

©March 2000 NxLevel™ Training Network. All rights reserved. No part of this *Sample Business Plan* may be reproduced, stored in a retrieval system or transcribed in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) for personal use outside of the NxLevel™ Training Programs, without the prior written permission of the publishers, NxLevel™ Training Network, University of Colorado at Denver, Campus Box 128, P.O. Box 173364, Denver, Colorado 80217-3364  
Phone: 800-873-9378 Fax: 303-556-6651

---

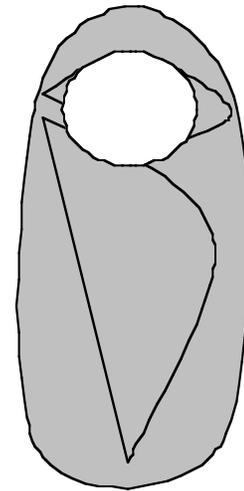
# WINDBREAK™

THE ULTIMATE OUTDOOR BABY BLANKET

---

## TB COMPANY A MONTANA COMPANY

Terri Brinker, President  
9999 Breaktrail Road  
Warmly, Montana 77777  
PH/FAX (000) 555-7777  
wdbk@warm.net



***About this Sample Entrepreneur Business Plan:***

The following sample NxLevel™ Entrepreneur Business Plan was originally written by a class participant, and subsequently modified to protect proprietary information. As it is primarily a student's work, it is not represented to be a "perfect" business plan, although the presentation is in keeping with the NxLevel™ format and content. It can be used as a sample of what a business plan might contain, and as a model for constructing the various sections.

Your instructor may ask that you review certain sections and suggest improvements, modifications or additions. The purpose of each individual business plan may be different, with varied intended readers. You may also be asked to discuss what information might need to be included or deleted based on the purpose of the plan.

### **About the owner...**

Terri Brinker, originally from New England, grew up in a family of artists. She holds a Bachelor of Fine Arts degree from NE University with an emphasis in intaglio printmaking. Upon graduating in 1983, she worked in development at Worldwind Wildlife Fund and later pursued an art career in the medium of watercolor.

The idea for WINDBREAK, the ultimate outdoor baby blanket, emerged after the birth of her daughter. It would not be until seven years later, after dividing her time between motherhood, art commissions, non-profit development consulting and market testing WINDBREAK, that Terri would pursue the business full-time.

In January 1997, Terri enrolled in *NxLevel*, a condensed business course for entrepreneurs, to further develop the skills needed to pursue the WINDBREAK venture. She credits the course for providing the necessary framework to focus on, research, and write a business plan which, in turn, enabled her to launch WINDBREAK as a viable business.

## Table of Contents

<u>Section</u>	<u>Page</u>
<b>Section 1. Executive Summary</b> -----	<b>5</b>
<b>Section 2. Mission, Goals and Objectives</b> -----	<b>7</b>
General Description of the Business	
Mission Statement	
Goals and Objectives	
<b>Section 3. Background Information</b> -----	<b>8</b>
Industry Description	
History and Trends	
Trade Organizations	
<b>Section 4. Organizational Matters</b> -----	<b>11</b>
<b>A. Business Structure, Management &amp; Personnel</b> -----	<b>11</b>
Corporate Entity and Business Structure	
Advisory Board	
Production	
Outside Services	
<b>B. Operating Controls and Risk Management</b> -----	<b>13</b>
<b>Section 5. Marketing Plan</b> -----	<b>15</b>
<b>A. Product Description</b> -----	<b>15</b>
<b>B. Market Analysis</b> -----	<b>15</b>
Competition	
Pricing Position and Structure	
Customer Profile	
Market Survey Results	
Market Potential	
Potential Sales Volume: Current and Growth Strategies	
<b>C. Marketing Strategies</b> -----	<b>19</b>
Distribution	
Promotion	
Customer Service Plan	
Exit Strategy	

## Table of Contents - continued

<u>Section</u>	<u>Page</u>
<b>Section 6. Financial Plan</b> -----	<b>21</b>
<b>A. Financial Worksheets</b> -----	21
Financial Summary	
Sales Forecasts	
Variable and Fixed Costs	
Break-Even Analysis, Year One	
Break-Even Analysis, Year Two	
<b>B. Cash Flow Projection, Year One</b> -----	25
<b>C. Financial Statements</b> -----	26
Projected Income Statement	
Projected Balance Sheet	
Projected Statement of Owner's Equity	
 <b>Section 7. Appendix</b> -----	 <b>28</b>
Owner's Resume	
Owner's Personal Financial Statement	
Owner's Tax Returns (3 Years)	
Trademark Application and Amendment	
RN Application and Issuance of RN	
Sewing Manufacturer Contract	
Specification Sheet	
Woven Label Design	
Packaging Design	
Market Survey	
Fabric Swatch Color Card	

# WINDBREAK™

## THE ULTIMATE OUTDOOR BABY BLANKET

### Section 1. Executive Summary

As within every industry, there are entrepreneurs ready, willing and able to fill niches not currently being served to their fullest, or best, capacity. The phrase “mother knows best” aptly describes WINDBREAK’s reason for development and mirrors other companies started for that very same reason. The Natural Baby Company, One Step Ahead, Safety 1<sup>st</sup>, and Precious Bundles, to name but a few, are examples of such companies which were started by parents because they couldn’t find in the existing marketplace what they needed for their child. All had a need, found their niche, pursued their ideas, and succeeded in taking their ideas to the marketplace.

Terri Brinker, president of TB Company, dba WINDBREAK, also began WINDBREAK, described as the ultimate outdoor baby blanket, because of a need. When her daughter was born in 1990, she could not find outerwear which adequately protected her infant from wind, rain, and other varying weather conditions. She designed the WINDBREAK blanket using the same fabrics for outerwear she relied upon to keep herself warm and protected from outdoor elements. She combined a water repellent, wind resistant shell with a soft, insulating lining, added a hood to provide additional warmth and protections to create a simple versatile blanket which protected her baby from the elements. The result: a garment which could keep her baby dry, warm and protected. To this day, WINDBREAK remains unique in that it is the only outdoor blanket currently on the market especially designed for infants using a combination of superior outerwear fabrics which provides protection from inclement weather.

Although WINDBREAK was designed for an individual’s lifestyle, it appeals to others with similar lifestyles. Active, outdoor-enthusiasts who maintain that way of life after the birth of a child, will consider WINDBREAK an essential for their infant. Other lifestyle trends supporting the WINDBREAK blanket include: dual income households, women waiting longer to have children, and families having fewer children; all which translate into more disposable income, greater buying power, and increased spending on children. WINDBREAK appeals to active, health-conscious parents who enjoy outdoor activities with their children.

WINDBREAK is a “virtual” manufacturing company’ all production is outsourced while the day to day business operations are conducted from the owner’s home. Modern communication and technology, i.e. phone, fax, e-mail, and computer, enable the business to operate effectively from the cost-saving location. Low overhead translates into savings for the consumer and greater profits for the business. Low fixed costs will enable the company to reinvest more profits into the business to expand the product line and increase production in the future.

WINDBREAK has been in business, albeit on a very small scale, since 1991, which enabled the business to perform a thorough and consistent test of the product and market. The experience gained in that time indicates the product is popular, accepted, in demand, of consistent high quality, versatile, and useful in keeping babies warm and dry when the weather is not. Although there are other infant outerwear garments on the market, none is as versatile as WINDBREAK or combines the insulating fleece with a weather protecting shell.

Financially, WINDBREAK’s success will be determined by profits from increased sales and by the proper management of expenses incurred with growth. Projections for the company were based on the best educated guess possible, but only when actual figures are available will the company be able to provide an accurate picture of the success, or failure, of this venture. Careful analysis of costs were

compiled to provide the best educated guess, but nothing compares to actuality and history. Based on the figure gathered, WINDBREAK will operate with a positive cash flow, and by year-end, the owner will assess whether to use personal funds or seek a bank loan to support year two' activities. The owner recognizes the need to have the company adequately capitalized.

WINDBREAK sees room in the marketplace for this product, as well as potential for growth in expanding the product line, and increasing sales and production. Based on WINDBREAK's Research of and response from current users and professionals in the industry, WINDBREAK expects to compete well in the marketplace. WINDBREAK anticipates that consumers will favorably respond to the availability of this unique, innovative, and practical alternative for infants. Start-up of increased sales and production began July 1997.

---

## **Section 2. Mission, Goals and Objectives**

---

### **General Description of the Business**

WINDBREAK is a “virtual” manufacturing company, coordinating the manufacturing, packaging and distribution of the ultimate outdoor baby blanket. The business was “born” in 1991 when the owner found a gap in the market for quality outdoor protection for her newborn infant. Failing to find outerwear which adequately protected her child from wind, rain and other varying weather conditions, she designed the WINDBREAK blanket using the same fabrics for outerwear she relied upon to keep herself warm and protected from outdoor elements. She combined a water repellent, wind resistant shell with a soft, insulating lining, added a hood for additional warmth and protection for infants, and created a simple versatile blanket that suited the outdoor needs.

Since 1991, WINDBREAK has been test marketing the product, and determining whether to take the business to a full-time endeavor. The experience gained has indicated that the product is popular, well-accepted, versatile and in demand. It appears that WINDBREAK has indeed found a unique niche, and that the time has come to plan for expanding the business.

### **Mission Statement**

The mission of WINDBREAK is to construct quality, outdoor hooded blankets for infants which provide superior protection from inclement weather by combining a water repellent shell with a soft, insulating polyester fleece lining.

### **Goals and Objectives**

The goal of WINDBREAK is to be recognized as the leading outdoor blanket manufacturer for infants in the U.S. capable of providing consistent, superior quality products efficiently and cost effectively.

The objectives for reaching that goal are to:

- ⊙ Meet the mission
- ⊙ Increase sales and production
- ⊙ Meet market demand
- ⊙ Meet customers’ needs
- ⊙ Gain market share
- ⊙ Operate at a profit

Details for implementing these objectives will be found throughout this business plan.

## Section 3. Background Information

### Industry Description

#### History and Trends

WINDBREAK falls into two major industry categories: 1) Infant's and children's apparel, and 2) Outdoor recreation. It is WINDBREAK's intention to pursue primarily the infant and children's apparel industry with subsequent growth into the outdoor recreation markets.

WINDBREAK, a hooded outdoor blanket, is in the Standard Industrial Classification (SIC) Major Group 23 entitled Apparel and Fabricated Textile Products, also known as the "sewn products industry." WINDBREAK is a blanket to be worn and therefore considered a garment, and is affected by apparel industry trends. The apparel industry consists of firms that produce wearing apparel, both cut and sewn and knit to shape for all population groups.

Structurally, the domestic apparel industry is made up of a few large companies and many small and medium-size firms. According to one study in 1993, the larger apparel firms appear to have become more diversified, accounting for 75 percent of apparel sales and all of the growth in volume. The divergence between the performance of the larger firms and many of the smaller companies widened, as profits of the latter group declined in 1992. As a result, the larger companies had most of the funds needed for reinvestment in the industry.

Demographic trends have had a major impact on the children's wear segment of the market. More children have been born in recent years to older, better educated and more affluent parents who tend to spend more money on them.

In technological advances, research and development in apparel and fabricated textiles manufacturing continue to progress, with an increasing concentration on improving quality. Recent technological advances in this industry occurred in three main areas: computer-aided design (CAD), production and communication. New CAD applications greatly streamline front-end product development by allowing quick exchanges of ideas and design specification with retailers. Using CAD systems for pattern design, marking, grading and cutting reduced waste and speeds up the production process. Communications technology has been essential in the sewn products industry's ongoing effort to provide "quick response" to retail needs. Quick response now has evolved at the most advanced companies into "responsive manufacturing," whereby consumer demand at retail is quickly translated into production at the manufacturing facility. With responsive manufacturing, companies are able to offer a wider choice of styles and to replenish retail stocks more accurately.

Despite improvements in technology, manufacturing processes in this industry are still quite labor-intensive. U.S. employment has been in a downward trend since 1977. Wages and profit margins are low relative to other manufacturing industries. Earnings of apparel and fabricated textile product workers were about 40 percent below the average for all U.S. manufacturing employees and about 35 percent below workers in the non-durable goods industries in 1993.

Because labor is such a significant cost component for apparel manufacturers, low-wage developing countries enjoy a significant cost advantage over U.S. producers, creating intense competition and downward pressure on profits. In addition, consumers persist in searching for value, buying more sale merchandise in department stores and shifting some purchasing to discount and factory outlet stores. Apparel manufacturers continue to shift sourcing out of the country, most recently to the Caribbean, Central America and South America. Additionally, greater attention has been given recently to "sweat shop" labor practices. Consumers are responding negatively to companies participating in

this type of labor use. Companies in good standing are responding to consumer's awareness by making a conscious shift away from sweat shop labor and seeking publicity outlets to get their "clean slate" in the minds of the consumer.

Apparel companies and their suppliers are embracing the "green" movement. Companies address environmental issues for a number of reasons, including concern for the earth, winning over those consumers who buy only environment-friendly products, or simply taking advantage of a popular movement.

Factors contributing to a favorable long-term outlook for the industry include the growing recovery in economic activity and consumer spending, and continuing growth in exports and investment. Environmental and health issues and the need for further technological advancement and quality improvement are among the challenges facing the industry.

Although the sewn products industry is historically not export-oriented, manufacturers have increasingly turned their attention to overseas markets in recent years, rather than depend solely on the slow-growing U.S. market. Additionally, U.S. manufacturers have taken advantage of their reputation for high quality and purposefully market the "made in U.S.A." label.

During the next several years, the U.S. apparel marketplace will become even more competitive, with more overseas producers vying with the U.S. manufacturers for shares of the market. More U.S. companies are shifting assembly operations to other countries to lower their production costs. To compete, U.S. producers will use new technology to strengthen the industry's productivity, quality, flexibility, and response time, thereby strengthening their position in the international arena.

Exports will continue to provide a significant share of the growth in shipments of apparel and fabricated textile products, even though U.S. firms will still encounter stiff challenges from foreign competitors. When major industrialized economies expand more rapidly, the favorably valued U.S. dollar should help companies increase sales abroad of quality U.S. goods. U.S. manufacturers should continue to take advantage of export opportunities in countries such as Japan, Canada, and Mexico, where trade barriers have been reduced. Also, the economic and political reforms in Eastern Europe and the newly independent states of the former Soviet Union may create additional opportunities for U.S. exports and investment in the apparel sector.

The U.S. population of children under 5 is 23.6 million, up from 19.6 million in 1980. Babies are increasingly being born to dual-career couples who are waiting longer to have children and thus are able to spend more money on them once they arrive. The number of women who are over 30 when their first child is born has more than quadrupled since 1970; the number of first children born to women over 40 more than doubled between 1984 and 1990. Families have become smaller which translates into increased spending on children. More mothers work, and to assuage some of their guilt, lavish spending on their children.

### **Trade Organizations**

Trade associations provide "an insider's view" into the industry. Some of the established trade organizations for the children's apparel industry include:

- ⊙ Juvenile Products Manufacturing Association
- ⊙ Children's Apparel Manufacturers Association
- ⊙ Children's Wear Manufacturers Association
- ⊙ United Infants and Children's Wear Association

Trade publications for the children's wear industry include:

- ⊙ Ernshaws
- ⊙ Connections
- ⊙ Small World

Additionally, many major publications including Inc., Entrepreneur, Business Week, and Harvard Business Review provide in-depth reporting on issues, trends, and consumer and industry profiles which enable the entrepreneur and small business owner to stay current on cycles affecting their business and industry.

The Internet has unlimited access to government documents, industry support, and information related to the industry. Useful websites for the apparel industry include:

Office of Textiles and Apparel OTEXA: <http://www.ita.doc.gov/industry/textiles/>  
(Click on the Industry Assessment division for current trends.)

Apparel Exchange: <http://www.apparelex.com/>

Apparelnet Directors: <http://www.apparel.net/>

Apparel Manufacturers Sourcing web: <http://www.halper.com/sourcingweb.html>

Manufacturer's Info net: <http://mfginfo.com/home.htm>

## Section 4. Organizational Matters

### A. Business Structure, Management & Personnel

#### Corporate Entity and Business Structure

WINDBREAK will do business under the TB Company, a Montana Corporation, with Terri Brinker as President. The S Corporate status became effective May 1, 1997. The S Corp structure was elected to separate personal assets from that of the business, to add credibility to the small enterprise, to enable interstate commerce with corporate status, and to allow for shareholders as a potential source of capital, if needed. With S Corps, taxes are passed through to the shareholders and taxed at the personal level.

As owner and sole employee of WINDBREAK. Ms. Brinker will not elect to receive compensation from the business in the first year. Instead, all income will remain in the business as working capital necessary for the health and longevity of the business. Owner compensation will be considered, however, in year two if the business is healthy and can sustain the expense.

WINDBREAK will conduct its operations as a “virtual manufacturer” by outsourcing all production to a contract sewing manufacturer. Sales will be conducted through contractual agreements with territorial sales representatives. All other services, i.e. legal, accounting, graphic design, printing, etc., will be contracted with independent professionals.

#### Advisory Board

As WINDBREAK is virtually a one person operation, the owner feels it is important to rely upon a team of experts for support, information, guidance, and with whom she can share ideas and receive feedback, as needed. Following is a list of individuals whose various talents and expertise have assisted WINDBREAK to its current stage and with whom the owner will continue to consult as needed.

Name	Affiliation	Expertise
Carl Brinker	Spouse	Ethics, financial, editorial support
Shane Coops	Friend, independent contractor	Pattern making, design, contract sewing, knowledgeable about trade
Ginger Render	Owner, small business	Clothing designer, manufacturer and retailer, knowledgeable about overseas manufacturing, catalog contracts, and trade shows.
Kristine Kelley	Owner, toy company	Business planning, retailing
Dave/Mary Markley	Owner, restaurant	Entrepreneurial skills, business operations, planning and growth

## Production

Many manufacturers in the garment industry chose to do their production abroad to increase profit margins obtained through cheaper labor prices. WINDBREAK will keep production within the United States anticipating savings to come from superior product quality and reduced shipping costs.

WINDBREAK will outsource the manufacturing of its blankets to a reputable, established manufacturing company. WINDBREAK has signed a contract with A & A Manufacturing in Post Made, Iowa, which specializes in the manufacturing of garments made from polyester fleece and nylon. A & A has provided a quote for a minimum order of 500 units which includes: cutting, sewing, thread, inspection, tagging and bagging.

WINDBREAK aims to establish a long-term relationship with the sewing manufacturer which reflects its commitment to the philosophy of "partnership." WINDBREAK believes the benefits of maintaining this relationship will translate into value, service and quality.

The simple design of the blanket will enable a quick turnaround time for manufacturing. Because of this, WINDBREAK will not maintain a large inventory of finished goods and therefore will not have capital tied up unnecessarily. A & A agrees with this strategy.

## Outside Services

Contract Sewing Manufacturer:

(NOTE: Specific names, addresses, etc. of all outside service providers have been deleted from this copy for proprietary reasons.)

Territorial Sales Representatives:

Attorney:

Accountant:

Fabric Sources:

Insurance:

Graphic Design:

Packaging Source:

Label Source:

## Operating Controls and Risk Management

As owner and sole employee of WINDBREAK, Terri Brinker will be responsible for overseeing all operations and implementing operating controls for minimizing risk to the business. When making contractual agreements with contractors or sales reps, a contract will be reviewed by an attorney and signed by the parties in the agreement. Other foreseen areas of risk, for which there are controls in place, fall into the following five categories: 1) Manufacturing/Quality Control, 2) Suppliers, 3) Accounting, 4) Liability, and 5) Payment Collection.

### **1.) Manufacturing/Quality Control**

As the manufacturing of the blankets will take place at an independent manufacturing facility, quality controls need to be in place to insure that goods conform to specification. The controls in place to minimize risk at the manufacturing level include three points of inspection while the goods are in production. They are: Inspecting initial construction seam for “blow outs,” the top stitching for uniformity, and the finished goods at shipping. If the goods do not conform to specification, A & A will repair the goods or mark as “seconds.” WINDBREAK agrees to accept 1% non-conforming goods as opposed to the accepted 2% industry standard. Specification sheets are supplied by WINDBREAK to the contract manufacturer which details the construction of the blanket. A contract agreed to by WINDBREAK and the contract manufacturer, details the relationship between the two parties, the duties, terms, compensation, professional responsibility, and action in the event of non-conforming goods. A contract has been signed by both WINDBREAK, the company and A & A Manufacturing, the contractor.

### **2.) Suppliers**

Suppliers of the raw goods needed to make the WINDBREAK blankets are potential areas of risk. To minimize risk, fabric will be ordered directly from fabric mills, when possible, using stock programs to insure availability of colors and fabrics needed. Other suppliers for items such as the woven labels and packaging, require large quantity orders which will provide an ample supply for use. Both the label and packaging sources are established firms minimizing potential problems with future ordering.

### **3.) Accounting**

From an accounting standpoint, the controls in place to minimize the risk of misuse of bank funds, Terri Brinker, as owner and sole employee, is the only person authorized to sign checks for the business. A signature card for the WINDBREAK account is on file at the bank. Book keeping and all accounting records will be reviewed on a regular basis by the independent accounting firm. A meeting with the accountant was held April, 1997 to discuss book keeping, cash flow management, and if the business is adequately capitalized for what it intends to accomplish.

### **4.) Liability**

Liability is an issue for any business dealing with a product to be used for infants. Liability insurance has been obtained through The Insurance Agency. Coverage provide \$1 million liability coverage in the event of a lawsuit. WINDBREAK was designed to be safe. Snaps or cords which might pose a potential choking hazard are not used. The blanket is intended for outdoor use and not intended for use as bedding or sleepwear. Blankets, regardless of their use, according to the Consumer Product Safety Commission, are not required to adhere to flammability standards as is children's sleepwear. WINDBREAK will, however, provide a disclaimer addressing this issue on all packaging.

Other concerns from a legal standpoint pertain to the protection of the business name. A registered trademark is being sought for WINDBREAK. Also in this regard, much consideration was given to the issue of patenting the design. It was decided defending the patent would be expensive, time consuming and exhaustive. WINDBREAK anticipates “knock-offs” to be produced by competitors.

To compensate for this, WINDBREAK will strive to achieve and gain market share by establishing itself as the first outdoor blanket for infants and be of supreme quality.

**5.) Payment Collection**

Collection of payment and keeping buyers to terms is a challenge faced by all in business. Interest in the amount of 17% of the amount due will be added to accounts after 30 days if no payment is received. Payment collection will be referred to a collection agency if necessary.

## Section 5. Marketing Plan

### A. Product Description

WINDBREAK, the ultimate outdoor baby blanket, measures 30" x 35" with a hood overlaying on one corner measuring 15" x 15" x 18". The blanket will be offered in four vibrant color combinations beginning July 1997. The shell fabric is a water repellent, wind resistant nylon microfiber. The lining, a premium polyester fleece, is a soft, high pile fabric with a low pile velour face which provides superior insulation. Both fabrics are colorfast and easy to care for: machine wash warm and tumble dry. The blanket is the ultimate in versatility: use it to swaddle an infant, drape over a child's lap in a stroller, or use as a ground cloth as a moisture barrier. The high quality fabrics and durable construction insure extended use. In many climates with wind, rain, and cool evenings, the blanket extends beyond seasonal boundaries to be used year-round.

WINDBREAK is made in the U.S.A. with all new, American-made fibers and goods.

Features	Benefits
Fabrics	Durable, long-lasting, colorfast, high quality. The combination provides adequate protection from outdoor conditions.
Hood	Protection against heat loss
Construction	High quality, long lasting
Easy Care	Machine wash, tumble dry
Simplistic Design	Versatile. Use as a ground cloth, changing blanket, wagon liner, infant wrap, stroller lap cover
Colors	Four vibrant choices

### B. Market Analysis

#### Competition

WINDBREAK's competition consists primarily of other outerwear garments and blankets for infants, many of which are constructed with polar fleece. Basic styles competing with WINDBREAK include baby bags, or buntings, snow suits and blankets. Below is a list of competing products, their company, design features, and how WINDBREAK positions itself apart from its competition.

#### *Competitive Matrix*

COMPANY	PRODUCT	FEATURES/FABRIC	PRICE	WINDBREAK's POS.
Tabers	Hooded Bunting	Double zippered front, hood, fleece	\$42	Wind resistant shell, better priced, versatile
Tabers	Flannel Blanket	Soft, traditional, price	\$28	Outdoor blanket, versatile, shell
Tabers	Chenille Blanket	Soft, high quality	\$84	Better price, versatile, greater protection from weather

**Competitive Matrix - continued**

COMPANY	PRODUCT	FEATURES/FABRIC	PRICE	WINDBREAK's POS.
Taylor Tods	Fleece Wrap w/ feet	Fleece, closures, attached booties, hood, popular	\$40	Better price, shell, versatile, longer use
Kid's Stuff	Zip-up Suit	Hood, front zippers, like Taber's but better price	\$39.95	Better price, versatile, weather protection
Kid's Stuff	Vinyl backed play blanket	Large size, moisture barrier	\$29.95	Multi-purpose, soft
Kid's Stuff	Wrap	Cotton/polyester, price	\$19.95	Shell, multi-purpose
Nature's Baby	Picnic Blanket	Waterproof backing	\$38.95	Multi-purpose outer for infants
Landing's	Baby bunting	Fleece blanket with snaps, price	\$16	No choking hazard, shell
First Step	Cuddlebug fleece wrap	Water repellent shell, cotton knit lining, quality	\$47.95	Better price, versatile
First Step	Nordic fleece footed swaddle	Like Taylor Tods, better priced, attached booties	\$24.95	Shell, versatile, longer use

**Pricing Position and Structure**

The average price of the competing products listed above is \$33.89. (The highest and lowest retail figures were dropped from calculation.) Results from a WINDBREAK market survey conducted in February 1997 suggest no price resistance for the current design up to \$35. WINDBREAK will position itself as a versatile, high quality, outerwear garment competitively priced at \$17 wholesale, \$34 suggested retail.

It is common practice within the apparel industry for manufacturers to price items wholesale with the expectation that they will be marked up 50% for retail. Additionally, large volume purchasers expect to be offered discount options. WINDBREAK's pricing will include a 5% discount off wholesale for single orders of 500 units or more.

It will be WINDBREAK's strategy to educate the consumer about the need for adequate protection for infants from wind, precipitation, and heat loss. WINDBREAK will stress the high quality outerwear fabrics, the blanket's durable construction and easy care, and the simple design which lends itself to many uses.

**Customer Profile**

WINDBREAK's customers are primarily college-educated women with an annual household income of at least \$50K or more. They are urban and outdoor oriented, and health and environmentally conscious. They accept the social expectation to give a gift to a newborn baby. Most are married with children or are expecting. They have waited longer to have children and therefore have more disposable income to spend on their children and/or on others. "Functional extras," i.e., baby jogger-type strollers, bike carts, child carriers, etc., are considered essential gear for their infant and lifestyle.

WINDBREAK's consumers fall into the age bracket of 25-64 with the greatest purchasing segment in the 35-49 age group. WINDBREAK's customers shop for their own children in catalogs, although when shopping for a baby gift they will purchase from a specialty store.

The following statement from Outdoor Retailer supports WINDBREAK's customer profile and buying trends analysis:

Home and family have become the focus of the '90's. As the baby boomer population "bulge" ages, it yearns for its youth...and relives it, through its children. Kathy Browning, producer

of a new trade show for the children's industry called Children's Trade Expo (the venue is in Los Angeles), explains that demographics influenced her decision to enter the children's market. She recognized that she and her friends were baby boomers and all had fewer children than their parents. All were spending more on each child. "And," she states, "we have double incomes, which translates to purchasing power." Her studies show that although people go to mass merchants for toys and electronics, they go to a specialty or higher-end shop for a gift, specialized apparel or gear. She states that most of the influence in the children's market comes from specialty manufacturers and innovative retailers who provide their customers with something new and unique. "They are tailoring their product to the baby boomers' buying habits," says Browning. "Today's consumers are more sophisticated, more selective. They buy in specialty stores, where more time is spent in creative selection of inventory."

## Market Survey Results

In February 1997, WINDBREAK conducted a market survey of its customers and users of its product. 39 surveys were sent and 26 (66%) were returned. A copy of the survey is available in the Appendix. The results are as follows:

Of those who responded, 35% purchased WINDBREAK, 65% received WINDBREAK as a gift. Two separate questions received responses for suggested changes. Both responses are listed separately below:

- 38% wanted a bigger blanket to use for toddlers
- 50% had no suggestions for changing the blanket
- 4% would like either a lighter weight or heavier weight blanket
- 4% would like a hat with the blanket
- 4% would like applique on the blanket
  
- 40% would like Velcro to keep the blanket closed
- 36% had no suggestions for changing the blanket
- 8% would like snaps or ties to keep the blanket closed
- 4% would like decorative trim, or would like different colors

The price they are willing to pay for the blanket as it is:

8% - \$25      4% - \$28      39% - \$30      38% - \$35      7% - \$40      4% - \$45

The price they are willing to pay for the blanket with changes is:

20% - \$30      50% - \$35      10% - \$38      10% - \$45      10% - \$50

The results indicate an even distribution for wanting to buy WINDBREAK in children's catalogs, outdoor-type catalogs, and in children's retail stores.

## Market Potential

The children's retail market is a \$25 billion per year industry. A birth occurs every 9 seconds in the United States. There are 65 million women in the U.S. between the ages of 25 and 64. After spiking to a post-baby-boom record of 4.16 million in 1990, the number of births fell below 4 million in 1994. The Census Bureau predicts a continued downward trend to 3.93 million by the turn of the century. Trends indicate women are waiting longer to have children. Women in their 30's produced 18.7% of all first-borns in 1991, a record for that age group.

The prospect of the continued downward trend of birth rates has many baby-product companies scrambling to squeeze more bucks from each birth. Many will expand their marketing strategy to include toddlers. Some companies, however, are not concerned. Gymboree, for example, says that even though it has only a tiny slice of the market, they have a long way to go before the declining birthrate affects their business.

Geographically, WINDBREAK could distribute nationally with subsequent growth into some select international markets. Obviously, by nature of what the product is used for, most buyers will be located in northern U.S. urban areas that have cooler climates. Winter-activity destination resort areas also lend themselves to a concentration of outdoor enthusiasts with disposable income. Potential venues for marketing WINDBREAK include:

<u>VENUE</u>	<u>DESCRIPTION</u>
☉ Children's Retail Stores	High-end specialty stores
☉ Children's Catalogs	Moderate to high-end clothing and gear
☉ Retail Department Stores	Moderate to high-end stores w/ children's depts.
☉ High Volume Retail	Quality, high volume markets
☉ Discount Retail	Mass market
☉ Hospital Gift Shops	On-site availability for newborn gifts
☉ Outdoor Catalogs	Active outerwear and gear for entire family

## Potential Sales Volume – Current and Growth Strategies

WINDBREAK's strategy for its overall operations will be monitored closely by sales and cash flow. WINDBREAK will aim to establish its name as a reputable business, provide quality customer service and product, meet its conservative sales goals, and maintain a positive cash flow. As WINDBREAK is able, the company will increase production and expand its product offerings. The main goal for growth will be to properly manage the company so as not to "grow out of business" by growing too fast.

Based on conversation with territorial sales representatives and their predictions of what kind of response WINDBREAK might receive, sales are conservatively estimated for year one to be 400 units sold to high-end specialty stores at wholesale and 1500 units to be sold to a volume discount retailer, i.e., Burlington Coat Factory. To attract large volume purchasers, WINDBREAK will offer a 5% discount off wholesale on single orders of 500 units or more. The discount is applied to the 1500 units in the potential sales volume sample following:

### 1997 SALES GOAL

400 units @ \$17 each	=	\$ 6,800
<u>1500 units @ \$16.15 each</u>	=	<u>\$24,225</u>
TOTAL 1900 UNITS	=	\$31,025

To meet the first year goal, additional territorial sales reps will be acquired, if needed, and more high-volume accounts with catalogs will be pursued.

For years two and three, WINDBREAK anticipates managed, moderate growth emphasizing its response to customers' desires. Considerations for growth will include a careful analysis of cash flow and the potential for orders to be filled without overextending the business' capabilities. A larger blanket and an infant blanket with Velcro closures are currently in the design stages. In year three, WINDBREAK anticipates introducing a "green" alternative made of Ecospun, a high quality, recycled fleece. This blanket will sport a decorative trim on the hood and be targeted to the high-end consumer. The Ecospun blanket will cost more to make, which in turn will be passed on to the consumer. WINDBREAK anticipates a growing response to "green" marketing in addition to consumers willing to pay more for a "top of the line" product. The growth plan strategy includes increasing sales volume by expanding into other geographic regions, pursuing larger accounts, and expanding the product line. The expanded product line ideas include:

- ⊙ Infant blanket with Velcro closures
- ⊙ Infant blanket using recycled Ecospun polyester fabric and decorative trim on hood
- ⊙ Toddler blanket
- ⊙ Lighter and Heavier weight blankets for infants
- ⊙ Stadium blanket
- ⊙ Cape for handicapped children and adults

## C. Marketing Strategies

### Distribution

Distribution of WINDBREAK will begin by using one territorial representative (sales rep) who will sell to retailers in his region which covers New York, Connecticut and New Jersey. The sales rep being sought is highly recommended by other product manufacturers and retailers in the industry. WINDBREAK recognizes the advantages of working with professional sales reps. They are established in their territories and recognized in their profession. If sales volumes are not met as anticipated, WINDBREAK will expand into other geographical areas, acquire more reps, and pursue more high volume accounts. In year two, WINDBREAK anticipates participating in a trade show to further boost sales and name recognition.

### Promotion

WINDBREAK will promote its business image through its product, labeling, package, and information supplied to sales reps and retailers. WINDBREAK's packaging will make the first impression on the consumer in the retail location. WINDBREAK aims to add to the perceived value of the product by using quality package design. A description about the product, its features and benefits, and illustrations for wrapping an infant will be provided on the five color poly bag. Information about the blanket will be printed on the packaging, eliminating the need for a hang tag attached to the garment. Consumers today want information. They are highly educated and want to know as much as possible about a product before making a purchase.

The packaging, a clear, back flap polypropylene bag, will enable the consumer to see and feel the blanket. WINDBREAK feels it is critical to educate the new buyer in as many ways possible, especially because this product is unique and new to the customer. Consumers will have the opportunity to judge the quality and construction for themselves and make their decision as to how useful this product would be in their lifestyle.

A woven label bearing the name WINDBREAK will be sewn into the outer seam of the garment's hood to identify the product. Care instruction, Made in U.S.A., and WINDBREAK's RN number will

be on the reverse. Although the woven label is more expensive than a printed label, the added value of a quality label is worth the investment. Much of WINDBREAK's success will be determined by name recognition. By investing in a soft, attractive label to possibly prevent the label from being cut off, value will be added to the total product image and promote name recognition.

Media promotion may be considered to boost sales and name recognition. If desired, WINDBREAK will pursue free publicity in magazine columns which feature new items. Publications to be targeted would be parent/child oriented, such as: Parents, American Baby, Lifestyle, and related industry publications. If more media coverage is desired, business-oriented and other national magazines which profile entrepreneurial success may be pursued. Advertising on the Internet may also be considered.

### **Customer Service Plan**

It is the goal of WINDBREAK to respond to customers' needs, including consistent, quality service. WINDBREAK will provide quality products, polite communication, efficient service, and acknowledgment of error and correction of mistakes. WINDBREAK guarantees each of its blankets to be free of defects and will replace or provide a refund for a blanket if found to be defective. Discount options are available for high volume purchases and terms are net 30.

### **Exit Strategy**

WINDBREAK considers the Exit Strategy to merit careful consideration just like any other aspect of the business. In business planning, much is based on guess work, anticipation, "what ifs" flexibility and capital. WINDBREAK consider the following two scenarios as potential reasons for exiting business operations:

- 1.) Best case scenario: Sales increase, name recognition is high, and market potential grows. An interested buyer offers WINDBREAK a deal it can't refuse to sell the line of infant blankets.
- 2.) Worst case scenario: WINDBREAK fails to properly predict sales and expenses. Cash flow is mismanaged. The business continues to lose money for 3 consecutive years. WINDBREAK will attempt to sell or will cut its losses by closing.

---

## **Section 6. Financial Plan**

---

### **A. Financial Worksheets**

#### **Financial Summary**

WINDBREAK has made its best attempt to anticipate the fiscal responsibilities of its activities, although it will not be until actual figures are available from year one that better predictions can be made for subsequent years. Projections, forecasts and estimates were based on as much “real” information as was available. Quotes were obtained from vendors to provide as accurate a picture as possible. When in doubt, however, figures err on the conservative side. WINDBREAK will aim to properly manage the expenses and revenues of the business. It’s goal is to adequately capitalize its activities, maintain a positive cash flow, protect the owner’s investment, and incur debt as a last resort.

Upon assessing actual figures for the cost of doing business in year one, the owner will determine whether she will invest additional personal funds or seek a bank loan to sustain year two’s activities. With growth anticipated, the owner will carefully analyze the benefits and risks associated with these two funding options.

In year one, WINDBREAK will be purchasing raw goods inventory (i.e. woven labels and packaging) in large quantities which creates a substantial expense. However, with this inventory paid for in year one, future years will realize the benefits of that purchase.

As sales and production rise in the coming years, WINDBREAK will see variable costs decrease to realize greater profits for the company. It will not be until that time, however, that the owner will receive compensation from the business.

## Sales Forecast Years One, Two and Three

### Year One (partial year May through December)

	Units Sold	Regular Wholesale Price	Wholesale less 5% Quantity Discount	\$ Sales
	400	17.00	0	6800
	1500	0	16.15	24225
<b>TOTAL</b>	<b>1900</b>			<b>31025</b>

### Year Two

**Scenario 1: SAME AS YEAR ONE**  
1900 Units

**31025**

**Scenario 2:**

	Units Sold	Regular Wholesale Price	Wholesale less 5% Quantity Discount	\$ Sales
	1000	17.00	0	17000
	3000	0	16.15	48450
<b>TOTAL</b>	<b>4000</b>			<b>65450</b>

**Scenario 3:**

	Units Sold	Regular Wholesale Price	Wholesale less 5% Quantity Discount	\$ Sales
	1000	(1) 17.00	0	17000
	1000	0	16.15	16150
	250	(2) 19.00	0	4750
	750	0	18.05	13537.50
	500	(3) 18.00	0	9000
	500	0	17.10	8550
<b>TOTAL</b>	<b>4000</b>			<b>68987.50</b>

### Year Three

	Units Sold	Regular Wholesale Price	Wholesale less 5% Quantity Discount	\$ Sales
	250	(4) 20.00	0	5000
	750	0	19.00	14250
	500	(2) 19.00	0	9500
	1500	0	18.05	27075
	500	(1 or 3) 17.00	0	8500
	1500	0	15.15	24225
<b>TOTAL</b>	<b>5000</b>			<b>88550</b>

(1) Original Style      (2) Toddler Style  
(3) Velcro Style      (4) Ecospun Style

## Variable and Fixed Costs

### VARIABLE COST OF GOODS SOLD (COGS)

ITEM BREAKDOWN	PER BLANKET	
	WHOLESALE	Whls. Less 5%
1) Fleece	2.75	2.75
2) Nylon	1.62	1.62
3) Label	.06	.06
4) Bag	.10	.10
5) Box	.22	.22
6) Sewing	2.65	2.65
7) Shipping Finished Goods	.15	.15
8) Shipping Raw Goods (1)	.30	.30
9) Discount (2)	N/A	.85
10) Rep (3)	1.70	1.62
<b>TOTAL</b>	<b>\$9.55</b>	<b>\$10.32</b>

UNITS	
400 Whls.	1500 Whls. less 5%
\$3820	\$15480

TOTAL VARIABLE COGS FOR 1900 UNITS = \$19300

#### Notes:

- (1) Shipping of raw goods from mill to manufacturer is about 7% of total cost of raw goods
- (2) A 5% discount will be applied to single orders of 500 units or more
- (3) Sales Reps will be paid 10% of the wholesale price (\$1.70) or 10% of the wholesale price minus the 5% discount (\$1.62) when applicable

### FIXED COSTS

ITEM BREAKDOWN	Year 1 (1900 units)	Year 2 (4000 units)	Year 3 (5000 units)
Supplies	643	200	200
Legal	826	300	300
Accounting	198	375	375
Insurance	350	500	600
Phone/MCN	200	500	500
Graphic Design	535	300	300
UPC		600	300
Fees	245		
Auto	600	600	600
Travel	600	1000	1500
Trade Show	150	2000	2000
Misc.	368	760	950
<b>TOTAL</b>	<b>\$4715</b>	<b>\$8635</b>	<b>\$9215</b>

## Break-Even Analysis for Year One

### For 1900 Units (1)

Total Sales	(400 Units Wholesale and 1500 Units Wholesale with Discount) =	\$31025	
COGS	=	19300 (62%)	
Gross Margin	=	11725	
Variable Costs (all in COGS)	=	0	
Contribution Margin		11725	
Contribution Margin Percentage	(11725/31025)	.377	
Fixed Operation Expenses	=	4715	
	Break-Even Point in Dollar Sales	\$12507	
	Break-Even Point in Units (wholesale price)	735 units	

(1) This same break-even analysis can be used for year two, scenario 1.

## Break-Even Analysis for Year Two

### For 4000 Units (Scenario 2)

Total Sales	=	\$65450	
COGS	=	405100 (62%)	
Gross Margin	=	24940	
Variable Costs (all in COGS)	=	0	
Contribution Margin		24940	
Contribution Margin Percentage	(11725/31025)	.381	
Fixed Operation Expenses	=	8635	
	Break-Even Point in Dollar Sales	\$22664	
	Break-Even Point in Units (wholesale price)	1333 units (1)	

(1) It is anticipated that the variable costs included in Cost of Goods Sold will be less than what is indicated here. Calculations were based on cost figures gathered for year one's production of 1900 units.

## A. Cash Flow Projection, Year One

TB Company dba WINDBREAK  
For Year May 1 through December 31, 1997 (Year One)

	5	6	7	8	9	10	11	12	Yearly
Months	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
<b>1. (A) Beginning Cash Balance</b>	0	8591	4836	4418	4328	4472	9164	15506	0
<b>Cash Receipts</b>									
2. Cash Receipts	0	0	850	1700	4250	8075	8075	8075	31025
Wholesale Sales	0	0	850	1700	4250	0	0	0	6800
Wholesale with Discount	0	0				8075	8075	8075	24225
<b>(B) Total Cash Receipts</b>	0	0	850	1700	4250	8075	8075	8075	31025
<b>Cash Disbursements</b>									
3. Raw Goods Purchases	374	1780	2687		2760	1375			8976
4. Contract Sewing			795	795	795	1060	795	795	5035
5. Rep Commission			85	170	426	808	808	808	3105
6. Owner Wages									
<b>Non-Labor Expenses:</b>									
7. Outside Services	98	381	980	100					1559
8. Insurance		350							350
9. Packaging		800	1601						2401
10. Phone/MCN	15	15	25	25	25	30	30	35	200
11. Misc. Expenses	972	429	95	700	100	110	100	100	2606
12. Purchase of Fixed Assets								1600	1600
<b>(C) Total Cash Disbursements</b>	1459	3755	6268	1790	4106	3383	1733	3338	25832
<b>Net Cash Flow (B-C)</b>	-1459	-3744	-5418	-90	144	4692	6342	4737	5193
<b>Adjustment to Net Cash Flow</b>									
15. Start-up Common Stock	1000								1000
16. Additional Paid in Capital	9050		5000						14050
<b>(D) Adjusted Net Cash Flow</b>	8591	-3755	-418	-90	144	4692	6342	4737	20243
<b>Ending Cash Balance (A+D)</b>	8591	4836	4418	4328	4472	9164	15506	20243	<b>20243</b>

### Notes to Cash Flow:

3. Raw Goods = Woven Labels and Fabric
4. Outside Services = Legal, Accounting, Graphic Design
5. Miscellaneous Expenses = Bank, Application/Show fees, Auto/Travel, Office Supplies, Shipping/Postage
12. Fixed Asset = Purchase Computer

## C. Financial Statements

### Projected Income Statement

TB Company dba WINDBREAK

For Year Ending December 31, 1997 (Year One)

SALES

Wholesale	\$31025
-----------	---------

COST OF GOODS SOLD

19300

GROSS PROFIT      \$11725

EXPENSES

Supplies	643
Legal	826
Accounting	198
Insurance	350
Phone/MCN	200
Graphic Design	535
Fees	245
Auto	600
Travel	600
Trade Show	150
Misc.	<u>368</u>

Total Expenses      \$ 4715

NET OPERATING PROFIT    \$ 7010

PURCHASE OF FIXED ASSETS

Computer	\$ 1600
----------	---------

UNUSED INVENTORY ASSETS

Labels and packaging	<u>217</u>
	\$ 1817

TOTAL NET INCOME      \$ 5193

## Projected Balance Sheet

TB Company dba WINDBREAK  
For December 31, 1997 (End of Year One)

### ASSETS

Current Assets (Cash) \$20243

**Total Assets** **\$20243**

### LIABILITIES

**Total Liabilities** **0**

### OWNER'S EQUITY

Common Stock \$ 1000

Additional Paid-in Capital 14050

Retained Earnings 5193

**Total Equity** **\$20243**

## Projected Statement of Owner's Equity

### BEGINNING OWNER'S EQUITY

Start-up capital stock investment (owner) \$ 1000

Additional paid-in capital (owner) 14050

Beginning Owner's Equity \$15050

### RETAINED EARNINGS

Beginning Retained Earnings 0

Net Income 5193

Dividends 0

Ending Retained Earnings 5193

ENDING OWNER'S EQUITY \$20243

---

## **Section 7. Appendix**

---

(**Please Note:** All Appendix information has been removed from this sample business plan copy to protect the propriety information of the company. *NxLevel* students should review this list, however, and determine the appropriateness of the information intended to be included.)

**Owner's Resume**

**Owner's Personal Financial Statement**

**Owner's Tax Returns (3 years)**

**Trademark Application and Amendment**

**RN application and Issuance of TN**

**Sewing Manufacturer Contract**

**Specification Sheet**

**Woven label Design**

**Packaging Design**

**Market Survey**

**Fabric Swatch Color Card**