HILANDO CASE STUDY: Principles of Social Business Execution

1. INTRODUCTION

The clothing industry is known for its rapid and excessive production, fueled by ever-changing market trends. Unfortunately, the fast fashion sector contributes to an alarming 92 million tons of textile waste yearly. Overall, the clothing industry is responsible for a staggering 20% of global waste, underscoring its significant impact on our planet's environmental footprint.

This issue is even bigger in countries that are producers of clothes. Peru, being a prominent clothes producer, where the industry boasts a third of the national GDP (Ministerio de Comercio Exterior y Turismo, 2021), has not yet recognized a crucial factor that our competitors have already acknowledged: the severe environmental, ethical, social, or labor-related repercussions of the remarkable growth of the industry.

Moreover, as a structural national concern, Peru still has a long way to go in establishing a circular economy culture. The country's markets are driven by intense customer consumerism, and reusing is often perceived as "less" desirable. This mindset extends to the clothing market as well.

In this context, Hilando rises disruptively, providing a platform that aims for the circularity usage of clothes and generating robustness to NGOs and second-hand clothes sellers. In short, Hilando connects merchants, which include NGOs (that receive and sell used clothes) and second-hand clothing stores, with purchasers through an online platform (see Figure 1).
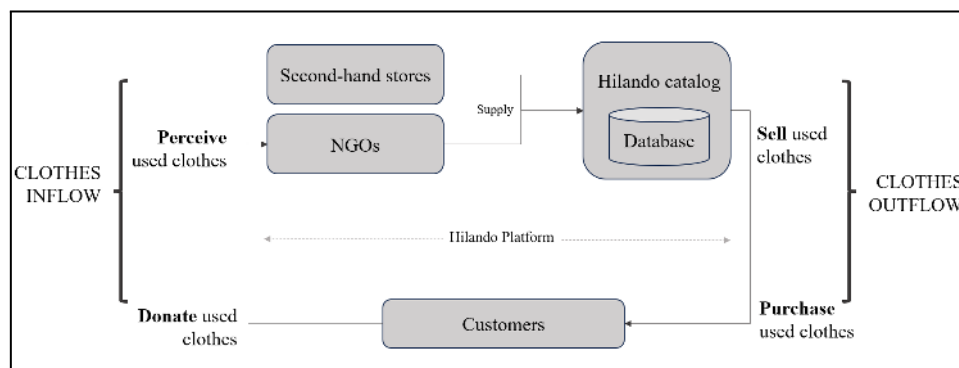

Figure 1: Hilando's Operational Processes

On one hand, Peruvian clothing NGOs are dying. In particular, clothing commercial NGOs are characterized by poor visibility and marketing issues, which constrain them from contacting new distribution points, convincing donors and buyers, or accessing a volunteer network to work on the operation. Similarly, second-hand stores, carried mostly by entrepreneurs, face visibility and very limited operating resources. This represents an opportunity for Hilando to appear as a new effective channel that provides the correct tools for digitalization, which will help scale up their businesses.

Hilando's success factors revolve around scalability, achieved through several key drivers. The digital ecosystem allows us to handle growing user interactions and data storage, providing valuable insights. Technology enables the acquisition and engagement of diverse customer segments, considering

factors like geographical location. Understanding the needs and profiles of NGOs, donors, entrepreneurs, and clients ensures effective growth. Additionally, since logistics are the main stopper of selling clothes online for merchants (NGOs and second-hand stores), optimizing the processes is crucial to overcome potential barriers for seamless purchases and generating value. Collaborative partnerships with clothing manufacturers, retailers, and fashion brands can provide a steady supply of excess inventory and support circularity efforts, further contributing to Hilando's expansion and impact in the clothing industry.

Hilando significantly contributes to several UN Sustainable Development Goals (SDGs). UN Goal 8: "Decent work and economic growth", UN Goal 11: "Sustainable Cities and Communities", UN Goal 12:"Responsible Consumption and Production", and UN Goal 17: "Partnerships for the Goals". Policymakers and district authorities have a unique opportunity to support and leverage Hilando's innovative platform to promote responsible consumption, sustainable economic growth, and partnership-driven solutions for a more sustainable future.

2. LANDSCAPE AND MARKET RESEARCH

According to Ester Xicota, an expert in sustainable innovation, the report suggests that the second-hand clothing industry will expand to almost one and a half times the size of fast fashion in the coming decade. Moreover, this market is anticipated to be valued at over $60 billion USD. In response to this trend, 40% of Gen Z already purchase second hand clothing. In countries like Mexico, Colombia, Chile, Argentina, the Dominican Republic, and Peru, the sustainable and second-hand fashion trend has seen a growth of 150% compared to 2020. (ThredUp, 2022)

The market of second-hand clothing in Peru is expected to grow by 10 percent per year until 2027, according to a report by Coherent Market Insights. Relying on a study from the Faculty of Economic and Administrative Sciences at ESAN (2022), online sales of 'second-hand' items grew by 200% in 2022 alone.

It must be clearly stated that, as an intermediary, we face two fronts on the market research, displayed in the following way. Firstly, (a) merchants that include (i) Second-hand stores and (ii) NGOs, and secondly, (b) clothes purchasers.

a. Merchants Analysis

i. Second-hand Stores

To increase our understanding of the used clothes market, we assisted several fairs in Lima, being the most insightful visit at the "Las Ranas y las Pulgas" fair located in the Miraflores district. This renowned fair in Lima is a space where individuals can sell mainly clothes that have been previously used. See Figures 2-4, that evidence of our visit.

In this link, you can find a compilation of the interviews conducted in our research: https://youtu.be/zsurRvDP2Y8

The main insights we gained from the primary research will be explored in three main concepts: Unmet needs, Pain points, and Other key insights.

Unmet needs: The current platforms in the clothing market, like Etsy, Instagram, or Facebook Marketplace (the most used platform for selling used clothes), do not include delivery. This means vendors must deal with logistics issues in purchasers' locations, lowering productivity. We found that this inconvenience can stop the sale. This modality also generated **distrust** from consumers.
- **Current platforms in the market are not intuitive**: Sellers want applications that are easier to use. This platform must save time for both sellers and buyers.

Pain points: Sellers usually have only one sample since they offer second-hand clothes**.** They avoid posting their products online because the sale of one product is not an incentive big enough to compensate for the effort to upload pictures and give information about the product.
- **Fair fee cost**: Sellers pay 120 Peruvian soles (37 USD) to be present at the fair for one day.
- **Excessive costs** for publicity in the existing solutions: many do not even know there are online advertising alternatives.
- Most **sellers don't have enough digital knowledge** to use the current services in the market. Therefore, the Hilando platform should not require almost any technological knowledge for its use.
- Sellers dislike that most places like fairs don't **filter by the type, quality, and origin of the products**. Some subjects even mentioned that this could damage the reputation of their brand.

Other key insights:

- One of the biggest challenges we will face is making consumers and sellers migrate from our competitors' apps to Hilando.
- Sellers would also appreciate it if our platform could divide used clothes from new clothes and products into categories. Creating a status of clothes indicator would be helpful.
- Sellers usually acquire their stocks in two main ways: (i) personal clothes or closet sale or (ii) wholesale clothes supplier. In the first phase, It would be difficult to connect the second-hand stores with clothes providers; therefore, it remains a future plan for Hilando.

Finally, Figure 5 shows one of the interviews with sellers during this landscape process. Businesswoman Barbara, who owns a second-hand store/bazaar named <Closet Inn>, was interviewed. Barbara told us her concerns and insights about the clothing market and also her feedback about our platform. A feedback record of this meeting is attached in the annex for more evidence.

Figure 5: Hilando's < Closet Inn> Meeting

b. **Consumers Analysis**

Consumer Behavior: Consumers are seeking out affordable prices and easily accessible items, allowing them to make sustainable fashion choices that align with their budget and convenience.

Psychographics Segmentation:
- **Personality:** Environmentally conscious and socially aware. Often exhibit traits of being open-minded, creative, and forward-thinking. Consumers also try to reduce their expenses.
- **Lifestyle:** They lead a lifestyle that aligns with sustainable values. They prioritize reducing waste and minimizing their carbon footprint.
- **Attitudes:** These consumers have a positive attitude towards pre-owned fashion, valuing the stories and history behind each garment. They believe in responsible consumerism and reject the throwaway culture that characterizes fast fashion.
- **Activities, Interests, and Opinions:** They engage in activities that promote sustainability, such as recycling, upcycling, and supporting local thrift stores or online platforms.

Demographics:
- **Age:** Typically from the range of 18 to 35, comprising millennials and Gen Z.
- **Gender:** All genders, although it may have a slightly higher representation among females due to their traditionally higher engagement with fashion.

- **Income Level:** It varies depending on the type of clothing. Their decision to purchase second-hand clothing may stem from a desire to buy luxurious items at an affordable price or to access clothing at inexpensive prices.
- **Location:** Urban and suburban areas are the primary locations.

After recognizing the sellers' and customer needs and preferences, we have decided to enhance Hilando's value proposition by incorporating all the identified requirements from our primary research. To distinguish our application from other solutions in the market, Hilando will offer the following features:

- Expedited Deliveries: Hilando will provide delivery services within less than 24 hours, ensuring quick and efficient transactions for both sellers and buyers. Profiling and geolocation assessments of both sellers and buyers will be carried out. These latter features will be explored in the following section.
- User-Friendly Interface: Our platform will have an intuitive and user-friendly interface that saves time for sellers and buyers without requiring advanced digital knowledge.
- Digital Assistant (Chat Bot): Hilando will feature a helpful digital assistant (chatbot) capable of addressing any queries or doubts that clients or sellers may have, facilitating seamless communication.
- Product and Vendor Filtering: To ensure product quality and vendor credibility, Hilando will implement robust filtering mechanisms, allowing buyers to make informed choices and protecting sellers' brand reputation.
- Cost-Effective Publicity: We will offer very affordable publicity options for sellers, making it easy for them to promote their products on the platform without incurring excessive costs.
- Fair Sales Commission: Hilando will charge a fair and transparent sales commission, ensuring a mutually beneficial relationship between the platform and its sellers.

By incorporating these features, Hilando aims to create a compelling and differentiated platform that addresses the specific needs of sellers and buyers in the second-hand clothing market, fostering a sustainable and user-friendly ecosystem for all stakeholders.

3. INNOVATION

Scaling up Hilando through our online platform requires a strategic approach. As mentioned before, technology and digital tools enable us to revolutionize traditional and austere second-hand clothing and NGO markets sustainably. We propose 3 sections for innovation: (a) Technology and Digital Tools for Enhanced Operations, (b) Innovative Technologies and Market Research, and (c) Commitment to Innovation and Cultivating Partnerships.

a. Technology and Digital Tools for Enhanced Operations:

As a website (e-commerce platform) catering to multiple sellers in Peru's second-hand clothing market, leveraging technology is crucial for our scaling efforts. We have chosen "WordPress" as the foundation for our platform, as it provides a user-friendly and customizable content management system, allowing us to easily adapt to the evolving needs of our sellers and buyers. By incorporating various digital tools and data analytics like user reviews, sales insights, SEO integration, email marketing, security, and fraud protection within our WordPress platform in the WooCommerce

service, we can streamline operations and enhance productivity. Advanced inventory management systems and automated payment processing tools ensure a smooth and efficient selling process for our sellers, while secure payment gateways provide buyers with a 100% safe transaction experience. Additionally, real-time data analytics allow us to gain insights into user behavior and preferences and tailor our services and marketing strategies to serve our customers better.

To revolutionize user experience, our platform offers a groundbreaking methodology, crafting intricate user profiles enriched with customizable layers tuned to individual traits encompassing geographic location, socio-economic status, and nuanced factors that shape user preferences. This strategy not only unveils a bespoke user journey but also cultivates a profound connection between merchants and users, fostering an ecosystem of intimacy that distinctly sets us apart from competitors.

Our emphasis on detailed profiles enhances user engagement and brings a significant boon to merchants. Our platform eases the delivery process by providing merchants with comprehensive insights into user behaviors and preferences, including geographic location. The proximity of buyers to merchants allows for streamlined and efficient product deliveries, reducing logistical complexities and costs. This approach empowers merchants to offer more responsive and convenient products, further solidifying their connection with users and elevating overall user satisfaction.

b. Exploring Innovative Technologies and Market Research:

To extend the reach of our platform, we are exploring innovative technologies such as artificial intelligence (AI). For implementing AI-powered recommendation engines and collaborative filtering machine learning techniques, we are leveraging industry-leading tools like TensorFlow and Scikit-learn. Through TensorFlow's deep learning capabilities and Scikit-learn's efficient machine learning algorithms, we aim to enhance the personalized shopping experience, increasing user engagement and retention.

Market research remains a priority for us as we scale up. We will regularly conduct surveys through the platform to collect valuable feedback from our target audience. This research guides us in optimizing the user experience and tailoring our offerings to meet the specific demands of the Peruvian market, ensuring that Hilando remains at the forefront of customer satisfaction.

c. Commitment to Innovation and Cultivating Partnerships:

Our commitment to innovation also includes staying informed about emerging technologies like Cloud AI to enhance the user experience on our platform. Strategic partnerships with tech-focused organizations will keep us at the forefront of advancements, allowing us to sustainably revolutionize the second-hand clothing market and cater to our customers effectively. For logistics, we have implemented two options for order deliveries. Firstly, we have strategically established pickup points near users for those who prefer to collect their orders in person. Secondly, we introduce "Vas-Hilando," an eco-friendly delivery vehicle fleet that utilizes advanced route optimization algorithms, such as Dijkstra's algorithm, integrated with Google Cloud APIs. This enables us to plan efficient and eco-conscious routes, minimizing transportation costs and reducing the carbon footprint. Embracing these innovative approaches and our focus on technology and market insights will drive Hilando's scaling efforts, revolutionizing the traditional second-hand clothing market and promoting sustainability in Peru.

4. STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Our first key ally will be our **team of tech agents** responsible for continuously maintaining and optimizing our web platform. Recognizing the common issue of digital apps and websites facing saturation and poor platform management, our tech agents will ensure a seamless and efficient user experience. This will give our customers and recipients a hassle-free way to purchase clothes from second-hand stores and NGOs. But before entering what remains of these partnerships, it is important to clarify that NGOs are our clients, along with these second-hand stores, because Hilando is offering a distinct service in exchange for a specific commission, establishing an exchange of services.

Additionally, our market research, supported by interviews and customer insights, unveiled significant unmet needs for both merchants (second-hand clothes stores and NGOs) and customers: the delivery process and logistics. Many of these constantly evolving stores struggle with a major logistic problem that can lead to lost sales—the delivery process. To address this, we are establishing a **distribution team**, "Vas-Hilando", as a vital part of our collaborations. The main objective is to offer fast and convenient delivery to ensure buyers receive their purchased clothes within 24 hours.

This efficient logistics system benefits sellers by enabling a well-paced inventory rotation and streamlining operations. To align with our commitment to sustainability, the delivery process will be carried out using electric motorcycles, which have a reduced impact on the environment, thus increasing the sustainability of our operations. By leveraging technology and sustainable delivery methods, we aim to revolutionize how customers access second-hand clothes while supporting the growth and success of partner sellers. Their mission aligns with ours (tech agents and distribution team), which would offer a unique experience for the destinataries while working along with moral values, ensuring an effective functioning of the Hilando platform. A holistic approach will ensure the correct foundations of our relationship status with Hilando's Stakeholders.

Moving on to a more detailed analysis of our strategic alliances, our company's image is paramount for our day-to-day operations and our customers' perception, as it significantly influences their life decisions. To capitalize on this, we are diligently working on a backup strategy, seeking support from **Lima's Community Hall, which also holds influence over district municipalities**. Gaining the endorsement of these esteemed state agencies could position Hilando more favorably in the sustainable clothing market. Their mission s is to "generate public value, promoting the integral, harmonious, and sustainable development of the province of Lima, through an efficient, transparent, participative, concerted, and modern management" (Municipalidad de Lima, n.d). Aligning with this mission, Hilando aims to create effective and sustainable value for the province of Lima.

Furthermore, our collaboration with our educational institution, **Universidad del Pacífico**, strengthens our position. With their excellent educational reputation and acceptance, we gain access to their invaluable tools and unique knowledge, propelling our future progress and operations. In terms of sustainability, the university embraces social responsibility as a core part of its mission, guiding its work (Universidad del Pacifico, 2015). This alignment reinforces Hilando's commitment to empowering a circular economy, positively impacting all stakeholders, and prioritizing responsible consumption and sustainable lifestyles. Figure 6 depicts Hilando's aforementioned strategic alliance structure.
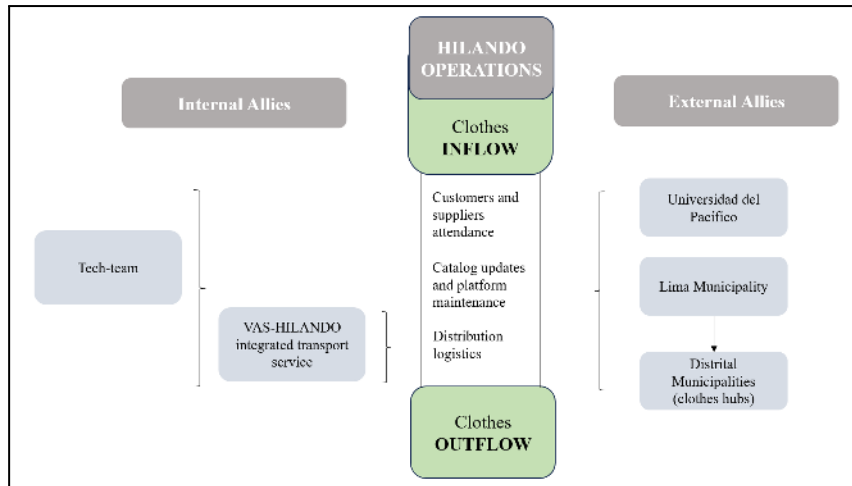
Figure 6: Hilando Strategic Alliances Structure

To meet these needs and forge alliances, the Hilando team is embarking on a groundbreaking initiative: a donation crowdfunding campaign that calls upon each team member to contribute funds to kickstart our operations. At Universidad del Pacifico, we have witnessed numerous contributions that have supported diverse, innovative ideas, including startups and business counseling. By seizing this opportunity, we aim to gather substantial capital built on the students' trust within our university.

Finally, Figure 7 shows our diverse initiatives within unique KPIs that are fundamental for executing this holistic approach and having a clear mission of how we will achieve its goals.

PARTNERS	KEY PERFORMANCE INDICATORS		
	Partners Satisfaction	Core Ethic and Sustainability	Improvement, Evolution and Scalability
Tech Agents	Effectively communicate the problems the platform presents	Ensure sustainables and ethic practices	Be open-minded to any suggestions of platform management
Distribution Team Vas-Hilando	Establish an attractive but fair comission per delivery	Continuos inspection of the functional e-motos	Evaluate different efficient routes for deliveries
Lima Municipality	Co-generating value, keeping in mind both of our missions	Guarantee a responsable and fair work operations processes	Evaluate on future city plans, and public policies iniciatives around clothing
Universidad del Pacífico	Assuring moral and transparent work	Avoid disinformation and pollution	Present and encourage feedback flows

Figure 7: Key performance indicators (KPI) with our allies

5. DEVELOPING A SCALABILITY MINDSET

Developing a scalability mentality in Hilando requires a combination of innovation, adaptability, and continuous improvement. Staying open to change, taking advantage of emerging opportunities, and always looking for new ways to add value to customers are essential elements to achieve a mindset focused on scalability.

Constant research and feedback: Hilando will communicate actively with stakeholders, beneficiaries, and industry experts. We will conduct surveys, interviews, and focus groups better to understand our customer segment's needs and preferences. This primary source information will be used to improve our services and be aware of emerging trends in the market.

Efficient technology platform: At Hilando, we are committed to providing our users with an intuitive and user-friendly online sales platform. Our utmost priority lies in delivering a seamless user experience. As such, we have designed the platform to facilitate effortless uploading and promotion of clothes, ensuring a quick and hassle-free process. Additionally, our platform incorporates advanced filters and search forms to enable customers to discover items that align with their preferences easily.

Marketing and strategic promotion: Marketing plays a crucial role in developing a scalability mindset for Hilando. Hilando will have loyalty campaigns, where marketing strategies will be implemented to retain existing customers and encourage repeat purchases. Incentives such as exclusive discounts, loyalty programs, or relevant content will be offered to keep customers engaged and satisfied. In addition, Hilando will focus on constantly improving the user experience on the platform by constantly checking that the platform complies with intuitive navigation, an easy and safe purchase process, and efficient customer service. This will contribute to a positive customer experience, increasing their chances of returning and recommending the company to others. Regarding social networks, Hilando will use social media platforms to promote the company and generate interaction with followers. Publishing relevant content, sharing success stories, promoting events and collaborations, and answering customer questions are ways to harness social media's power to develop a committed and enthusiastic community.

Sustainability and social responsibility: To measure the efforts to reduce the environmental impact, Hilando will utilize diverse indicators. Firstly, Hilando will track the number of clothing items sold and how many are reused or recycled to monitor the promotion of circular fashion. Additionally, Hilando will assess strategies to reduce transportation emissions by adopting electric vehicles and optimizing delivery routes. Finally, Hilando will use the carbon footprint assessment to analyze and quantify the total amount of greenhouse gas emissions that have been prevented when carrying out the activities that involve the business.

Innovation in the business model: Hilando will explore new ways to offer value to your customers by carrying out loyalty programs and subscriptions to differentiate themselves from the competition and increase customer loyalty.

6. ORGANIZATIONAL CAPACITY

Hilando's organizational capacity can be distributed across different aspects, referring to the potential of the company to carry out its functions, achieve set objectives, and adapt to new situations.

Regarding the organization's teams and each member's role, Hilando has three unique areas. Firstly, the company has a public relations team responsible for promoting and raising brand awareness. Additionally, a strategy team manages workflow and operations within the organization. Furthermore, a dedicated IT team handles web development and improvements. Lastly, the team leader is equipped with decision-making skills and problem-solving abilities. This team embodies the Hilando's vision, aiming to address the issues caused by fast fashion with the two lines of business presented.
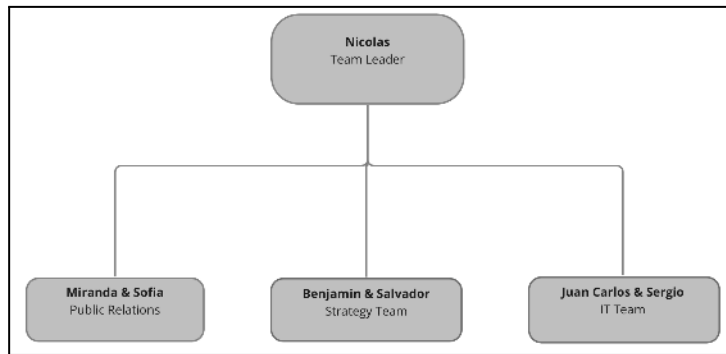
Figure 8: Organizational structure

Hilando can also utilize its organizational capacity to enhance business effectiveness through data-driven decision-making. By leveraging qualified personnel to analyze bottlenecks and inefficiencies, Hilando can benefit sellers by optimizing delivery routes, a common concern for e-commerce transactions. Additionally, the company can improve the buyer's experience by creating a user-friendly interface and ensuring secure transactions, addressing their needs effectively.

Finally, Hilando has established metrics to evaluate the business's performance. These metrics measure the tons of recycled textiles (second-hand and donated garments); customer retention rate to monitor loyalty, monthly total revenues to assess profitability and scalability; customer satisfaction level, and the carbon footprint reduction achieved through clothes recycling. The latter includes factors such as the product's condition upon delivery, timely deliveries, and the smoothness and security of transactions for buyers and sellers. As shown in Figure 9, these metrics serve as key indicators for evaluating Hilando's performance.

KEY PERFORMANCE INDICATORS

	Tons of recycled textiles	Customer retention rate	Monthly revenues	Customer satisfaction	Carbon footprint reduction
Measurement	Weigh each batch of donated textiles and maintain a record	Track and record the number of customers at the beginning and end of a period	Record and document revenues generated from second-hand clothing	Asses customer satisfaction through surveys, feedback tracking and analysis	Calculate and quantify the startup's carbon footprint over time
Objective	Increase recycled textiles to promote sustainability and environmental impact	Increase customer retention rate to foster loyalty and satisfaction	Increase monthly revenues to ensure sustainable growth	Improve customer satisfaction to ensure rententionn and positive word of customers	Gradually reduce the footprint that is caused by fashion industry

Figure 9: Key performance indicators (KPI) of measures

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