumers become more environmentally conscious. Established companies within the fashion industry such as J.Crew, Abercrombie, and Tommy Hilfiger, are already innovating their business models to address this trend. J.Crew, for example, is collaborating with Thredup´s to sell J.Crew vintage clothes, while Abercrombie and Tommy Hilfiger are also partnering with this platform for second-hand sales[7].

This trend shows that established companies may change their business models and compete directly with Mika. Furthermore, new competitors could also enter the market, making it even more competitive. On the other side, the power of suppliers is low because there are several brands of baby and children´s clothing available in the market, giving the company flexibility in selecting the inventory.

Furthermore, the power of clients is low since are limited companies that offer the service of providing a wardrobe for children for a short period of time, promoting environmental sustainability, and preventing the problem of disposing of clothes once they are no longer used. Consumers will most likely adapt to the service Mika provides, increasing the market share and profitability of the company.

However, there is a high threat of substitutes such as fast-fashion[8] clothing brands that offer low-costs clothing for children. This is a concern as some consumers may choose to prioritize cost over sustainability. To address this problem, Mika needs to focus on providing a value proposition that emphasized the sustainable business model and differentiates the company from fast-fashion brands. To remain competitive in the market, Mika must develop strategies to differentiate themselves and give a unique value proposition to their clients.

[7] Segran, E. (2023, February 9). We buy too many clothes. can fashion's secondhand boom change that? Retrieved February 17, 2023, from https://www.fastcompany.com/90841302/we-buy-too-many-clothes-can-fashions-secondhand-boom-change-that

[8] According to the Cambridge Dictionary Fast-fashion refers to the production and sale of clothing at low prices, enabling people to frequently purchase new garments. Fast fashion. Cambridge Dictionary. (n.d.). Retrieved March 11, 2023, from https://dictionary.cambridge.org/dictionary/english/fast-fashion

The Porter´s Five Forces model was used to analyze the competitiveness and profitability of the children´s clothing rental industry in Mexico. It highlights the high rivalry between competitors due to the growing demand for rental clothing services, the low power of suppliers and clients, and the high treat of substitutes such as fast-fashion brands. The company needs to differentiate itself by emphasizing its circular business model and developing unique strategies to remain competitive.

2.1.3 Segment Analysis

During Mika´s first year of operation, the company will concentrate on operating in Mexico City, Monterrey, and Querétaro, they have made this strategic decision because these three cities have a high purchasing power. We conducted research using data from INEGI[9] (Instituto Nacional de Estadística y Geografía) and AMAI[10] (Asociación Mexicana de Agencias de Investigación de Mercado) to get insight into the demographics of these cities. The data we gathered can help us to estimate the market size for Mika in each city where the company will be operating.

Mika´s target audience are parents of children between 6 months and 7 years. Specifically, the company is targeting the upper-middle class in Mexico City, Monterrey, and Querétaro (A/B and C+). According to the data collected at INEGI we collected the following information.

There are 45.351 and 64.787 children aged 6 months to 4 years in the A/B and C+ socioeconomic level in México City. Additionally, there are 35.526 and 50.752 children aged 5 to 7 years in the A/B and C+ level. Altogether, the total number of children who potentially could use our service in Mexico City is 196.416. We developed the following hypothesis based

[9] Instituto Nacional de Estadística y Geografía (INEGI). (n.d.). Tabulados interactivos-genéricos. Retrieved April 19, 2023, from https://www.inegi.org.mx/app/tabulados/interactivos/?pxq=Poblacion_Poblacion_01_e60cd8cf-927f-4b94-823e-972457a12d4b

[10] AMAI. (n.d.). NSE. Retrieved April 21, 2023, from https://www.amai.org/NSE/index.php?queVeo=NSE2020

on the data provided above: According to Data Commons[11], the fertility rate in Mexico is two children per woman (please refer to appendix 4). Taking this into consideration, we divided the total number of children in Mexico City by two to calculate the size of our target market, which consist of these children´s parents. (Data in appendix 1, 2 and 3)

Hypothesis in Mexico City

Figure 7: Hypothesis in Mexico City

Source: Own elaboration

We applied the same hypothesis to Monterrey and Querétaro, using data from each city.

[11] México. México - Place Explorer - Data Commons. (n.d.). Retrieved April 19, 2023, from https://datacommons.org/place/country/MEX?utm_medium=explore&mprop=fertilityRate&popt=Person&cpv=gender%2CFemale&hl=es

Hypothesis in Monterrey

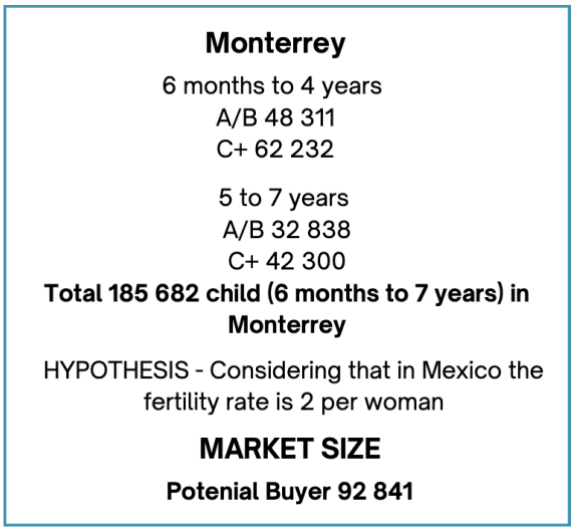


Figure 8: Hypothesis in Monterrey

Source: Own elaboration

Hypothesis in Querétaro

Figure 9: Hypothesis in Querétaro

Source: Own elaboration

After analyzing the previously provided data, we have estimated the potential customer base in these locations, we used the number of children between the ages of 6 months to 7 years old, and considering the fertility rate in Mexico, we assume that for every two children, there would

be a potential customer who could be the mother of the father of those children. We estimate a total of **233.854** potential clients in Mexico City, Querétaro and Monterrey combined (99.112 A/B and 134.742 C+), we consider this to be a valuable estimate, particularly considering the middle to high socioeconomic level in Mexico is relatively small, and we want to target this specific group.

2.1.4 Consumer Survey

We conducted a survey among potential customers in Mexico as part of the market research to gather information that was not available through online sources or previously mentioned data.

Survey Results Table

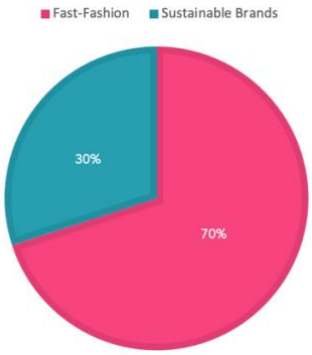
MIKA SURVEY	
POPULATION	WOMEN BETWEEN 32 TO 42 YEARS OLD: 731.884 (SOURCE: INEGI)
GREOGRAPHICAL AREA ANALYZED	MEXICO
SAMPLE SIZE	64 ANSWERS
TYPE OF SAMPLE	SIMPLE RANDOM
SURVEY TYPE	PERSONAL, DISTRIBUTED THROUGH SOCIAL NETWORKS
CONFIDENCE INTERVAL	95%
SAMPLE ERROR	±12.35%
MEASURING INSTRUMENT	ONLINE ELABORATION WITH GOOGLE FORMS
FIELD WORK	5TH TO 15TH OF MARCH
RESULTS	15TH APRIL

Figure 10: Survey Results Table

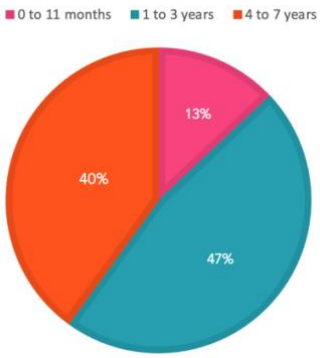
Source: Own elaboration

Survey Results

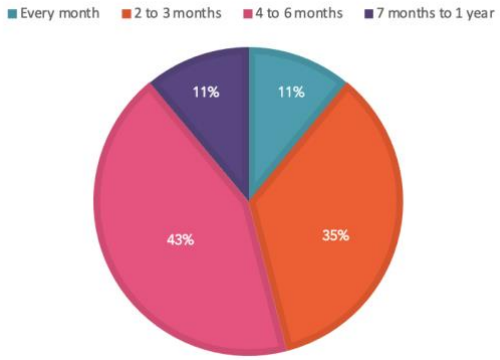
1. Do you prefer to buy fast-fashion or sustainable brands for children?



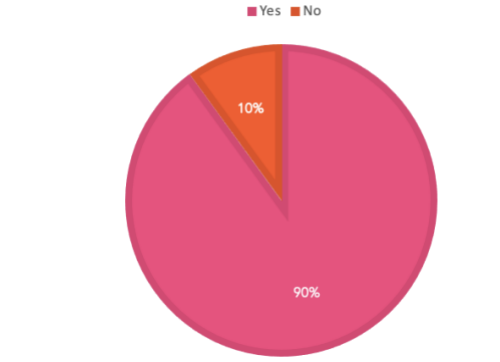
2. How old is your son/daughter?



3. How often do you buy new clothes for your son/daughter?

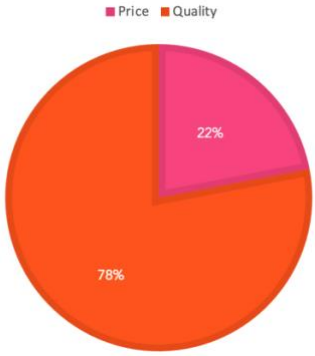


4. Are you worried about environmental pollution?

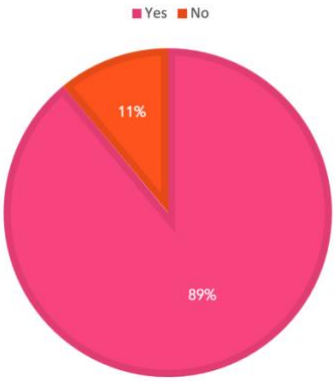


5. How much do you spend on clothes for your son/daughter annually?

6. What is more important to you price or quality?



7. Would you like to receive a wardrobe for your son/daughter with the ease of returning it and renewing it every month?



The survey results showed that the majority of parents purchase fast-fashion clothing for their children, likely due to the lack of access to sustainable options in Mexico. However, an important finding is that most parents are concerned about the environment, which is an advantage for the business as the company aims to provide them with easy access to sustainable clothing for their children and be part of a circular business model. Furthermore, we found that quality is more important to these parents than price, which is also beneficial for the company as Mika will rent high-quality clothes that have a higher cost than fast-fashion item. Finally, most parents expressed interest in the convenience of constantly updating their children´s wardrobe, a benefit that Mika´s service provides.

2.2 Swot Analysis

We conducted a SWOT analysis to evaluate Mika´s business model both internally and externally. The analysis indicates that one of Mika´s key strengths is being a pioneer in this business model in Mexico, with practically no competition. This puts the company in a favorable position to capture a significant market share in the country. Moreover, Mika addresses the need of parents to obtain new clothes for their growing children quickly, thus reducing clothing waste in the country – which is our primary goal.
Additionally, the company plans to leverage partnership with influencers to increase brand awareness and build trust with customers.

Turning to Mika´s weaknesses, the company main challenge is to shift some consumer´s perspectives on the clothing rental business model. Due to distrust and a belief that previously worn garments are not in optimal condition for use, the company must show to consumers that they can enjoy high-quality garments that feel new. It is essential that the clothing Mika have in stock are in excellent condition for reuse. However, renting high-quality and sustainable brands comes at a cost, making plans fees higher. As a result, some parents may find it more cost-effective to buy low-quality clothes from fast-fashion brands, disregarding the benefits of preserving the environment.

On the other hand, there are several opportunities for Mika´s business model. People are becoming more aware about climate change and pollution, seeking ways to contribute to the environment. Many are looking for business models that can provide a positive environmental impact. Mika seeks to take advantage of trends, and the company also hope that more sustainable brands in the children´s fashion market emerge, since this will expand their inventory and provide consumers with more options.

However, the company faces threats. The market share of the fast-fashion brands continues to grow, and consumers may prefer to buy low-quality clothing. Furthermore, the recurrence of pandemics such as COVID-19 presents a threat to Mika, as parents may question the disinfection process and be more cautious about the clothing their children wear.

Additionally, increasing shipping rates, energy costs, and water expenses could present a threat to the company.

Swot analysis

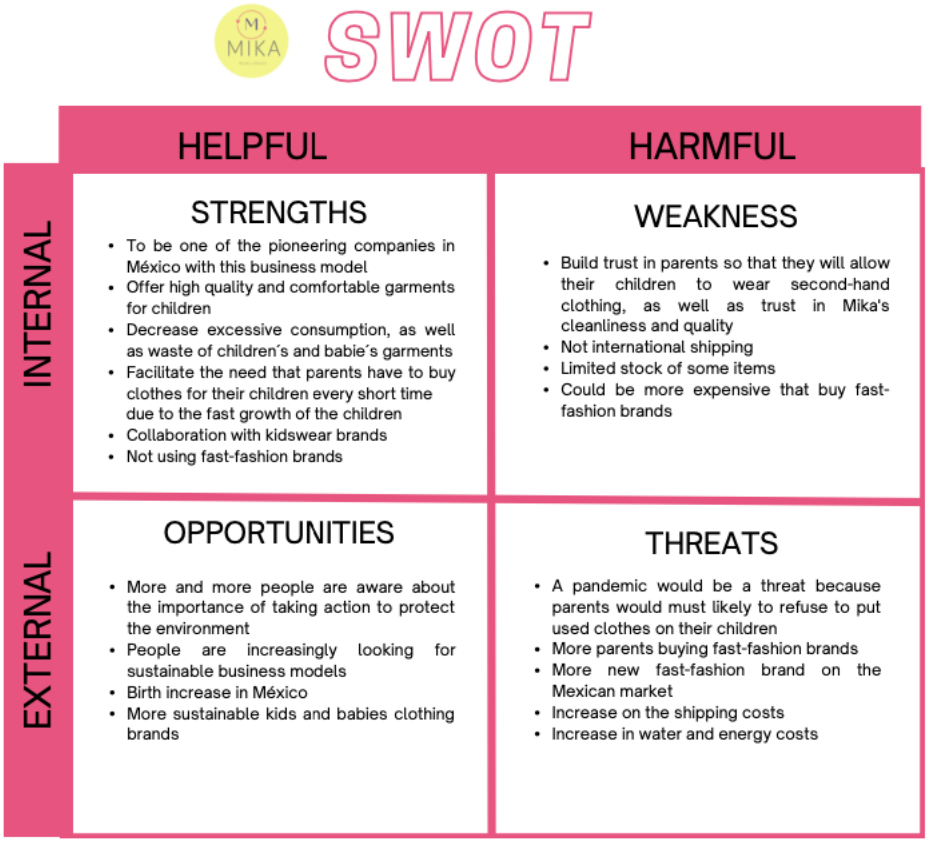


Figure 11: Swot analysis

Source: Own elaboration

2.3 Canvas Business Model

To understand and define Mika´s business model, we created a business canvas to gain an in-depth understanding of Mika´s business strategy. The goal of this canvas was to go deeper into all the parts that constitute the business, providing a more in-depth look at each aspect and how they interact to form an organized and successful business model.

Canvas Model

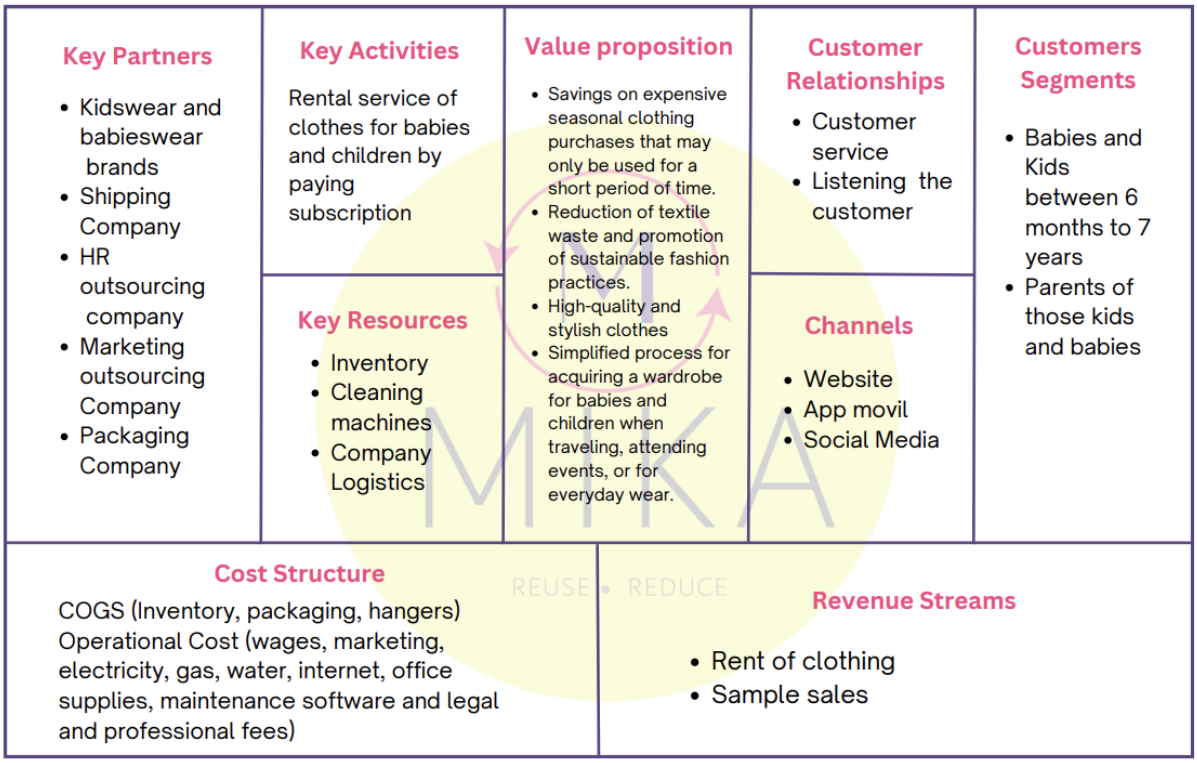


Figure 12: Canvas Model

Source: The author

2.4 Potential Clients

2.4.1 Market Segmentation

- Product category: Apparel
- Distribution channel: E-Commerce
- Geography: Mika´s initial target will be focused on Mexico City, Monterrey, and Querétaro as these are cities with high purchasing power. The company´s goal is to expand in further years to other key cities throughout the country, such as Guadalajara, Chihuahua, Morelia, Mérida, Puebla, San Luis Potosí, Aguascalientes, among others.
- Target customers: The target customers are parents who are Millennials between the ages of 32 to 42 years old, those parents have babies and kids between the ages of 6 months to 7 years old.
- Income. Our target customers have an average monthly income 40.000 to 150.000 MXN.
- Lifestyle. Mika´s target customers are young parents who enjoy traveling during summer and Christmas holidays, as well as taking short weekend trips with their entire family. They also like to spend time with friends who have children, going to parks and restaurants with their kids during weekends.
- Behavior. Mika´s target customers are social people who are concerned about the environment and the future that they will leave for their children. As a result, they actively seek ways to contribute to preserving the environment in their daily lives. They prioritize spending quality time with their children and always aim to provide the best for them.

2.5 Competitors

BEBELOGY

Bebelogy is a Mexican company that was founded by Leon Hop Buzali, a Bachelor of International Marketing. Their business model is centered around renting baby clothes for ages 0 to 24 months.

After analyzing one potential competitor in México, Bebelogy[12], we identified several differences. The primary difference is that Bebelogy exclusively rents monthly wardrobes of basic garments such as onesies or bodies that appear to be low quality.

Additionally, the company removes the garment labels, which prevents parents from knowing the brands or quality of the clothes they are renting. In contrast, at Mika, it is crucial that parents are aware of the brands they are renting as the company´s inventory comprises only the best brands for children. Another factor that sets Mika apart from Bebelogy is the rental period. While Bebelogy offers only monthly rentals, Mika provides plans that are tailored to each family´s needs. Furthermore, Mika gives parents the freedom to select both the number and specific garments they want to receive. In contrast, at Bebelogy, parents pay a subscription fee without knowing which clothes they will receive, they only select the gender and size.

Furthermore, Bebelogy´s subscription and distribution process put them at disadvantage compared to Mika. Bebelogy only accepts cash payments at its physical store and delivers to just two distribution points within the metropolitan area of Mexico City, making it inaccessible to customers who live far from the distribution points. In contrast, on Mika´s platform, parents can easily pay directly from the website or app using a credit card.

Lastly, Bebelogy´s limited sizes are another disadvantage. Currently, they only offer sizes from 6-month-old babies, with no information on when the other sizes (0 to 24 months) will be available.

[12] Bebelogy. (n.d.). Retrieved March 12, 2023, from https://www.bebelogy.com.mx/

M Circular is a Mexican company that specializes in renting baby clothes for 0 to 24 months. Their capsules include garments from brands like Finn + Emma, Little Lentil, and Sapling, among others. Based in Querétaro, Mexico.

M circular[13] could be another competitor of Mika based in Querétaro, Mexico. Their monthly subscription price is $1500 MXN for 15 garments, they offer a narrowed range of sizes that only goes up to 24 months, Mika´s sizes go up to 7 years, providing a wider range of options for customers.

One way that Mika differentiates itself from M circular is in the quality of the garments and the various plans that Mika offers, which are tailored to the needs of parents and children, while M circular only provides pre-selected rental capsules.

M circular only offers one subscription plan, which can be paid monthly or semi-annual (at a reduced price of $1250 MXN) or for 9 months at a cost of $1334 MXN per month. However, it should be noted that M circular cannot guarantee that customers will receive the exact same clothes as the sample capsule shown on their website.

Mika, in contrast, offers a broader selection of sizes and styles, more flexible packages options, and a wider selection of brands and designs, making it a better choice for consumers in Mexico looking for high-quality, fashionable children´s rental service.

As can be seen in the next table, we compare Mika with the main competitors in Mexico.

[13] Renta Ropa para tu bebé e Inicia Una Vida sustentable. M Circular. (2021, July 22). Retrieved March 12, 2023, from https://mcircular.com.mx/

Competitors Table

Figure 13: Competitors Table

Source: Own elaboration

2.6 Similar business model

A model like Mika, which is not considered as competition since it operates in the United States, but it is considered comparing its growth with the growth that Mika could have, given that this business is a pioneer and leader in clothing rental in the United States.

The company is called Rent the Runway[14], founded in 2009 by Jenn Hyman and Jenny Fleiss. They started by renting out evening dresses and accessories for women, but their growth has been so significant that they have expanded to other categories. In the first, year, Rent the Runway reached over 20,000 users. They have adapted their plans by renting clothes by

[14] *Our story - about Us*. Rent the Runway. (n.d.). https://www.renttherunway.com/about-us/story?action_type=footer_link

individual pieces and short periods, then transitioning to monthly subscriptions for a larger number of clothing items.

3. Marketing Plan

3.1 Target

Mika target audience are environmentally concerned parents aged 32 to 42 residing in Querétaro, Mexico City, and Monterrey, who have children between 6 months and 7 years old. These parents belong to a middle-high class family and value sustainability, convenience, and practically. They live a busy and social life with their family and are always looking for fashionable designs, well-known brands, and high-quality clothing for their children.

3.1.1 Buyer Persona

We created a buyer persona in order to understand better Mika´s target audience. Knowing Mika´s buyer persona will help the company develop more effective marketing strategies that are focused on their target audience, this will also allow the company to customize their advertising and adapt the service to the needs and desires of the target market. Furthermore, understanding Mika´s buyer persona might help the company in identifying new marketing opportunities and communication channels that may be more effective in reaching their target.

Buyer Persona “Mariana”

Figure 14: Buyer Persona “Mariana”

Source: Own elaboration

Buyer Persona “Paola and Hector”

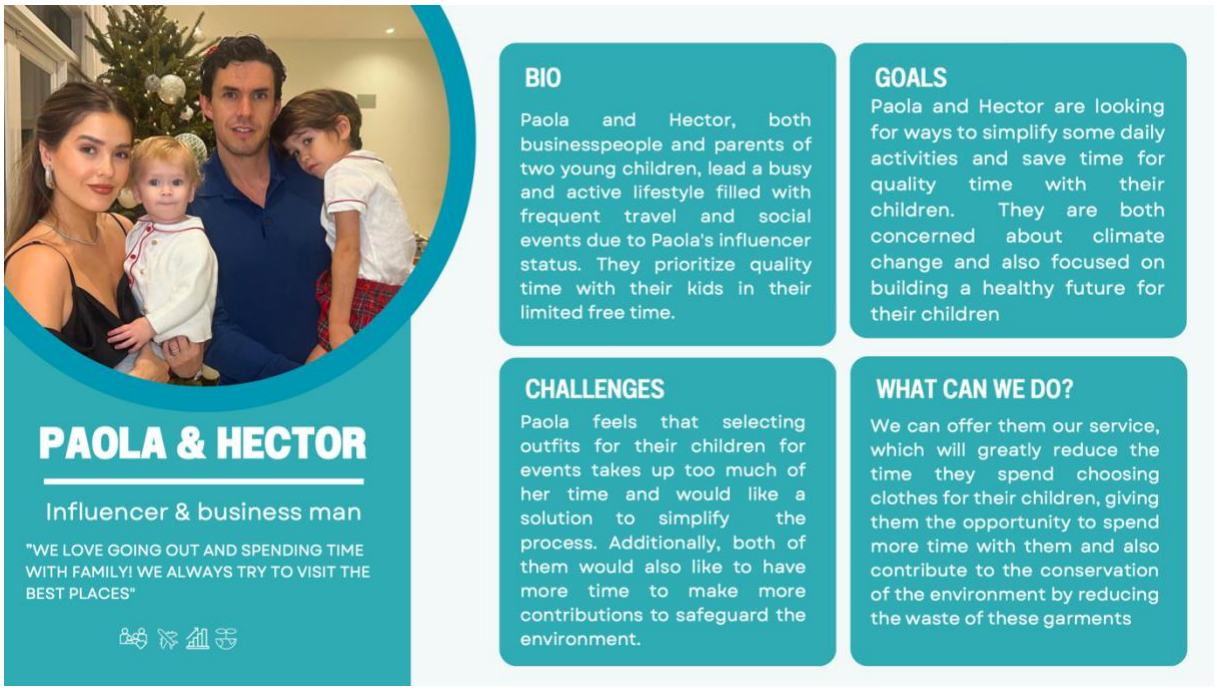


Figure 15: Buyer Persona “Paola and Hector”

Source: Own elaboration

By analyzing the first buyer persona, Mariana. She is a woman from Monterrey who comes from high-society family and has two daughters. Growing up in a family with a long-standing social status, Mariana and her family often attend social events and travel frequently. Despite their extravagant lifestyle, the family´s expenses sometimes make it difficult to keep up with the latest high-end clothing brands like other families within their social circle. Therefore, the idea of renting clothes for her daughters to use in events without investing too much money is a perfect solution for Mariana, enabling her to maintain her family´s social status while keeping her expenses under control.

The next buyer persona, Hector, and Paola, are a couple who travel frequently and enjoy an active social life. They have the financial capability to purchase expensive clothing brands for their children, but they prioritize their time and convenience. They seek an efficient way to shop clothes. Furthermore, Hector and Paola are environmentally conscious they seek sustainable and eco-friendly options that align with their values to contribute towards a better future for their children and providing them with the best example.

3.2 Value Proposition

Mika offers a convenient and eco-friendly solution for parents looking for high-quality and stylish clothing for their children, without leaving the comfort of their home. Mika´s platform provides children´s clothes for especial occasions making a sustainable practice, allowing kids and babies to have the best clothes for any event or trip, without the hassle of buying new outfits every time. Additionally, Mika´s service simplifies the process of acquiring clothes, reduces textile waste, and promotes sustainable fashion practices.

Mika´s value proposition centers around sustainability, convenience, high quality, and customer experience, with the added benefit of a yearly sample sale that offers a second chance for garments in perfect condition, and a lower price for customers.

- Sustainability: Mika´s business model is designed to reduce children´s clothing waste in Mexico and minimize global carbon emissions. The company aims to provide their customers with a high-quality wardrobe while contributing to the environment.
- Convenience: Mika provides parents and children with the convenience of a personalized wardrobe for special occasions or everyday wear, delivered directly to their door. Customers can easily select the clothes they will need and complete their plan with a single click thanks to our user-friendly website and app.
- High quality: Mika prioritizes high-quality in their clothing rental service and the items their customers receive. They collaborate with the best brands in the children´s fashion industry to provide customers with excellent quality and design in every garment they receive.
- Customer experience: Mika focuses on providing the consumer with a pleasant rental experience. The customer service team is available to assist customers with any question or concerns they may have about the products, subscription plans, or delivery process. The company is committed to make customer´s experience with Mika enjoyable, convenient, and hassle-free.

3.3 Pricing

Mika´s pricing strategy employs value-based pricing, with a primary objective of providing an excellent service and offering the best brands in the children´s fashion market. Mika aims to establish itself as a premium company in the children´s clothing fashion industry by providing sustainable brands from around the world, distinguished by their unique designs and high quality. As a result of this differentiation, Mika´s pricing is higher than the price of other rental platforms in Mexico. The company´s strengths lie in the quality of clothing available for rent, extensive range of sizes and designs, and different membership options tailored to meet the needs of parents.

We offer four different plan options. Our "Grande Premium" plan offers 8 items for a duration of 15 days, giving customers access to high-quality, unique designs from the best children´s fashion brands for a monthly fee of $1720 Mexican pesos. For those who prioritize affordability without sacrificing style, our "Grande Standard" plan offers 8 items for 15 days, featuring beautiful designs of amazing quality for a cost of $1016 Mexican pesos per month. Our "Petite Premium" plan offers 6 items for a duration of 8 days, with access to premium items, like "Grande Premium" at a cost of $787 Mexican pesos. Finally, our "Petite Standard" plan offers 6 items for a duration of 8 days, featuring standard items at a cost of $506 Mexican pesos. Every subscription plan comes with the added benefits of insurance, shipping, and returns to our warehouse, ensuring a hassle-free experience for our customers.

Pricing Table

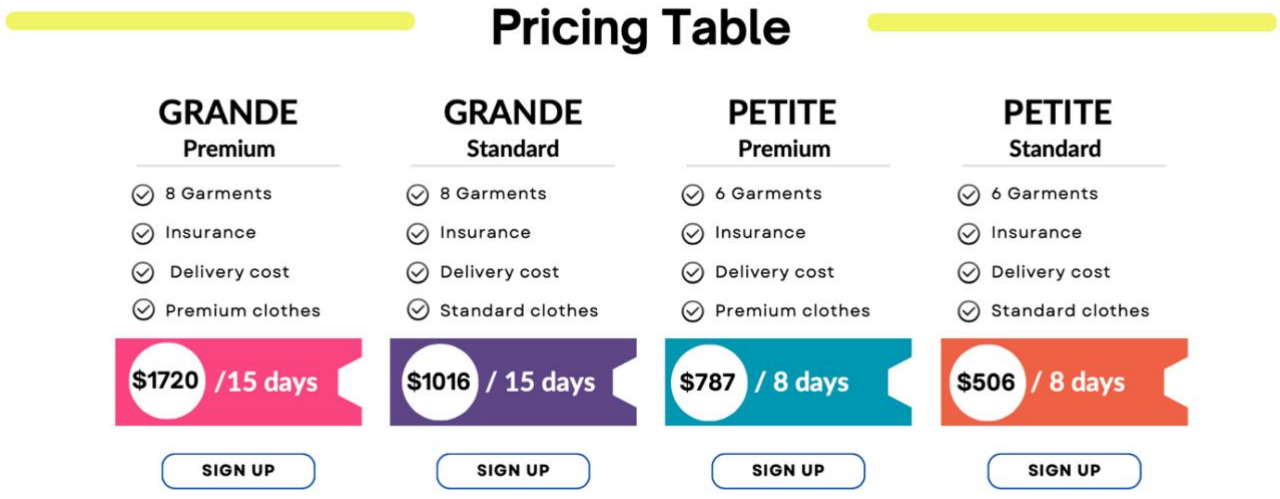


Figure 16: Pricing Table

Source: Own elaboration

3.4 Branding

3.4.1 Naming

The project´s name comes from the nickname my mother gave me as a child, “Mika” or “Mikaela”. This name is linked to some of my happiest childhood memories with my mother. It seemed like a good idea to pick this name for the company, not only because it´s creative, but also because it has sentimental importance to me.

3.4.2 Logo

Before selecting the Mika logo, several prototypes were designed to find the best one. The process of selecting the logo for the company involved gathering opinion from a small group of people. Specifically, ten individuals were asked to provide feedback on the different logo options to determine which one would be the most eye-catching and fitting for the company´s image.

The logo prototypes that were considered before deciding on the Mika logo are shown below. It was decided that the use of bright and playful colors would be the best way to convey the company´s emphasis on fun and childhood. The logo (see Final Logo) was designed with the intention of evoking a sense of excitement and joy, qualities that are often associated with kids and playfulness. By utilizing a combination of fun colors, the hope was to create a logo that would not only capture people´s attention, but also leave a lasting impression in their minds.

To explain more about the final logo, it is important to mention that Mika is a company that is proud of its dedication to sustainability and environmental friendliness. Its logo reflects these ideals and is intended to represent the company. The circular shape has a neutral yellow color with the company name in a modern font, and two arrows forming the Möbius ring symbol are directly over the name.
The Möbius ring represents recycling and waste reduction, two principles fundamental to Mika´s ideology. Mika highlights its commitment to environmental sustainability and the building of a greener future by including this symbol in its logo. Inside the Möbius ring, there

is a purple letter “M” that serves to give charm and playfulness to the logo, to create the lettering for the brand name and letter “M” we used the 19LT Zarid Sans Thin Font.

Logo Prototype number 1

Figure 17: Logo Prototype number 1

Source: Own elaboration

Logo Prototype number 2

Figure 18: Logo Prototype number 2

Source: Own elaboration

Logo Prototype number 3

Figure 19: Logo Prototype number 3

Source: Own elaboration

Final Logo

Figure 20: Final Logo

Source: Own elaboration

3.4.3 Color Palette

Mika´s color palette is carefully selected to create a sense of joy and playfulness that are associated with childhood. The bright and bold colors, such as vibrant pink, blues and yellow, are specifically chosen to evoke positive feelings and interest.

The company believes that color is a powerful tool to help them connect with children and inspire their imaginations. By incorporating these playful colors into Mika´s branding and marketing materials, they hope to spark a sense of wonder and curiosity in young minds.

Furthermore, they understand the importance of fun in a child´s life. Childhood is a time of exploration, discovery, and adventure, and they want the brand to embody those values. Mika´s color palette is just one way in which the company aims to capture the spirit of fun and creativity that is essential to a child´s development.

Color palette

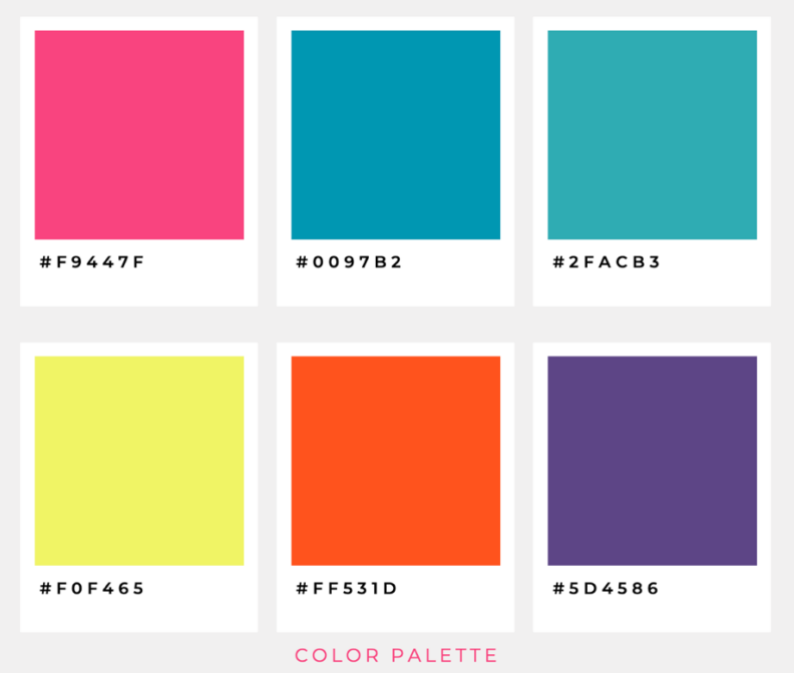


Figure 21: Color palette

Source. Own elaboration

3.4.4 Slogan

"Small clothes, big impact: Reuse and Reduce with Mika"

The slogan communicates Mika´s commitment to sustainability and environmental responsibility through its focus on children´s wear. By encouraging the reuse and reduction of children´s clothing waste. This slogan highlights the significant impact that small actions can have on the environment and encourages consumers to make conscious choices when it comes to children´s clothing consumption. Overall, Mika´s slogan effectively communicates the brand´s values of promoting fun and creative while prioritizing sustainability and responsible consumption in the context of children´s wear.

3.4.5 Packaging

As a sustainable company, Mika is committed to reducing environmental impact by avoiding the use of cardboard and plastic packaging. Therefore, they have implemented a solution where the wardrobes will be delivered in mini closets made of recycled material. The mini closets or containers will be branded with Mika´s logo and other design elements to create a unique unboxing experience for the customer.

Once the customer receives their order and removes the clothing items from the mini closet, they will keep it and send it back to the warehouse when they return the clothes. Mika would include a prepaid shipping label for the customer to return the mini closet. The returned containers will be cleaned and sanitized before being reused for future orders, creating a closed-loops system that reduces waste and promote sustainability.

3.4.6 Website and social media

Mika´s website is designed to appeal to both parents and children with a colorful, playful design that incorporates Mika´s color palette. On the website you can find detailed description of the plans, tailored to meet the needs of children. Once they choose the best plan, they can browse the selection of garments, all presented in high-quality photographs with detailed descriptions.

In the clothing selection category divided by premium and standard, parents can filter by size, gender, and season, making it easy to find exactly what they are looking for. In addition to the product offerings, visitors to the site can learn more about the company goals and the terms and conditions. Mika also offers multiple ways to contact them, including email, phone, and social media.

In terms of social media, the company primarily uses Instagram and TikTok to engage with their target audience. They create and share funny images and videos that are appealing to parents and children, while also raising awareness about important environmental issues. By leveraging social media, the company aims to increase views, clicks, and sales.

Instagram

Figure 22: Instagram

Source: Own elaboration

Prototype app 1

Figure 23: Prototype app 1

Source: Own elaboration

Prototype app 2

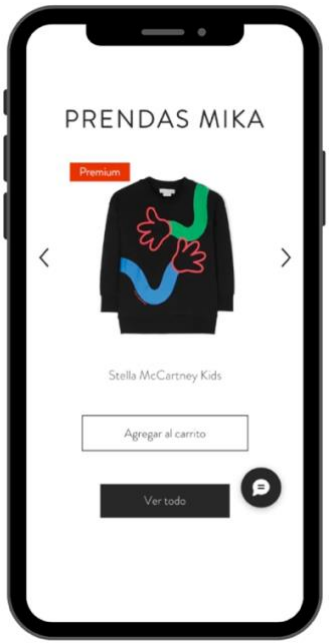


Figure 24: Prototype app 2

Source: Own elaboration

Prototype app 3

Figure 25: Prototype app 3

Source: Own elaboration

Website prototype 1

Figure 26: Website prototype 1

Source: Own elaboration

Website prototype 2

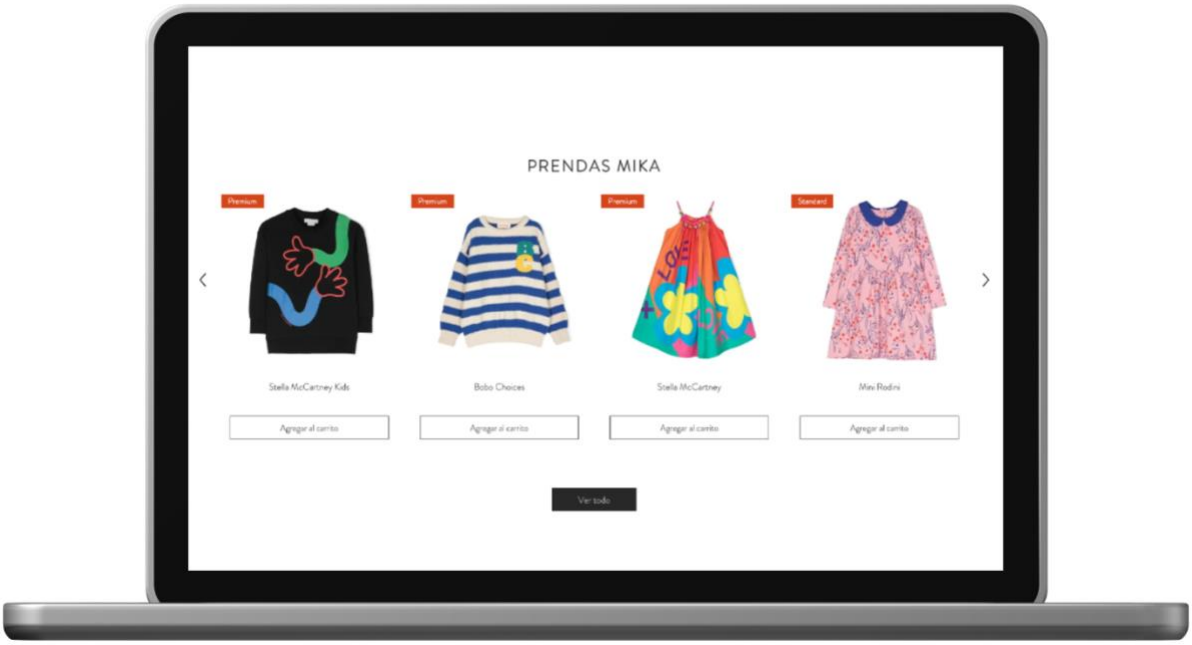


Figure 27: Website prototype 2

Source: Own elaboration

Website prototype 3

Figure 28: Website prototype 3

Source: Own elaboration

3.5Advertising

3.5.1 Mika Smart Goals

Goal #1

The company´s goal is to reach traffic on the website of 10.000 visitors per month. In addition, they want to increase the number of downloads for the mobile app, with a goal from 20 to 100 new users registering on the app each month.

Strategy #1

To increase exposure, attract more traffic, and achieve the company´s goals they will use SEO and SEM methods. To evaluate SEO, they will use KPI´s such as organic search traffic and key word ranking. To measure SEM, they will use KPI´s such as Click-through rate (CTR) and Cost-per-click (CPC).

Goal #2

Mika´s goal is to grow their social media followers, with an objective of 15.000 Instagram followers and 2.000 TikTok followers in the first three months.

Strategy #2

To accomplish this, they are going to collaborate with Mega influencers in Mexico such as Andy Benavides (1.4M followers) and Mariana Rodriguez (2.7M followers), as well as Mid-Tier influencers such as Isa Jaime (526k followers) and Sofia Torre (166K followers), which are all mothers of children who could use Mika´s service. To measure the impact of this they will use Engagement, social media referral traffic, and customer sentiment, as the Key Performance Indicators (KPI´s)

Goal #3

The company´s goal is to attain a minimum of 10.000 users on Mika´s platform by the end of the first year of operation. To achieve this, they will implement some advertising strategies, as well they will continuously improve the user experience on their website and app to ensure that customers receive the highest level of satisfaction and value from the service.

Strategy #3

Mika aims to do this by using billboard advertising in high-traffic areas such as Polanco in Mexico City and San Pedro Garza Garcia in Monterrey. The billboard commercials will be appealing to both parents and children. Each billboard will have a QR code that parents may scan to learn more about the platform by visiting their website or downloading their app.

The Key Performance Indicators (KPIs) will include Engagement (the number of people who scanned the QR code on the billboard) and conversion rate (the number of people who acted after seeing the billboard ad, such as subscribing, downloading the app, or visiting the website).

Another strategy is to focus on street marketing in Mexico City and Monterrey. Mika campaign´s theme is "YOUR CHILDREN´S DREAMS ARE IN THE FUTURE, TAKE CARE OF THE ENVIRONMENT SO THEY CAN COME TRUE".

They will be giving away bags with surprise profession costumes inside, such as doctor, veterinarian, ballet dancer, etc. as part of this campaign. They will be visiting parks in Polanco and San Pedro Garza García, inviting kids and their parents to participate in this activity. Every kid will get a surprise costume to wear at home to imagine which profession they might pursue in the future. In the meantime, they will be handing out brochures to parents, reminding them that if they want their children´s dreams to come true, they should start contributing to environmental protection. The brochure invites parents to visit Mika´s website by scanning a QR code and start making a difference in the environment. The company believes the campaign will be successful, encouraging children and parents to take care of the world while enjoying the convenience of Mika´s service. The KPIs that they will use to measure the success of this campaign will be sales and awareness of the company.

Mika will use advertising to highlight the potential effects of the company´s actions and encourage consumers to take measures towards a more sustainable future. Their goal is to inspire parents to adopt environmentally friendly habits and make better choices that will benefit the environment.

Smart Goals table

GOALS	STRATEGY	KPIs
• Reach a traffic of 10,000 monthly visitors on our website.. • Increase the number of Mika app downloads from 20 to 100 new users registering on the app each month.	• SEO • SEM	• Organic search traffic • Key word ranking • Click-through rate (CTR) • Cost-per-click (CPC).
• Increase Instagram followers from 2.500 to 15.000 in three months • Increase from 500 to 2.000 TikTok followers in the first three months.	• Collaborations with Mega influencers in Mexico such as Andy Benavides and Mariana Rodriguez • Collaborations with Mid-Tier influencers such as Isa Jaime and Sofia Torre.	• Engagement • Social media referral traffic • Customer sentiment
• Reach a minimum of 10,000 users on our platforms by the end of the year.	• Billboard advertising in high-traffic areas such as Polanco in Mexico City and San Pedro Garza Garcia in Monterrey. • Street marketing campaign in Mexico City and Monterrey.	• Engagement • Conversion Rate • Sales • Awareness of the company.

Figure 29: Smart Goals table

Source: Own elaboration

Calendar of Marketing Activities

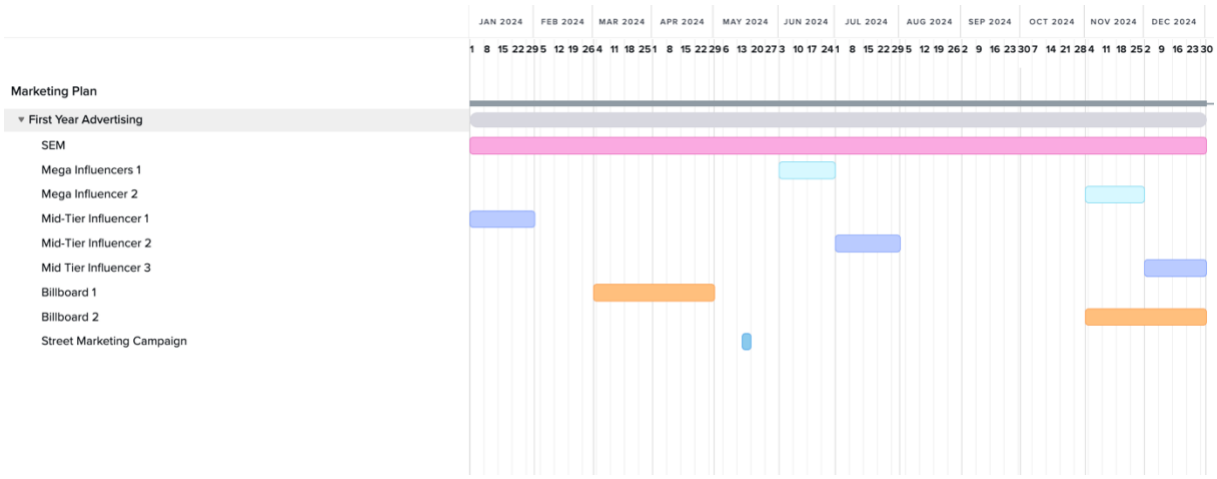


Figure 30: Calendar of Marketing Activities

Source: Own elaboration

Billboard prototype 1

Figure 31: Billboard prototype 1

Source: Own elaboration

Billboard prototype 2

Figure 32: Billboard prototype 2

Source: Own elaboration

Brochure

Figure 33: Brochure

Source: Own elaboration

3.5.2 Marketing budget

The marketing budget for the first year to achieve Mika´s goals is $617.000MXN. This includes payments to the marketing company that will support the company with the street marketing campaign, monthly SEM investment increasing in the months leading up to the holiday season, such as June and November. Mika will collaborate with mega-influencer in June and November, both of which are prior vacation months of July and December. This will allow them to introduce the service to the followers of these influencers so that they can rent clothes for their children to wear on their next vacations. Mika will collaborate with mid-tier influencer

in the first month of operation to showcase how the service works, and subsequently in July and December. The company´s goal is to have these influencers showing Mika´s clothes and how does the platform work during their travels in these months. The billboards will be in well-known shopping centers in the cities where the company is present, for two months at the beginning of the year and two months at the end of the year.

Finally, the street marketing campaign, which they will work together with the marketing agency, will be carried out in May to increase brand awareness prior to the months in which they could increase sales.

First Marketing Budget

Marketing budget first year (2024)	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Marketing Company	$ 25,000.00												$ 25,000.00
SEM	$ 3,000.00	$3,000.00	$ 2,000.00	$ 2,000.00	$ 1,000.00	$ 6,000.00	$ 3,000.00	$1,000.00	$ 1,000.00	$1,000.00	$ 6,000.00	$ 3,000.00	$ 32,000.00
Mega Influencers						$80,000.00					$80,000.00		$ 160,000.00
Mid-Tier influencers	$ 40,000.00						$40,000.00					$40,000.00	$ 120,000.00
Billboards			$50,000.00	$50,000.00							$50,000.00	$50,000.00	$ 200,000.00
Street Marketing Campaign					$80,000.00								$ 80,000.00
													$ 617,000.00

Table 1: First Marketing Budget

Source: Own elaboration

3.6 Sales policy

- Service Policy: Mika offers a rental service for children´s and baby clothing for various occasions, tailored to meet customer´s needs through the different kind of plans. The plans vary according to the garment category and duration of each subscription. By using this service, the client agrees to the terms and conditions, in which they commit to covering any damage resulting from the misuse of the garments. They also agree to leave a credit card as a guarantee, from which the company could charge for damaged garments or those not returned to the warehouse after the rental period.

- Payment method and policy: To make a purchase, customers can pay using their credit card via Mika´s website or mobile app. Before paying, customers must agree to the terms and conditions, which specify that they will be charged a

penalty of $100 MXN per day if they do not return the garments within 30 or 15 days, depending on the plan they have chosen. If the garments are not returned after six days, the full retail price will be charged to their credit card.

- Returns Policy: The company does not accept returns of garments since they provide the customers with the freedom to choose the garments they want to receive, ensuring that they match the images and descriptions provided on the platform. Mika has a strict quality control process, but if a garment arrived with a defect, they would offer an extra garment for free in the next rental. An important reason why they do not accept returns is that this process would require using delivery service twice, once for the customer to send the garment back to the warehouse, and another for us to send a new garment to the customer. Our mission is to care for the environment and reduce pollution as much as possible.

- Insurance Policy: All subscriptions come with insurance that covers regular wear and tear of the garments. If a garment is damaged because of carelessness, the customer will be charged the store´s retail price for the damaged item.

3.7 Distribution Channels

Our distribution channels will be limited to our website and mobile app, which can be downloaded for both IOS and Android. Currently, Mika does not have a physical store.

4. Operations Plan

4.1 Key processes

The company places a high emphasis on delivering a superior level of service that involves the entire logistical process of providing our clients with premium-quality garments on time. We follow a rigorous protocol to ensure that our client receive nothing less than the highest standards of service.

- The Supply Chain. Mika is dedicated to promoting sustainability and reducing its impact on the planet. To that purpose, Mika collaborates with sustainable children´s clothing brands from around the world. Brands that share Mika´s values are carefully selected to ensure that clients are provided with the best designs each season.

- Order fulfillment. This position is responsible for oversees the logistics of orders processed via the platform. When customer pay for a plan and select a wardrobe for their children, the employee in this position provides the order data to the inventory team, who ensures that the order is prepared and shipped on time.

- Quality Assurance. Ensuring quality control is a top priority at the company. The team conducts careful inspections of each garment that is rented out to determine its condition and suitability for rental. Only the garments that meet the company´s high standards are chosen for cleaning and disinfection before being returned to the inventory.

- Financial processes. At Mika, significant importance is placed on effectively managing the company´s financial resources. The Director is responsible for overseeing all aspects of financial management, including budgeting and financial planning. Their role ensures that the company has the necessary resources to operate smoothly and acquire new garments for the inventory.

- Customer Service: The company is committed to providing its clients with the highest levels of customer service, customers can reach the customer service

team by email, phone, or WhatsApp. The dedicated customer service team is always available to address any questions or concerns clients may have regarding the platform or their orders. Every effort is made to ensure that clients are completely satisfied with the service provided.

- Stock procurement process. The purchasing process of garments for the inventory is an important component of the company´s operations. Garments are carefully selected. Aligning with the company´s philosophy of sustainability and high quality. The focus is on offering innovative and on-trend designs that prioritize children´s comfort.

- Shipping process: Timely and efficient shipping plays a crucial role in the company´s operations. A partnership has been established with FedEx, to ensure that clients receive their packages promptly. The speed and reliability of FedEx´s services are relied upon to deliver the client´s new wardrobe within 1-2 days after they make the payment for the plan. This enables the company to maintain the efficient operation of its platform.

4.1.1 Warehouse and Customer processes

1. Once a client has subscribed and selected their children´s wardrobe, the garments are marked as out of stock on the platforms to prevent another client from renting the same item for the same term, unless additional garments of the same size and model are available.

2. The selected garments are promptly sent to the inventory department to prepare the shipment.

3. The company prepares the pre-paid shipping label to facilitate the rental process. The cost of the shipping label, which covers the delivery of the package to the client. Additionally, a prepaid return label is provided inside the package for the customer´s convenience. Upon receiving the package, the customer has 15 or 8 days to return it to the warehouse, depending on the plan they have chosen. (The company do not offer international shipping)

4. Once the package is ready with all the items, it is sent it to the client at the provided address. The plan time starts counting from the day they receive the wardrobe, not from the day it is sent.

5. Once the package containing the used garments is received in the warehouse after the rental period, the condition of the garment is checked.

6. If the items are in good condition, they go through an in-depth washing process, in which the company uses eco-friendly detergents to reduce environmental impact.

7. After washing, the garments go through the drying process.

8. Finally, the garments are disinfected with Ozone to ensure they are ready for rental again.

9. Once the garments are ready to be rented again, they are added back to the inventory and sent to the inventory department.

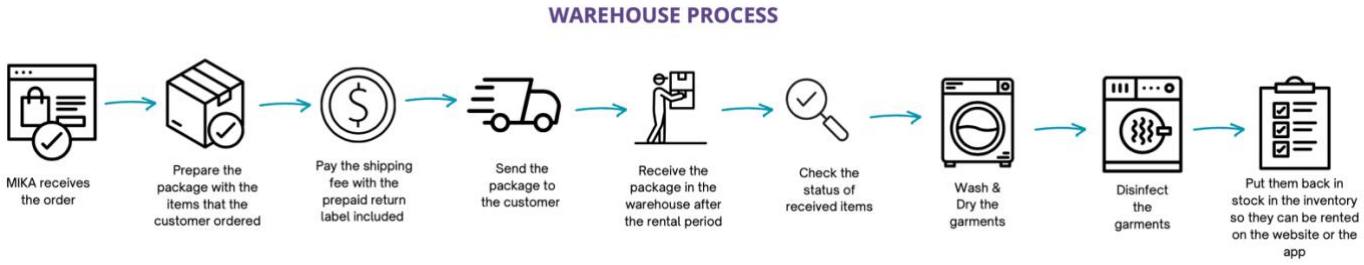


Figure 34: Warehouse process

Source: Own elaboration

To begin using the service, customers should either visit the company´s website or download the Mika application. After subscribing and filling out their information, users must choose one of the plans and pay the plan fee.

Next, customers can start creating a personalized wardrobe for their baby, boy, or girl by selecting garments from the catalog. If a garment is rented out while the client is browsing, it

will appear as out of stock, and they will need to select a different garment. Garments cannot be reserved until the customer finish the rental process.

Once they have confirmed the rental and verified the shipping information, the closet will be shipping to their home along with a return label. The client must return the closet in the same container within 15 or 8 days of receiving it. If any garment is damaged during the rental period, the client will have to send it back, and the insurance will cover the cost of the damage. However, if they lose an item, they will be charged the retail price of the garment using their authorized payment method.

When the customer pays for a plan, they must provide an authorized payment method that the company can use for a further charge in case it is needed. Failure to return the garments will result in a charge of 100% of the retail cost of each garment, and delays in shipment will result in a non-refundable penalty fee per day.

Figure 35: Customer process

Source: Own elaboration

4.2 Alliances of the company

As a small business, Mika seeks to establish partnership with companies from different sectors in order to improve customer service and optimize operations while reducing costs. The company has decided to collaborate with FedEx, a courier company that shares a commitment

to reducing environmental pollution through the implementation of more sustainable practices. FedEx handles the shipping of packages across the cities where the company operates, ensuring that clients receive their orders within an estimated 1-3 days.

Another important partnership has been established with a Marketing and Publicity agency to promote Mika and reach potential clients. Additionally, close collaboration has been established with sustainable children´s clothing brands such as Baby Mori, Kit and Kin, Tuwi London, Mini Rodini, and Ergo Pouch, among others, and retail platforms like Farfetch. Through these alliances, Mika benefits from a discount on inventory purchases, which allows for lower costs compared to retail prices. In turn, the brands gain exposure to Mika´s target audience through the platform. While Mika´s intention is not for parents to buy an entire wardrobe from these brands, we know that children often develop an attachment to their favorite garments. As a result, parents may seek to buy that favorite garment directly from the brand.

Finally, in order to identify the most qualified applicants, Mika will work with an external recruitment agency to manage the hiring process. For open positions, the recruitment partner will carefully evaluate and assess eligible candidates.

4.3 Key Resources

Mika requires a combination of tangible and intangible resources to carry out its operations efficiently. Human resources, physical resources, technology resources and financial resources are the four major categories.

To begin, human resources are essential to the efficient functioning of Mika´s activities. The company required a team of employees who can carry out all the duties required for the company´s operation properly. The employees are in charge of tasks such as inventory management, order processing, and customer service.

Second, Mika´s operations require physical resources. For managing inventory, the company requires office space and a warehouse. The warehouse should be equipped with washing machines, dryers, and disinfection equipment for clothes. In addition, the company requires a variety of equipment to facilitate day-to-day operations, such as computers, iPads, and furniture.

Third, information technology is also essential for the successful functioning of Mika´s operations. The company requires a networking system that enables it to track inventory and ensure that garments are available when customers need them. Additionally, Mika must have an effective data system that allows it to gather information on which items are most frequently rented, which can help the company determine the type of clothing that should purchase for future inventory.

Finally, financial resources, the company needs to secure appropriate financial resources to cover various operational costs such as purchasing inventory, paying personnel wages, and other expenses.

4.4 Investment Plan

In order for the company to operate, an investment plan is required as follows:

Investment plan

INVESTMENT PLAN (PESOS MEXICANOS)	
Building for warehouse	$3.500.000
Inventory	$3.321.823
Marketing Investment	$617.000
Intangible assets	$600.000
Mini Closets	$450.000
Office Furnitures	$100.000
Mackbook computer	$60,000
Cash	$30.000
Disinfection Machine	$16.000
Tablets	$15.000
Hangers	$12.959
Washing Machine	$11.000
Drying Machine	$10.000
Office Material	$8.000
Printer	$2.000
Iron Machines	$1.200
	$8.754.981

Figure 36: Investment plan

Source: Own elaboration

4.5 HR Plan

Mika is a small business with a strong commitment to achieve profitability through efficient and effective management practices. As part of the strategy to optimize business operations, the company has decided to outsource certain activities, such as human resources management.

The HR partner is responsible for identifying top personnel with essential skills and expertise to succeed in their specific fields of work. This approach is believed to not only improve the quality of employees, but also provide the company with the resources to stay ahead of the competition. Furthermore, this plan allows the company to focus on key business operations, enabling the delivery of a service that meet customer expectations.

At Mika, it is believed in offering fair and equal salary and benefits to all employees. All employees are entitled to the statutory benefits required by Mexican law, including vacations, social security, utility payments, days off, maternity leave, among others.

The company operates on a one-year contract basis, which allows for the evaluation of employee's performance and necessary changes. The contributions of employees are highly valued, and those who demonstrate a commitment and make meaningful contributions to the company will be eligible for contract extensions. However, if an employee´s work is unsatisfactory, the company reserves the right not to renew their contract, and any settlement will be made in conformity with Mexican labor laws.

4.5.1 Organizational Structure

Mika is a small but dynamic company that is focused on achieving its goals. Mika has implemented a Functional Organizational structure to guarantee optimal performance and efficiency, which aligns employees based on their specific tasks and responsibilities.

Under this structure, Mika´s employees are grouped into departments, over these departments there is a manager responsible for ensuring that all functions are carried out correctly and efficiently. The manager or director is responsible for managing resources, setting priorities, and ensuring that the company´s goals are being achieved. Additionally, the manager oversees managing the company´s finances and ensuring that all financial responsibilities are met on time and reasonable manner. This includes managing cash flow, budgeting, financial reporting, and accountability to shareholders.

To summarize, Mika´s functional structure aligns employees based on their skills and knowledge, ensuring that they contribute successfully to the company´s operations. The manager plays an important role in overseeing the company´s functions, managing resources, and ensuring financial stability. Through this structure, Mika can achieve its business objectives, provide quality products and services to its customers, and maintain a competitive advantage in the market.

Mika´s organizational map

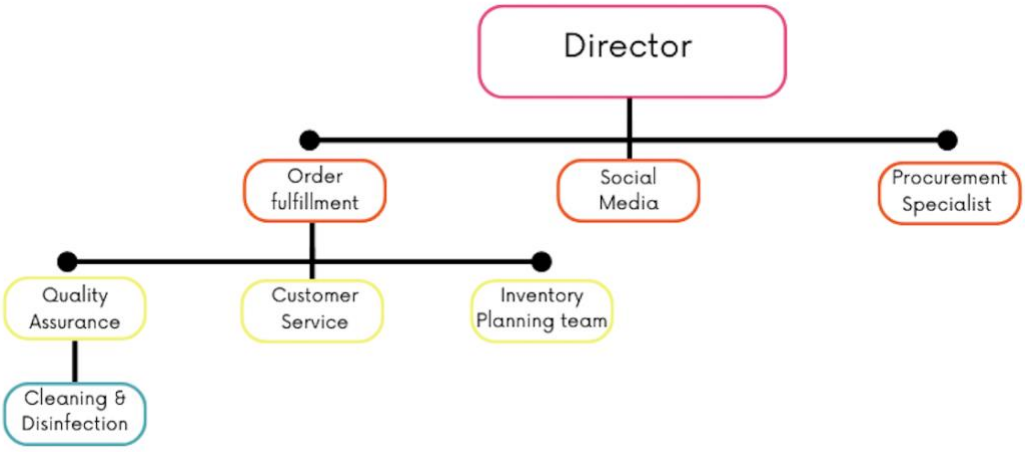


Figure 37: Mika´s organizational map

Source: Own elaboration

4.5.2 Key personnel and main functions

- Director: The position of Director within the company is responsible for overseeing operations and ensuring their optimal execution. This includes managing the company´s finances, working closely with an external accounting firm to prepare and submit tax declarations to the SAT (Tax admission system), and providing regular financial statements to shareholders to keep them informed about the company´s performance. The Director plays a crucial role in guiding the overall direction of the company, making strategic decisions, and ensuring efficient financial management.

- Order Fulfillment: The position of Order Fulfillment department within the company is crucial for ensuring the accurate processing and fulfillment of orders. Employees in this department are responsible for receiving orders through the company´s website or app and must check each detail before sending the order to the inventory department for preparation and shipment. The employees in the Order Fulfillment department play an important role in maintaining a smooth and efficient order processing system, ensuring that customers receive their orders promptly. Their attention to detail and commitment to quality are essential in providing a satisfactory customer experience.

- Social Media. The position of social media within the company is responsible for creating engaging content that effectively communicates with the target audience. Working in collaboration with an external marketing company, the person in this role is responsible for developing and executing social media campaigns on platforms such as Instagram and TikTok. This position play an important role in establishing partnerships with influencers in Mexico to promote Mika´s service and expand the brand´s reach to a wider audience. The social media position requires a creative mindset, strong communication skills, and a deep understanding of social media trends and platforms to effectively engage with the target audience and enhance the company´s online presence.

- Procurement Specialist: The role of the procurement specialist within the company involves strategic selection and purchase of new inventory. The person in this position is responsible for establishing strong relationships with the brands and retail platforms to negotiate favorable prices that would minimize company expenses. Aside from ordering clothes from different brands, the procurement specialist must also ensure that the orders are received and processes on time. This position requires strong negotiation skills, attention to detain, and the ability to build and maintain collaborative partnerships within the industry.

- Quality Assurance: The quality assurance team plays an important role in maintaining the high standards of Mika´s inventory. Their responsibility is to carefully inspect all items returned by customers. Each garment undergoes a thorough inspection to ensure its condition meets the company´s quality requirements. After passing through the quality control process, the garments are sent to the washing and disinfection area, where they are completely cleaned and disinfected before being returned to the inventory for rental. If a garment is no longer suitable for rental, it is sent to Novari, an external recycling organization with whom we have cooperation. The quality assurance team´s commitment to excellence ensures that customers receive garments in optimal condition, reflecting Mika´s dedication to providing high-quality and well-maintained clothing options.

- Cleaning and Disinfection. The cleaning and disinfection department plays an important role in maintaining the high standards of hygiene and cleanliness at Mika. Once the garments pass the quality control process, this department oversees the process of washing, drying, disinfected, and ironing each garment. This is done to ensure that the garments are clear of any dirt, bacteria, or other contaminants that may have been acquired during the previous use. The garments are then properly prepared for the next rental cycle and are sent to the inventory area to be re-rented. The cleaning and disinfection department´s

dedications to maintaining high standards of cleanliness contributes to Mika´s commitment to delivering exceptional service and providing customers with garments that are not only stylish but also meticulously clean and hygienic.

- Customer Service. The customer service position is crucial in ensuring a positive and satisfactory experience for customers. This position must maintain a high level of professionalism and attentiveness when managing all customer inquiries, as developing, and keeping positive relationships with clients is very important for our business. The customer service representative must be able to resolve any issues or concerns that clients may have, in addition to providing guidance and support.

- Inventory planning. The inventory planning team oversees the addition of new products to the inventory, as well as any returns received from the cleaning and disinfection department. They are also responsible for packing selected items of customer orders, printing shipping labels, and delivering to FedEx for shipment. This team is responsible for keeping the inventory well-stocked and always organized, as well as ensuring that the rental process is efficient and effective.

5. Financial Plan

(All the data provided below is in Mexican Pesos)

5.1 Sales plan

5.1.1 Hypothesis for the model

Unit price for each subscription

To calculate the unit price of each plan, we first determine the daily cost per rental garment. We consider both the retail price of premium and standard garments, and then subtract the 15% discount provided by the brand and clothing platforms we collaborate with. This gives us the total cost of each garment. We then divide this cost by 365 days, which is the assumed lifetime of each garment in our warehouse. This gives us the total amount we should charge per garment per day. Then we add a 25% profit margin. For insurance, we include $7 for each premium garment per day of rental and $5 for standard garments per day. With these numbers, we calculate the total amount the company should charge per item daily, not including the shipping and packaging. The calculations are shown in the following table.

Price per garment

TYPE OF ITEM	RETAIL COST	15% DISCOUNT	MIKA COST	365 DAYS OF USE	PROFIT MARGIN 25%	INSURANCE	TOTAL PRICE P/ ITEM
PREMIUM	$ 2,000.00	15%	$ 1,739.13	$ 4.76	$ 5.96	$ 7.00	$ 12.96
STANDARD	$ 700.00	15%	$ 608.70	$ 1.67	$ 2.08	$ 5.00	$ 7.08

Table 2: Price per garment

Source: Own elaboration

Once we have calculated the rental price per item, based on the total number of rental days, we then determine the cost of each plan, considering the number of days the garments will be rented. We add a delivery cost of $140 with FedEx, which includes a return label, and an additional $25 for the use of containers to ship the wardrobe.

Plans Costs

PLANS	# ITEMS	PRICE TOTAL ITEMS	#DAYS	SUBTOTAL	DELIVERY COST	PACKAGING	PRICE PER SUBS.
MIKA GRANDE PREMIUM	8	$ 12.96	15	$ 1,554.71	$140	$ 25.00	$ 1,719.71
MIKA GRANDE STANDARD	8	$ 7.08	15	$ 850.15	$140	$ 25.00	$ 1,015.15
MIKA PETIT PREMIUM	6	$ 12.96	8	$ 621.88	$140	$ 25.00	$ 786.88
MIKA PETIT STANDARD	6	$ 7.08	8	$ 340.06	$140	$ 25.00	$ 505.06

Table 3: Plans Costs

Source: Own elaboration

Delivery cost

DELIVERY COST	TOTAL	PER DELIVERY
100 Shippings	$14,000	$140

Table 4: Delivery cost

Source: Own elaboration

In addition, to determine cost that Mika must pay per garment, we first calculate the approximate cost of the premium items, which is $2000 MXN. From this amount, we subtract a 15% discount offered by our collaborating suppliers, resulting in a total of $1739.13 MXN. The same process is applied to the standard items, considering an estimated price of $700MXN. After applying the 15% supplier discount, the total cost comes to $608.70 MXN. Furthermore, each year, we increase these prices by 8% to account for inflation[15] in Mexico. This allowed us to calculate the following results:

YoY Price per garment for Mika

OUR COST P/Plan YoY	2024	2025	2026	2027	2028
Premium	$ 1,739.13	$ 1,878.26	$ 2,028.52	$ 2,190.80	$ 2,366.07
Standard	$ 608.70	$ 657.39	$ 709.98	$ 766.78	$ 828.12

Table 5: YoY Price per garment for Mika

Source: Own elaboration

[15] Series de datos. Proyectos México. (n.d.). Retrieved April 14, 2023, from https://www.proyectosmexico.gob.mx/por-que-invertir-en-mexico/economia-solida/politica-monetaria/sd_tasas-de-inflacion-historicas/

We rounded off the prices and they end up as follows:

YoY Plans rounded off price.

	PRICES PER YEAR									
	2024		2025		2026		2027		2028	
PLANS	REAL PRICE	ROUNDED OFF	REAL PRICE	ROUNDED OFF	REAL PRICE	ROUNDED OFF	REAL PRICE	ROUNDED OFF	REAL PRICE	ROUNDED OFF
MIKA GRANDE PREMIUM	$ 1,719.71	**$ 1,720.00**	$ 1,857.29	**$ 1,858.00**	$ 2,005.87	**$ 2,006.00**	$ 2,166.34	**$ 2,167.00**	$ 2,339.65	**$ 2,340.00**
MIKA GRANDE STANDARD	$ 1,015.15	**$ 1,016.00**	$ 1,096.36	**$ 1,097.00**	$ 1,184.07	**$ 1,185.00**	$ 1,278.80	**$ 1,279.00**	$ 1,381.10	**$ 1,382.00**
MIKA PETIT PREMIUM	$ 786.88	**$ 787.00**	$ 849.84	**$ 850.00**	$ 917.82	**$ 918.00**	$ 991.25	**$ 992.00**	$ 1,070.55	**$ 1,071.00**
MIKA PETIT STANDARD	$ 505.06	**$ 506.00**	$ 545.46	**$ 546.00**	$ 589.10	**$ 590.00**	$ 636.23	**$ 637.00**	$ 687.13	**$ 688.00**

Table 6: YoY Plans rounded off Price

Source: Own elaboration

Customers captured per year. For the first one: Monthly detail

Users' growth for the first year

# USERS FIRST YEAR 2024	JAN	FEB (3%)	MAR (8%)	APR (12%)	MAY (16%)	JUN (14%)	JUL (40%)	AUG (12%)	SEP (9%)	OCT (8%)	NOV (13%)	DEC (49%)	TOTAL USERS 2024	REVENUES 2024
MIKA GRANDE PREMIUM	53	55	59	66	77	87	122	137	149	161	182	271	1420	$ 2,441,718
MIKA GRANDE STANDARD	112	115	125	140	162	185	258	289	315	341	385	573	3000	$ 3,047,915
MIKA PETIT PREMIUM	98	101	109	122	142	161	226	253	276	298	337	502	2625	$ 2,065,818
MIKA PETIT STANDARD	114	117	127	142	165	188	263	295	321	347	392	584	3053	$ 1,545,064
													10098	**$ 9,100,515**

Table 7: Users' growth for the first year

Source: Own elaboration

We estimate the total number of users by the end of the first year to be 10.098, based on the number of users that Rent the Runway a similar service based in the USA, reached in their first year (over 20.000 users[16]) and considering we are operating in a smaller market than RTR. Given Mika´s leadership position in high-quality children´s clothing rental service in Mexico, we anticipate almost 10.100 users during the first year of operations.

Our forecast predicts a 3% increase in users in February, 8% in March, and a significant 12% in April, which coincides with the Easter holidays. We project a 16% increase in May, followed by a rise of 14% in June. The summer vacation season in July anticipate a 40% spike in consumers, followed by a modest increase of 12% in August and 9% in September. In October,

[16] Wortham, J. (2009, November 9). *A Netflix model for Haute Couture*. The New York Times. Retrieved April 22, 2023, from https://www.nytimes.com/2009/11/09/technology/09runway.html

we forecast an 8% increase, followed by a 13% increase in November, and a significant 49% increase in December, during the winter holidays.

Units sold per products each year.

Plans sold year to year.

# PLANS SOLD	2024	2025	2026	2027	2028
MIKA GRANDE PREMIUM	1420	1718	2027	2473	2893
MIKA GRANDE STANDARD	3000	3630	4283	5226	6114
MIKA PETIT PREMIUM	2625	3176	3748	4572	5350
MIKA PETIT STANDARD	3053	3695	4360	5319	6223
	10098	12218	14418	17590	20580

Table 8: Plans sold year to year.

Source: Own elaboration

Estimation of annual growth of subscription sold.

To project the annual growth of our subscriptions, we used Rent the Runway´s forecast[17] as a benchmark. As a top player in the clothing rental service in the USA, their projections were a valuable reference point for us. RTR expected to increase the revenue 20.17% from end of 2022 to end of 2023.

Rent the Runway growth forecast.

RTR REVENUE GROWTH FORECAST	
2023	20.17%
2024	17.70%
2025	24.58%

Table 9: Rent the Runway growth forecast.

Source: Own elaboration

Mika growth forecast.

MIKA GROWTH FORECAST	
2025	21%
2026	18%
2027	22%
2028	17%

Table 10: Mika growth forecast.

Source: Own elaboration

[17] Rent the runway, inc. (rent) Stock Forecast & Price targets. Stock Analysis. (n.d.). Retrieved April 22, 2023, from https://stockanalysis.com/stocks/rent/forecast/.

5.1.2 Sales projections

According to our annual growth forecast and considering the number of potential customers obtained from our market analysis, we expect to achieve the following sales:

Revenues Year to Year

REVENUES YoY	2024	2025	2026	2027	2028
MIKA GRANDE PREMIUM	$ 2,441,718	$ 3,191,524	$ 4,065,981	$ 5,358,622	$ 6,770,113
MIKA GRANDE STANDARD	$ 3,047,915	$ 3,981,999	$ 5,075,688	$ 6,683,546	$ 8,449,486
MIKA PETIT PREMIUM	$ 2,065,818	$ 2,699,737	$ 3,440,545	$ 4,535,823	$ 5,729,540
MIKA PETIT STANDARD	$ 1,545,064	$ 2,017,316	$ 2,572,263	$ 3,388,150	$ 4,281,515
Plans revenues	$ 9,100,515	$ 11,890,577	$ 15,154,477	$ 19,966,141	$ 25,230,655
Sample sale revenues	$ 994,962	$ 649,029	$ 827,070	$ 1,089,684	$ 1,376,851
TOTAL	$ 10,095,477	$ 12,539,606	$ 15,981,547	$ 21,055,825	$ 26,607,506

Table 11: Revenues Year to Year

Source: Own elaboration

In addition to generating revenue through our subscriptions, we will also hold a sample sale of items that are in good condition to extend their lifetime and allow our users to wear them indefinitely. Our hypothesis is that we can sell 75% of our inventory and generate a profit of 20% on the cost of each item.

Sample sale revenues

SAMPLE SALE REVENUE	2024	2025	2026	2027	2028
	$994,962.08	$ 661,037.56	$ 857,961.76	$1,151,305.39	$ 1,481,637.26

Table 12: Sample sale revenues

Source: Own elaboration

5.2 Financial projections

5.2.1 Expenses

To calculate the Cost of Goods Sold, we consider two factors related to the company business operation. Firstly, we determine the cost of the annual inventory that the company will have available for renting. Additionally, we consider the cost of the mini closets used for delivering the rented items to our customer.

The table below provides a breakdown of the Cost of Goods Sold in a more detailed manner.

Cost of Goods Sold

COGS	2024	2025	2026	2027	2028
Inventory Cost	$ 3,311,257.91	$ 4,326,858.07	$ 5,513,801.29	$ 7,264,561.68	$ 9,179,005.34
Mini closets	$ 150,000.00	$ 126,500.00	$ 156,090.00	$ 246,235.00	$ 255,485.45
Total	$ 3,461,257.91	$ 4,453,358.07	$ 5,669,891.29	$ 7,510,796.68	$ 9,434,490.79

Table 13: Cost of Goods Sold

Source: Own elaboration

In our operating costs, we have factored in an estimated annual increase of 8% to account for inflation in Mexico.

The table below provides a breakdown of the Operating Costs in a more detailed manner.

Operating expenses

Operating Cost (Fixed Costs	2024	2025	2026	2027	2028
Gas	$ 7,200.00	$ 7,776.00	$ 8,398.08	$ 9,069.93	$ 9,795.52
Electricity	$ 114,000.00	$ 123,120.00	$ 132,969.60	$ 143,607.17	$ 155,095.74
Water	$ 6,000.00	$ 6,480.00	$ 6,998.40	$ 7,558.27	$ 8,162.93
Internet	$ 4,800.00	$ 5,184.00	$ 5,598.72	$ 6,046.62	$ 6,530.35
Wages	$ 1,620,606.00	$ 1,750,254.48	$ 2,317,203.83	$ 2,963,663.45	$ 3,983,759.83
Office supplies	$ 8,000.00	$ 8,640.00	$ 9,331.20	$ 10,077.70	$ 10,883.91
Marketing (15% revenues)	$ 1,514,321.51	$ 1,880,940.83	$ 2,397,232.08	$ 3,158,373.80	$ 3,991,125.84
Maintenance of Software	$ 7,000.00	$ 7,560.00	$ 8,164.80	$ 8,817.98	$ 9,523.42
Legal and professional fees	$ 14,000.00	$ 15,120.00	$ 16,329.60	$ 17,635.97	$ 19,046.85
TOTAL	$ 3,295,927.51	$ 3,805,075.31	$ 4,902,226.31	$ 6,324,850.88	$ 8,193,924.40

Table 14: Operating expenses

Source: Own elaboration

For wages, we included a 2.7% fee for IMSS (health and maternity insurance), according to the official source of IMSS. Additionally, we accounted for an 8% YoY inflation increase in salaries. In addition, as we increase the capacity of our operations due to the company´s growth, we are considering an increase in personnel for the years 2026, 2027, and 2028, which will increase our salaries.

Wages

Wages	Person P/Position	2024	Person P/Position	2025	Person P/Position	2026	Person P/Position	2027	Person P/Position	2028
Director	1	$ 43,134.00	1	$ 46,584.72	1	$ 50,311.50	1	$ 54,336.42	1	$ 58,683.33
Order Fullfillment	1	$ 17,459.00	1	$ 18,855.72	1	$ 20,364.18	1	$ 21,993.31	2	$ 47,505.55
Social Media	1	$ 16,432.00	1	$ 17,746.56	1	$ 19,166.28	1	$ 20,699.59	1	$ 22,355.55
Procurement Specialist	1	$ 19,513.00	1	$ 21,074.04	1	$ 22,759.96	1	$ 24,580.76	1	$ 26,547.22
Quality Assurance	1	$ 12,324.00	1	$ 13,309.92	2	$ 28,749.43	3	$ 46,574.07	4	$ 67,066.66
Customer Service	1	$ 8,010.60	1	$ 8,651.45	1	$ 9,343.56	1	$ 10,091.05	1	$ 10,898.33
Inventory Planning Team	1	$ 9,756.50	1	$ 10,537.02	2	$ 22,759.96	3	$ 36,871.14	4	$ 53,094.44
Cleaning & Disinfection	1	$ 8,421.40	1	$ 9,095.11	2	$ 19,645.44	3	$ 31,825.62	4	$ 45,828.89
TOTAL		$ 135,050.50		$ 145,854.54		$ 193,100.32		$ 246,971.95		$ 331,979.99

Table 15: Wages

Source: Own elaboration

5.2.2 Amortization

We have considered a 5-year period for amortization, specifically for the building which has a cost of $3.500.000, resulting a total annual amortization of $700,000.

Depreciation

Depreciation 5 years (building)	$ 700,000.00

Table 16: Depreciation

Source: Own elaboration

5.2.3 Projection for investment and costs

The main investment will be in restocking. Initially, we will invest in an inventory that covers the sales projections for the first six months of operations. After those months, we will make another investment of the stock needed and an additional 3% to ensure that we have the necessary garments to offer our service to all the customers. Each year we will make a different investment in stock according to the company´s needs to offer the service to customers who require it.

To determine the required inventory, we base our calculations on projected user growth for the platform. For the initial inventory (covering the first six months of operations), we consider the number of users expected for each plan by June and multiply it by the number of garments needed for each plan and by the cost of each garment, whether it is standard or premium, depending on the plan type.

Annually, we estimate the number of users for each plan and calculate the quantity of garments needed to serve this user base. By multiplying the number of garments required by their respective costs, we determine the inventory needed for one-year period (which corresponds to the duration of each garment within our inventory). This approach ensures we can meet the demand and effectively provide the necessary service to our user base.

The following table shows the necessary investment year by year.

Inventories restock.

ITEMS NEEDED $	First stock 202	Restock 2024	2025	2026	2027	2028
ITEM PREMIUM	$ 2,359,237	$ 2,283,492	$ 3,039,213	$ 3,944,763	$ 5,293,707	$ 6,812,808
ITEM STANDARS	$ 962,586	$ 931,322	$ 1,239,347	$ 1,608,387	$ 2,158,108	$ 2,777,077
INVENTORY	**$ 3,321,823**	**$ 3,214,814**	**$ 4,278,560**	**$ 5,553,151**	**$ 7,451,815**	**$ 9,589,885**
Additional stock (3%)		**$ 3,311,258**	**$ 4,406,917**	**$ 5,719,745**	**$ 7,675,369**	**$ 9,877,582**

Table 17: Inventories restock.

Source: Own elaboration

5.3 P&L

P&L year to year

P&L (Pesos Mexicanos)					
	2024	2025	2026	2027	2028
Revenues	$ 10,095,477	$ 12,539,606	$ 15,981,547	$ 21,055,825	$ 26,607,506
COGS	-$ 3,461,258	-$ 4,453,358	-$ 5,669,891	-$ 7,510,797	-$ 9,434,491
Operating cost	-$ 3,295,928	-$ 3,805,075	-$ 4,902,226	-$ 6,324,851	-$ 8,193,924
EBITDA	$ 3,338,291	$ 4,281,172	$ 5,409,430	$ 7,220,178	$ 8,979,090
Depreciation	-$ 700,000	-$ 700,000	-$ 700,000	-$ 700,000	-$ 700,000
EBIT	$ 2,638,291	$ 3,581,172	$ 4,709,430	$ 6,520,178	$ 8,279,090
Taxes 16%	-$ 422,127	-$ 572,988	-$ 753,509	-$ 1,043,228	-$ 1,324,654
NET PROFIT	$ 2,216,165	$ 3,008,185	$ 3,955,921	$ 5,476,949	$ 6,954,436

Table 18: P&L year to year

Source: Own elaboration

Mika is a Startup that, as we can see from the Profit and Loss statement, has a positive net profit from the first year. This indicates that it is a promising investment with strong potential for profitability.

5.4 Balance Sheet

Balance Sheet

BALANCE SHEET YEAR 0					
Assets			Liabilities and Shareholders´Equity		
Fixed Assets			**Shareholder´s Equity**		
Building	$	3,500,000	Equity	$	8,046,972
Washing Machine	$	11,000			
Disinfection Machine	$	16,000			
Drying Machine	$	10,000			
Furnitures	$	100,000			
Computers	$	60,000			
Tablets	$	15,000			
Intangible Assets	$	600,000			
Iron machineries	$	1,200			
Hangers	$	12,959			
Printer	$	2,000			
Current Assets			**Liabilities**		
Inventory	$	3,321,823	Debt	$	-
Cash	$	30,000	Account payables	$	91,009
Mini Closets	$	450,000			
Office material	$	8,000			
	$	**8,137,981**		**$**	**8,137,981**

Table 19: Balance Sheet

Source: Own elaboration

Note: Payment for inventory stock to suppliers will be made 10 days after the stock has been received.

As we can observe in the balance sheet, the capital is contributed by the founder of the company through personal funds.

5.5 Valuation

Project Analysis

Project Analysis

	2023	2024	2025	2026	2027	2028	2029
CAPEX	-$ 4,786,159						
Marketing	-$ 617,000						
Working Capital	-$ 3,260,814						
W.C Investment		-$ 70,694	-$ 806,563	-$ 1,135,841	-$ 1,674,512	-$ 1,832,054	
Operation Cash Flow		$ 2,916,165	$ 3,708,185	$ 4,655,921	$ 6,176,949	$ 7,654,436	
Terminal Value							$ 5,554,060
	-$ 8,663,972	**$ 2,845,471**	**$ 2,901,622**	**$ 3,520,080**	**$ 4,502,438**	**$ 5,822,381**	**$ 5,554,060**

NPV	$ 3,535,932
TIR	35%

Table 20: Project Analysis

Source: Own elaboration

- To calculate the Terminal Value, we consider the appreciation of the building, considering the annual inflation rate in Mexico each year, which is 8%.
- To calculate the discount rate, we used the cost of equity since there is no debt to calculate the WACC, we obtained the cost of equity using the following data:

Rf = 11.25% (Source: Datos Macro)

Rm – Rf = 7% (Source: Pablo Fernández)

Beta = 1.49 (Source: NYU)

And the following formula: Ke = Rf + (Rm – Rf) * Beta

It gave us a total of Ke = 21.68%

Working Capital & Working Capital Investment

Working Capital	$ 3,260,814
WC/ Revenues (first year)	33%

	2023	2024	2025	2026	2027	2028
Revenues		$ 10,095,477	$ 12,539,606	$ 15,981,547	$ 21,055,825	$ 26,607,506
WC	$ 3,260,814	$ 3,331,507	$ 4,138,070	$ 5,273,911	$ 6,948,422	$ 8,780,477
WC Investment		-$ 70,694	-$ 806,563	-$ 1,135,841	-$ 1,674,512	-$ 1,832,054

Table 21: Working Capital & Working Capital Investment

Source: Own elaboration

To calculate the working capital, we subtract accounts payable from inventories + cash, and to calculate the working capital investment, we determine the percentage of working capital in relation to the first-year sales, and then apply this same percentage to calculate the working capital investment for subsequent years.

5.6 Break-Even Point

We have calculated the break-even point (BEP) using a conservative scenario. In this scenario, we assume that Mika is only selling the most affordable plan, which represents the worst-case scenario. Additionally, the company consider that this plan is sold only once a month, instead of the potential four times a month it could be sold.

To reach the break-even point, the company would need to sell 1189 plans monthly. Furthermore, if Mika focus solely on the target market of socio-economic level A/B (total of 99.112), the company will need to capture 1.20% of the total market share. This indicates a favorable scenario for Mika.

We calculate the Break-Even point with the following formula: BEP (units) = Fixed Costs / (Selling Price per Unit – Variable Cost per Unit)

Fixed Costs

	2024	Monthly
FIXED COST	$ 3,295,927.51	$ 274,660.63

Table 22: Fixed Costs

Source: Own elaboration

Break-Even point conservative Scenario

MIKA PETIT STANDARD					
PRICE PER UNIT	$ 506.00		BEP (units)	1189	units
VARIABLE COST PER UNIT	$ 275.05			1.20%	market

Table 23: Break-Even point conservative Scenario

Source: Own elaboration

In a highly optimistic scenario for Mika, focusing exclusively on selling the higher-priced plan, the company would need to sell 296 plans per month to reach the Break-Even point. Similarly, if we concentrate solely on the A/B market as in the previous scenario, the company will need to achieve a market share of only 0.30% within this specific market segment.

Break-Even point Best Scenario

MIKA GRANDE PREMIUM					
PRICE PER UNIT	$ 1,720.00		BEP (units)	296	units
VARIABLE COST PER UNIT	$ 792.77			0.30%	market

Table 24: Break-Even point Best Scenario

Source: Own elaboration

5.7 Financial Conclusion

Mika has promising financial evidence based on the facts presented. As evident from the Profit and Loss statement, Mika has achieved a net income of over two million pesos in the first year. Furthermore, the company has a positive Net Present Value (NPV) of $3.535.932, suggesting that future cash flows are likely to be greater than the initial investment. Furthermore, the Internal Rate of Return (IRR) is an appealing 35%, indicating a great return on investment.

In a positive scenario where Mika exclusively focuses on selling higher-priced plans, the Break-even Point (BEP) is estimated to be 296 users buying a plan once per month. If the company only focuses on the market A/B in the three cities where the company is established, Mika will need to capture approximately 0.30% of this specific market segment.

However, adopting a more conservative approach and focusing on selling lower-cost plan, the Break-Even point is estimated to be 1.189 users buying a plan once per month, in this scenario, the company would aim to capture around 1.20% of the A/B market.

These figures provide valuable insights into the market share Mika must capture to achieve profitability and sustainable growth. With a positive NPV and an appealing IRR, the investment in Mika appears promising. However, achieving the desired market share will require a well-executed marketing and sales strategy.

6. Implementation and future vision

6.1 Social impact

Mika´s impactful contributions to society can be seen through the promotion of renting babies and kids ‘clothes instead of purchasing and disposing of them quickly. This approach aims to reduce the amount of clothing waste that accumulates in landfills across Mexico. By tackling this issue, Mika actively addresses a significant aspect of the fashion industry´s environmental impact, known as one of the most polluting industries worldwide. Mika´s support for sustainable fashion choices, implement through a circular business model, not only benefits the environment but also sets a positive example for others to follow.

In alignment with goal 12 of the United Nations´ Sustainable Development Goals[18], Mika´s objective revolves around establishing sustainable consumption and production patterns. Unsustainable practices in these areas are underlying factors contributing to the triple planetary crises of climate change, biodiversity loss, and pollution. These crises, along with the resulting environmental degradation, pose significant risks to human well-being and hinder the achievement of sustainable development goals.

Mika recognizes the importance of enhancing resource efficiency, minimizing waste and pollution, and transitioning towards a circular economy. By advocating for an implementation such measures, Mika aims to promote sustainability and play a role in building a resilient and prosperous future, in line with the United Nations´ Sustainable Development Goals.

6.2 Risks

Mika like every other company, faces risks. One of the biggest risks is the challenge of influencing consumer behavior in Mexico, as a new business model in the kid´s fashion industry in the country, Mika will need to work hard to persuade customers to try renting clothes instead of buying them. This may require a significant marketing effort to inform potential customers about the benefits of renting clothes and the negative impact of disposable fashion.

[18] Martin. (2023, 6 enero). *Sustainable consumption and production*. United Nations Sustainable Development. https://www.un.org/sustainabledevelopment/sustainable-consumption-production/

Another risk for Mika is the possibility of competitors joining the market. While there are no direct competitors in Mexico offering the same service and high-quality that Mika offers, this may change in the future. Mika must continue to differentiate itself from competitors by offering a great costumer experience.

The social impact of Mika is undeniably positive, as it aligns with the UN´s Goal 12 of sustainable consumption and production. By promoting the renting of clothes for babies and children in Mexico, Mika not only contributes to reducing clothing waste and the environmental impact of the fashion industry but also sets a positive example for others to follow. The risks that Mika faces in pursuing its mission are manageable with the right strategy and execution. With its unwavering commitment to sustainability and a focus on delivering value and quality to its clients. Mika has the potential to emerge as a leader in the rental clothes market for babies and children in Mexico. By staying true to its clients.

7. Conclusion

In conclusion, Mika represents a viable and sustainable business model that not only helps the environment but also creates a unique experience for its customers. Moreover, it has proven to be a profitable business in the Mexican market. The combination of several factors makes Mexico an ideal location for launching and expanding this business.

Firstly, the large population of children in the country presents a significant market opportunity for Mika. With a growing number of families seeking innovative and eco-friendly alternatives, Mika can provide them with a convenience and cost-effective solutions for children´s clothing.

Furthermore, the increasing environmental consciousness among people in Mexico makes Mika´s business concept highly appealing. As individuals become more aware of the impact of fast-fashion and the importance of sustainability. Mika´s commitment to offering high-quality garments that are reused and recycled connects with their values. By positioning itself as a socially responsible brand, Mika can attract a loyal customer base who prioritize eco-conscious choices.

By implementing targeted marketing strategies, Mika can capture a significant share of the Mexican market. Leveraging digital platforms and social media, the company can reach and engage with its target audience effectively. Collaborations with influencers and partnerships with sustainable brands can further enhance Mika´s visibility and expand its reach.

The financial analysis of Mika´s business model reveals promising results. With a positive Net Present Value (NPV) of 3.671.759 and a strong rate of return (IRR) of 35%, the investment in Mika is projected to generate substantial returns. This indicates the financial feasibility and long-term viability of the business, providing reassurance to potential investors and stakeholders.

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9. Appendices

Segment Analysis

Appendix 1

The following table presents the total of the population divided by age and states. Data collected by INEGI.

Población total por entidad federativa y grupo quinquenal de edad según sexo

Entidad federativa	Grupo quinquenal de edad	2020		
		Total	Hombres	Mujeres
Ciudad de México	0 a 4 años	479,904	242,877	237,027
	5 a 9 años	563,907	286,280	277,627
Nuevo León	0 a 4 años	454,909	229,807	225,102
	5 a 9 años	463,819	235,679	228,140
Querétaro	0 a 4 años	187,893	94,523	93,370
	5 a 9 años	196,969	99,958	97,011

Source: INEGI

Appendix 2

The following table presents the percentage of A/B and C+ % of the population in Mexico City collected by AMAI.

Distribución del Nivel Socioeconómico de los Hogares por entidad federativa 2020

Entidad	A/B	C+	C	C-	D+	D	E
Aguascalientes	11.1%	15.5%	18.9%	17.6%	14.7%	19.1%	3.1%
Baja California	7.4%	16.1%	19.4%	18.7%	15.2%	19.1%	4.0%
Baja California Sur	9.8%	15.1%	19.1%	18.3%	14.5%	18.7%	4.5%
Campeche	7.1%	8.9%	11.3%	13.0%	14.6%	33.4%	11.7%
Chiapas	2.8%	4.6%	6.5%	8.0%	12.5%	43.6%	22.0%
Chihuahua	9.3%	13.3%	17.6%	17.6%	15.2%	22.2%	4.7%
Ciudad de México	10.5%	15.0%	16.0%	18.2%	14.4%	19.9%	6.0%
Coahuila	9.0%	13.1%	16.2%	17.7%	16.0%	23.4%	4.5%
Colima	8.2%	12.5%	14.8%	16.2%	15.8%	25.1%	7.5%
Durango	7.7%	10.8%	14.8%	15.9%	16.6%	28.7%	5.5%
Estado de México	5.6%	10.5%	14.0%	17.4%	16.8%	26.6%	9.1%
Guanajuato	6.8%	10.8%	13.9%	15.8%	16.8%	27.2%	8.7%
Guerrero	2.4%	5.7%	7.2%	10.2%	13.1%	40.4%	21.0%
Hidalgo	4.5%	8.4%	11.3%	15.0%	16.1%	32.1%	12.7%
Jalisco	7.5%	13.0%	16.8%	17.6%	15.6%	23.6%	6.0%
Michoacán	6.8%	8.9%	14.2%	13.5%	14.7%	29.9%	12.0%
Morelos	5.4%	9.5%	15.6%	16.0%	15.8%	27.6%	10.1%
Nayarit	7.0%	10.1%	14.4%	14.2%	15.0%	29.3%	9.8%
Nuevo León	11.3%	14.6%	18.4%	17.3%	15.2%	19.4%	3.8%
Oaxaca	3.5%	5.1%	7.7%	10.7%	12.3%	39.0%	21.6%
Puebla	5.5%	8.3%	11.1%	12.9%	15.5%	33.7%	13.1%
Querétaro	9.8%	15.0%	17.9%	15.8%	15.3%	20.0%	6.2%
Quintana Roo	5.9%	10.7%	14.0%	15.4%	17.6%	29.1%	7.2%
San Luis Potosí	6.5%	11.6%	14.5%	14.3%	14.3%	28.7%	10.3%
Sinaloa	8.3%	13.6%	15.1%	15.6%	15.5%	25.5%	6.5%
Sonora	9.8%	13.6%	17.7%	15.6%	14.7%	22.3%	6.3%
Tabasco	4.6%	7.4%	8.7%	11.0%	14.6%	37.6%	15.9%
Tamaulipas	6.8%	12.4%	15.8%	17.4%	15.9%	25.6%	6.0%
Tlaxcala	3.7%	8.8%	11.6%	15.5%	17.9%	33.4%	9.1%
Veracruz	3.1%	6.0%	9.1%	12.8%	13.5%	34.9%	20.5%
Yucatán	6.6%	9.6%	13.4%	16.7%	16.3%	29.6%	7.8%
Zacatecas	7.4%	12.1%	15.2%	13.4%	17.7%	26.8%	7.3%

Fuente: Cálculos propios de la AMAI a partir de los datos de la Encuesta Nacional de Ingresos y Gastos de los Hogares 2020.

Source: AMAI

Appendix 3

The following table presents the percentage of A/B and C+ % of the population in Monterrey and Querétaro collected by AMAI.

Distribución del Nivel Socioeconómico de los Hogares para algunas áreas Metropolitanas 2020

Area Metropolitana	A/B	C•	C	C-	D•	D	E
Valle de México	7.6%	12.6%	15.0%	18.3%	16.4%	23.0%	7.0%
Tijuana	6.7%	16.7%	19.1%	20.2%	15.8%	18.0%	3.5%
Querétaro	12.6%	17.2%	19.8%	15.0%	14.3%	15.9%	5.2%
Puebla-Tlaxcala	8.0%	11.7%	14.4%	15.3%	16.6%	25.3%	8.7%
Oaxaca	7.2%	12.5%	15.0%	17.6%	12.8%	25.0%	9.9%
Mérida	9.7%	12.7%	16.7%	17.4%	15.3%	21.8%	6.4%
Monterrey	11.8%	15.2%	19.0%	17.4%	14.7%	18.6%	3.3%
Mexicali	8.7%	15.2%	21.6%	16.2%	14.8%	19.8%	3.8%
León	10.6%	16.0%	14.6%	14.5%	16.4%	22.5%	5.5%
La Laguna	8.2%	13.5%	14.5%	16.2%	14.7%	27.6%	5.3%
Juárez	9.1%	14.5%	19.1%	18.1%	15.9%	20.8%	2.6%
Guadalajara	9.4%	15.6%	18.1%	17.6%	15.5%	20.5%	3.2%
Aguascalientes	11.5%	16.6%	19.5%	17.1%	14.6%	17.7%	2.9%

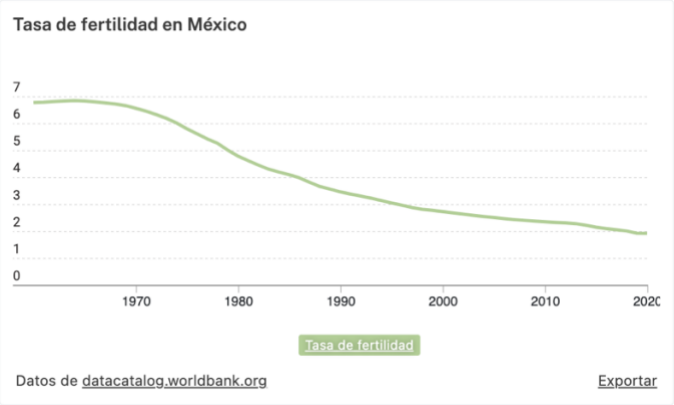
Fuente: Cálculos propios de la AMAI a partir de los datos de la Encuesta Nacional de Ingresos y Gastos de los Hogares 2020.
* Las Áreas Metropolitanas se conformaron de acuerdo con la "Delimitación de las zonas metropolitanas de México 2015" publicada por CONAPO

Source: AMAI

Appendix 4

The following graph shows the fertility rate in Mexico, which calculates an average of two children per woman, source by Data Commons.

Fertility Rate in Mexico



Source: Data Commons