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Renew Your Wardrobe: 'Climbing the Cordillera'

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Abstract

Cecilia Membrado is the founder of a marketplace platform for buying and selling second-hand fashionable clothes, which was established in Argentina in 2014. Cecilia needs to take her business to a global scale, starting with opening operations in Chile. The case details all the initiatives taken by the entrepreneur in her start-up and to resolve the issues on her journey to achieve success to the case is largely developed from primary sources.

Keywords

E-Commerce, marketplace, Latin America, scaling, apparel

Introduction

Cecilia Membrado was a passionate woman about her start-up; in fact, she was passionate about everything in her life. Her project consisted of a marketplace platform of buying and selling second-hand fashionable women clothing. In 2014, she worked in Argentina, and she had traction. Cecilia was 32 years old when she was giving her husband a New Year's hug—the year 2015 was just beginning—and she wondered how to scale her business.

Disclaimer: This case is written for classroom discussion and is not intended to illustrate either effective or ineffective handling of an administrative situation or to represent successful or unsuccessful managerial decision-making or endorse the views of the management.

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The Entrepreneur

Cecilia Membrado has a degree in Business Administration from the San Andres University, Buenos Aires, Argentina. After college, she quickly found work due to her vast internship experience in different companies. She always considered herself a restless and creative person. That is to say, she constantly had innumerable ideas and was fascinated by the fact that technology simplifies people's lives. When she was in college, Cecilia sacrificed her holidays working. She learned of the multiple industries that the market offered, but what interested her most was the retail area. One of the internships that marked her work experience was at the multinational company, Nike (in which she developed her skills as a professional and had an excellent performance). When the managers wanted to keep her in the company, she preferred to continue to explore fashion and massive consumerism, working at Falabella, VIU S. A., Rapsodia and Mercado Libre. In those years, she complemented her studies with a graduate degree in Marketing at the Catholic University in Argentina.

Her First Attempt

In 2008, Cecilia travelled to New York and found a great opportunity. During her stay, she ordered food online and asked herself—Would this idea work in Argentina?

On returning, with no experience in web mastering, she started a food delivery web page called *E-quépedimos*. She contacted several restaurants to be associated with the project, all the while working at Falabella. After a year, she realized that in order to succeed in the e-Commerce industry, the whole team needed to invest all of their time in business planning. This was the end of *E-quépedimos*.

The Birth of 'Renew your Wardrobe'

With the notion of how the online market worked, Cecilia decided she wanted to dedicate herself to technological entrepreneurship. For this reason, in 2013 (along with her husband) she started 'RenováTuVestidor' (Renew your Wardrobe). This is a website dedicated to the marketplace, specifically in purchase and sale of second-hand, 'cool' clothing for women. The interface worked as follows—the user creates a profile, where they can freely publish all the clothes they wanted to sell. 'Renew your Wardrobe' was responsible of confirming that the clothing to be published on the platform was in good condition. When a sale was set up, they were in charge of shipping. For this they entered into an alliance with the shipping company *Organización Coordinadora Argentina*. Finally, the vendor charged all the revenues earned by sales at the end of the month. Most e-Commerce companies have a business model in which their proceeds come from selling advertising spaces within their website. Cecilia, on the other hand, wanted her site to be 'clean'. Thus, instead of crowding it with banners, she chose to charge a 30 per cent commission to vendors on their net sales. At first it was not easy. Cecilia did not want to finance the project with bank loans. Hence, she started working at Mercado Libre, in the fashion and sports area, as Category Manager. While she was working there, she was developing 'Renew your Wardrobe'. This involved investing most of her salary and considerable personal sacrifices, given the long working hours. After a year of reconciling both projects, she decided to quit Mercado Libre and engage 100 per cent to her start-up.

The Team

At this point, Cecilia received help from two people who were dedicated to the development of the website. Managing people was a major challenge. She knew how to overcome it, given her previous experience:

“At the beginning it was very difficult. I had worked in companies for 10 years. In these [years] I started at 9 am, and was used to having a boss to guide me. Now I have to do my routine and my team’s, which was a little hard because I am a very picky person, and do many things at once. Which means I also have to adjust to the time of the team and understand that not everyone feels about your project the way I do”

The first office where the team worked was very small and the members sat at the same table. Despite how uncomfortable it could be for all to work there, it helped to consolidate ideas efficiently and created closeness between all the areas of the company. There were a few instances, for example, if the manager of customer service had problems with a consumer, the programming manager could develop solutions for such problems and immediately correct the website. Figure A1 depicts the organization Flow Chart as in 2014. Cecilia gradually built the company culture, promoting teamwork and productivity, scheduling accordingly to the members. Particularly, those in charge of the programming area (IT) needed more time to do their work, so they were given the possibility to access the benefit of home office. Figure B1 highlights the important milestones reached from 2013 to 2015.

The Target Market I

‘Renew your Wardrobe’ targets women between the ages of 15 and 38 years, of socioeconomic stratum, with a medium–high level of education, a modern lifestyle and fashion knowledge, and are interested in quality clothes and brands. They are women who seek greater benefit for a lower price. In Argentina, fashion is very important and quickly evolving. Cecilia and her staff were responsible for keeping trends up to date, since the target market was changing constantly as new fashion trends were appearing. Moreover, the potential users dynamics differ from one country to the other (Figure C1).

Advertising Channels

At the beginning, most of the investment was for online marketing, to make the project known through and different social networks and on websites, such as Facebook, Instagram, YouTube, and investment in Google AdWords. They needed the people to find the page while surfing the internet.

Marketplaces as Competition

‘Renew your Wardrobe’ defined the offline sellers as their competition, that is, people who did not use the internet tools to sell their clothes, such as those participating in different thrift shops and garage sales. Competition was also considered to be the vendors who used social networks (such as Facebook, Instagram, etc.) to sell second-hand or new clothes. Cecilia’s plan was to formalize this market through

her platform and expand the means of payment to facilitate the purchase process. E-Commerce sites like Dafiti or Falabella were not considered initially as competition, as Renew your Wardrobe was considered a marketplace. However, it could be considered to the extent that they sell the same product, differing only in their business model. The marketplace is a virtual market, where exchanges take place and there is interaction between buyers and sellers, as in the traditional market. The difference is that everything is carried out online. The market places, as any other electronic business model, include businesses selling to other businesses (B2B), business selling to consumer (B2C) and consumer selling to consumer (C2C). Renew your Wardrobe is designed to be an intermediary for C2C users and to simplify the contact between the participants in the online market.

Renew your Wardrobe Development

Thanks to the ascent of the page, some investors got interested and provided capital in 2014 to further enhance the project. In December 2014, Renew your Wardrobe had 10 employees, who were involved in web mastering, marketing, business administration, customer service and product. The striking thing about this team is the 'Cool Hunters', the people who know about current trends and accept or reject the clothes that are uploaded to the site, which gives a different brand positioning. For the growth of the team, they invested in a new office, where they were further apart, but still the close communication that was in the previous office still prevailed. In addition, Renew your Wardrobe had a mechanism to facilitate further selling the clothing to employed women, thus creating the 'VIP Service'. Renew your Wardrobe brought together more than 15 women, including actresses, models, singers and dancers to participate in the partnership with the *Pequeños Pasos Foundation*, an association that fights against child malnutrition. These women sold their dresses through the page and Renew your Wardrobe donated 100 per cent of the profits to this worthy cause. Cecilia thought big when executing the idea of expanding their business abroad. Thus, *RenuevaTuCloset.com*, the 'landing page' for Latin America, was started, initiating activities in Chile.

Online Market in Chile

Over time, the comfort, the ability to contribute and convenient prices were the factors that influenced the consumers to place orders in the various categories that e-Commerce offered (CCS, 2015a). In Chile, e-Commerce has gained ground in recent years. In just three years (2011–2013), the number of companies doing online shopping doubled from 1253 to 2857. The Chamber of Commerce of Santiago (CCS) reported that during 2014 and 2015 it is estimated that sales in the domestic e-Commerce will exceed two billion dollars, with annual growth rates between 20 and 30 per cent. This information is contextualized in a market where Internet users in the country exceed 10 million people. According to the President of the Chamber of Commerce of Santiago (CCS), the meeting E-Commerce Day (May 2014), he noted that during 2013, online sales were in the country reaching the figure of US\$1,600 million, equivalent a rise of 25 per cent compared to 2012, who also appraised the strategic role that the Online commerce has taken for all retail, which ultimately translates into increased sales for companies, regardless of the channel through which it finally materializes. Appendix D depicts data of industry study of e-Commerce in Chile.

The Challenge 2015

For international expansion, Cecilia had to face several challenges, such as cultural differences, market behaviour, the way women choose and buy in that country, and the language used by the site to reach users. For this reason, and having been awarded US\$40,000 by the accelerator programme Start-Up Chile, Cecilia decided to make teams of Chilean nationality to be in charge of the adaptation of the site.

As the project was still at an early stage in Chile, what Renew your Wardrobe searched for in an employee's profile was mainly trust. Therefore, the first selection was of a woman as a Country Manager, thanks to the recommendation of someone close to Cecilia. This woman had contacts in the fashion world and knowledge in the area of trends and style.

That funding would be going into the whole business. The reserves were related to paying salaries, office and services (hosting, mail), and online marketing. Half of those funds would be destined to the launch site in Chile and its operations.

What percentage of the budget was intended to drive traffic to the website? How to assemble the team? Understanding the new trends on e-Commerce, should they launch a mobile application? How would the Chilean user act? One of the first marketing strategies designed to spread the brand and inspire clients was targeted at Chilean ambassadors who were pioneers in fashion. Would that work? Chile has always looked at Argentina as the benchmark of fashion. Cecilia knew the importance of the launch in Chile. The result would affect their plans of spreading to other countries of Latin America. She needed to succeed in this phase.

Appendices

Appendix A

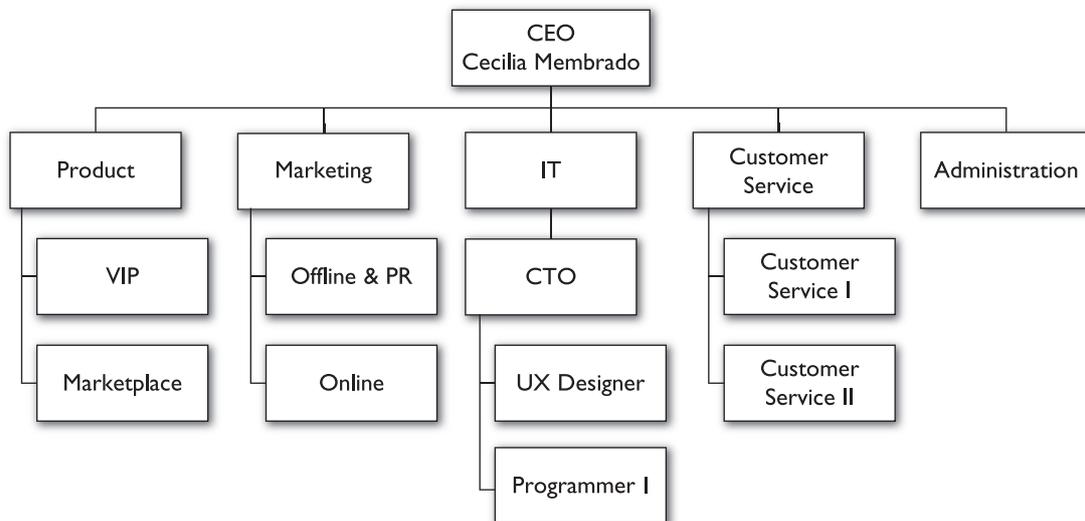


Figure A1. 2014 Organizational Flow Chart of RenováTuVestidor

Source: Flow chart provided by Cecilia Membrado, the CEO of Renew Your Wardrobe.

Appendix B

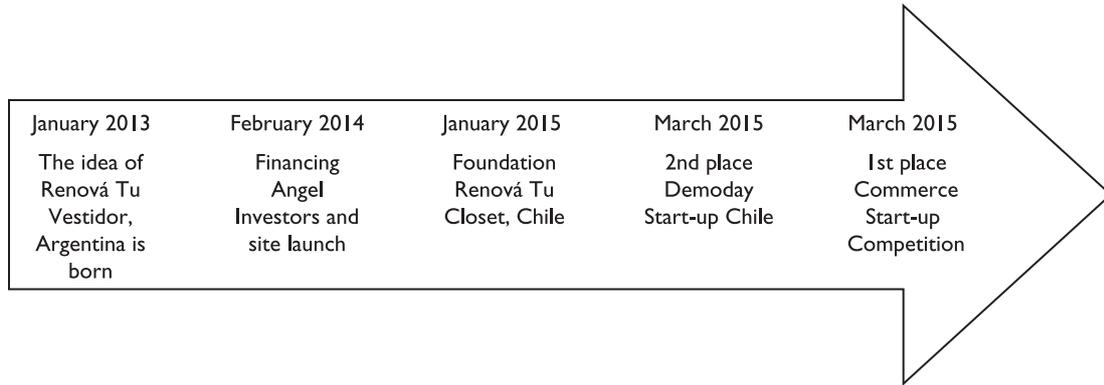


Figure B1. Renew your Wardrobe Timeline: Highlights from 2013 to 2015

Appendix C. Study of Potential Users

According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2012), studies regarding the digital gender gap reflecting the social gender gap in Latin America are scarce. However, data from household surveys of the respective countries have been drafted (ECLAC, 2014).

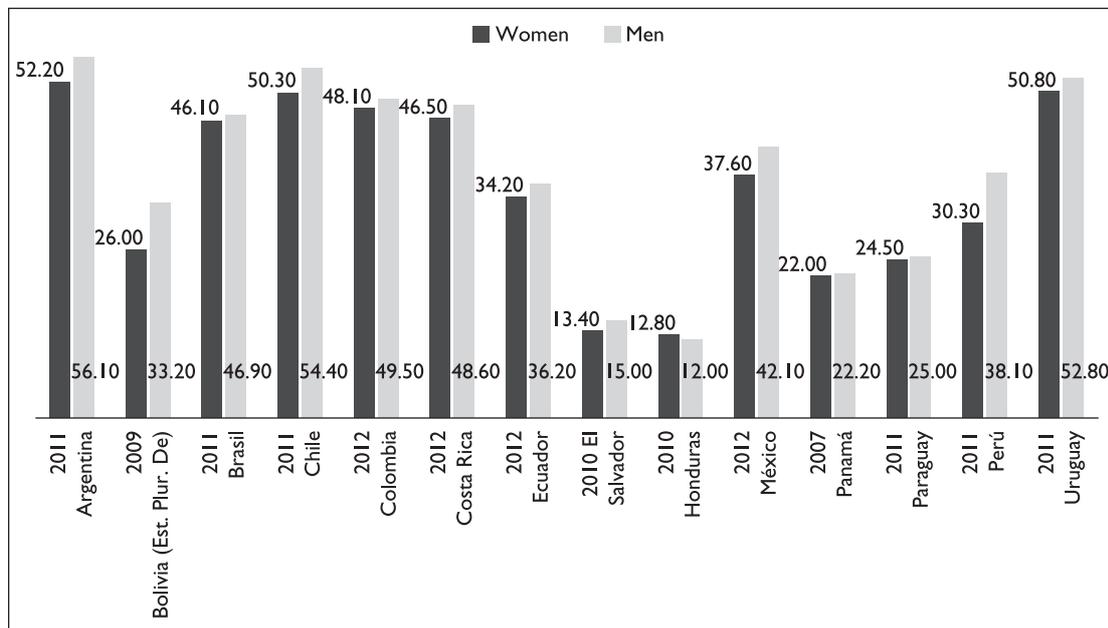


Figure C1. Gender and Internet Use for 2013 (in percentages) in Latin America (14 countries)

Source: ECLAC, 2014.

Appendix D. Industry Study: E-Commerce Data in Chile

- In Chile, the number of companies that trade in marketplace today has increased, from 1,253 in 2011 to 2,857 in 2013, and keeps growing (CCS, 2015a).
- Estimated sales for 2014 and 2015 exceeded 2 billion, with annual growth rates between 20 and 30 per cent (CCS, 2015a).
- Retail e-Commerce area participation is increasing, but still below the global figures (77 per cent) with growth of 72–74 per cent in 2013 year (CCS, 2015a).
- Among the most popular sites on the web, e-Commerce and retail is the number 10, below news, where the Search Engines and service channels are leading categories (CCS, 2015a).
- Chile is the third largest consumer in Latin America, with an average ticket of US\$77 that is under Brazil and Argentina (CCS, 2015a).
- Generally, 25 per cent of product sales on e-Commerce in Chile are electronics (CCS, 2015a).
- Today's Chilean consumer is a more trained user in sales portals such as e-Commerce and retail. Because of this, from 2012 to 2013, there has been an increase of 16 per cent in complaints was, with 50 per cent of these complaints in coupons and retail (SERNAC, 2014).
- On 4 May 2015, Santiago Chamber of Commerce launched a campaign to encourage Internet shopping. 'Simple, safe and sitting' is the campaign slogan to promote e-Commerce and which was run from 4 May 2015. It is a creative bet that includes urban interventions with motorized chairs that circulated through the streets of Santiago (CCS, 2015b).

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Author's Bio-sketch

Katherina Kuschel holds a PhD in Social Psychology from Universitat Autònoma de Barcelona. She is a Professor of Management at Universidad del Desarrollo. Her area of research is women entrepreneurs in technology.

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