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CHRISTMAS CUSTOMS

 *for years to come* 

This 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

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I. Executive Summary

I join the nearly 13 million Americans who run a business from home. With the advances in technology in years past and those to come we have a favorable business future.

Our business goal "to provide our customer with exceptional customer service and heirloom quality gifts which will give lasting meaning to their Christmas celebrations and result in the expansion and profitability of our business" shows we look forward to the "years to come".

Being in the position of an owner of this business puts me in control of reaching the goals we have set out to achieve. I have assembled a group of highly qualified individuals to help me achieve those goals.

We are in business for the long run and these individuals have set our small business up for growth by getting started on the right foot.

You will find many references to trends and projections relating to our marketing plan. We have researched it at great length and in doing so realized we are truly unique! We are committed to continue to keep abreast of our market by utilizing information sources we have identified and seek other valuable sources in the future.

Our first year in business is not projected to need financial support outside the business. We plan on building our business on itself, however, we will need financial support in our second and third years to grow accordingly.

I have enjoyed compiling this information for myself and my business and it has given me a firm belief that we will succeed.

Sincerely,

Carol Smith

II. Mission, Goals and Objectives

General Description of the Business

Christmas Customs is a home-based business in Pleasant, Kansas. We design custom-made Christmas ornaments of solid brass with 24K gold, silvertone and antique brass plated surfaces. We have the capability of creating ornaments that feature a company logo, a historical building, or even a scene from a tourist attraction. Our unique product is ideal for a corporate gift, a fundraising tool for an organization, a souvenir, or a specialty retail item. Also, we have designed a series of ornaments depicting **The Twelve Days of Christmas** that includes a story about the origin of the song that we are currently marketing through various channels.

The process of creating a custom ornament begins with the design. I work with the customer and our manufacturer to create the design with photographs and art. Minimum orders of 500 pieces are placed after a sample has been approved by the customer. The ornaments are made by our manufacturer in Georgia and are mailed via **UPS** to my home. We offer various options in packaging depending on the customers needs and the type of product.

We plan on experiencing a steady level of growth with aggressive marketing and satisfied customers. Growth will also be achieved by expanding our market from Pleasant to statewide and then to out-of-state customers. Plans are in place to advertise in a national mail-order catalog to market our own design series of the **Twelve Days of Christmas**. We eventually plan on expanding our product line to include other types of ornaments and gifts that include a story relating to the customs and traditions of Christmas.

Mission Statement:

"To provide our customer with exceptional customer service and heirloom quality gifts which will give lasting meaning to their Christmas celebrations and result in the expansion and profitability of our business."

Goals and Objectives:

One short-term goal I have for my business is to secure orders from one corporation, two fundraising organizations, and one resort/tourist destination within a year. Also, we will continue to offer our Twelve Days series and expand our market to a statewide format for the 1997 season.

Objectives to achieve this goal include:

* Current proposals to Clark College Alumni Association, the State Capitol Restoration Foundation, ASARCO, Inc., the Four Corners PTO, and a sorority organization are in the works.

* Future proposals include contacting:

- 1) **Hanks National Park** in regards to designing a souvenir ornament
- 2) **Soroptomist International of Pleasant** in regards to designing a ornament of the Fire Tower as a fundraising tool
- 3) **Kansas Historical Society Foundation** in regards to designing an ornament of Virginia/Nevada Cities as a fundraising tool
- 4) **Our Lady of the Mountains** tourist attraction in Moute, Kansas, in regards to designing a souvenir ornament
- 5) advertise our Twelve Days series in various statewide religious publications such as the ***Kansas Catholic***

A two year goal for my business is to market to larger corporations and organizations that have bigger budgets within three years. (This is based on the fact a custom ornament order must be 500 pieces or more.)

Objectives to achieve this goal include:

- * advertising our Twelve Days series in a mail-order catalog
- * selling a souvenir ornament to a large resort
- * getting a smaller account to attract a larger one (i.e. small college alumni foundation to attract a large university account)

A three year goal would be to market Christmas products via the **Internet**.

Objectives to achieve this goal include:

- * advertising corporate gifts on the **World Wide Web**
- * creating our own web site or utilizing a successful catalog company which has created a "mall" atmosphere and directs wholesale buyers to our products through a web site they have created
- * expanding our product line to include other types of collectible gifts with heirloom qualities

III. Background Information

The Industry

Background Industry Information

The tree-trimming tradition began in Germany nearly two centuries ago. In wintertime, trees were brought into churches and hung with apples in honor of Adam and Eve. Over the years other fruits and vegetables, and then glass, tin and papier-mâché decorations were added. On a vacation in Germany, in the late 1800's, **F. W. Woolworth** decided to see if he could sell some of the blown glass pieces back in his discount stores in the U.S. The rest is Christmas decorating history.

Current and Future Trends

Imported glass blown ornaments from Poland and Germany compromise a fair share of the heirloom ornament industry but often retail for \$20 to \$30 dollars apiece.

The ***New York Times***, December 23, 1996, states: "When it comes to Christmas decoration, if it looks old, consider it sold. Everyone wants traditional things that evoke childhood memories," and further "Everything has to have a patina of history."

Abstracts from ***Gifts and Decorative Buyers Accessories*** June 1995 states: "Gift stores can count on the renewed interest in family values to assist in the marketing of collectibles for the Christmas holidays. Previously favored by the over 40 year old group, Christmas collectibles are now popular with young married couples with children."

Also the June 1994 abstract states: "Christmas ornaments are one of the few collectibles that everyone collects, and because of their symbolic, historic or fun nature, are popular with all ages. The tradition of decorating Christmas trees dates back many centuries, and over the years has evolved into a profitable seasonable business. Retailers should look for quality when selecting ornaments for their stores, and should note that signed, dated or series ornaments are increasingly popular to collectors."

According to the ***Wall Street Journal***, Dec. 15, 1995, *Look On–Not Under–the Tree for Holiday Collectible*,: "The boom in ornament collecting is, in part, due to creating limited editions or breaking molds after pieces have been manufactured.

More importantly, ornament collecting is 'wholesome'," says Lynn Wylie, head of Keepsake Ornament Collectors Club. "People want to get away from the red balls and hold onto the nostalgic traditions they remember from their childhood using ornaments to 'individualize' a tree."

A notable trend from ***The Weekly Newspaper for the Home Furnishing Network*** dated December 25, 1995 states: "Christmas 1996 will feature an abundance of gold. Silver products will highlight the gold in several instances."

Another trend affecting the mail-order industry gives support to our decision to bypass traditional catalog marketing and feature our products in a new innovative catalog and on the Internet as evidenced by the following abstracts:

From ***The Journal of Business Strategy***, May-June 1995: "The growing internationalization of the mail-order business is spawning what is known as the global cybermarket. The deregulation of national telephone and postal networks around the world is guaranteed to further boost this movement toward global marketing. However, formidable competition is coming from television shopping services and Internet shopping services. The mail-order industry should not belittle this sector because consumers overseas are exhibiting a liking for teleshopping and **Internet Shopping**."

Forbes, Feb 27, 1995, states: "Mail-order houses suffered in late 1994 and early 1995 from rises in paper prices and postage rates far exceeding inflation. The trend in home shopping holds promise that business will pick up, but small firms lacking economies of scale will be acquired or squeezed out."

Related Article: "Mail Order Mania" in ***Entrepreneur***, Feb 1995. Mail order business has changed drastically with the advent of new technological advances such as the CD-Rom. This article tracks the progress of CD-Rom catalogs as a new type of venue for mail order companies. The author stresses that traditional catalogs and mailing schemes may be a thing of the past. Market research, as well as refined mailings, are recommended in order to keep abreast of the changing market.

Business "Fit" in the Industry

Christmas Customs actually began as a spin-off business from **Folklore Favorites** which I started as a home-based, mail order gift business in May 1996. (A mail-order business in Kansas does not seem as feasible as earlier expected and I did not complete a business plan.) We have changed our business name to **Christmas Customs**. This will allow us to continue marketing our series ornaments under a different name and emphasize the custom nature of our products.

I couldn't find a high quality, reasonable set of ornaments depicting the **Twelve Days of Christmas** to put with the story of the hidden meanings behind the famous

Christmas carol. I decided to look into a manufacturer listed in the ***Thomas Register*** that could make ornaments from our designs so I commissioned a local artist and we created a series of the twelve ornaments. We had a successful test-marketing season and sold out our first inventory primarily by word-of-mouth in the Pleasant area. The interest from our customers in creating the ornaments kept building and we realized we had a market for custom ornaments.

Our business fits into the Christmas decoration, gift/souvenir and mail-order industries. Because of the unique nature of our product it has been difficult to obtain specific data relating to custom ornaments.

I was able to find only three "etch houses" in the United States advertised in the ***Thomas Register*** that make the type of ornaments we will sell. All three are actually manufacturers of custom parts for the electronic industry and the ornaments are another part of their business. All are located in New England.

According to ***Standard & Poor's Register***, our manufacturer, **All States Manufacturing Corporation**, in Wheeler, GA, has a sales range of \$2-5 million and 24 employees. S.I.C. codes are 3479; 3599.

IV. Organizational Matters

A. Business Structure, Management & Personnel

Business Structure

The legal structure of our business is a Sole Proprietorship. I have chosen this form of business because I am the owner and only employee of the business. My husband is also a supportive partner in this venture since we have used our personal funds to finance thus far.

Management/Personnel

The management team consists of:

Carol Smith, owner and manger of the business. My responsibilities include: organizing and planning of business structure, financial management, sales, marketing, promotion, and pricing of products. I also have a part-time profession as a dental hygienist two days per week in Pleasant.

My business background consists of participating in various classes relating to business since high school. These include: member of the **Office Education Assn.**(1978-1979), **Introduction to Microcomputers @ Pleasant College of Technology** (1989), **Fast Trac1** graduate sponsored by the Kansas Department of Commerce (1994), **Certificate of Training for Quickbooks @ The Computer School** (April 1996), **Going Into Business** course sponsored by the Pleasant Chamber of Commerce (May 1996), **Guerrilla Marketing Expo** with Jay Conrad Levinson sponsored by the Pleasant Advertising Federation (May 1996), **Business Technology Day** sponsored by the Pleasant Chamber of Commerce (April 1997), graduate of **NxLevel Entrepreneur Training Program** sponsored by the Pleasant Chamber of Commerce (January - April 1997).

Don Smith provides assistance with sales promotions, support, and packaging as needed.

Outside Services/Advisors

Brett Landly is Vice President of **Hometown Bank** of Pleasant. We have established a business account with **Hometown Bank** of Pleasant.

Bob Hough, C.P.A., of **Hough & Co.** in Pleasant, serves as our accountant and

prepares our taxes. He also provides consulting services as needed regarding various aspects of financial management.

Ann Long, owner of **Books Unlimited Services** in Pleasant, does our bookkeeping on a monthly basis and consults with our accountant as needed.

Roy Large, attorney in Pleasant, has provided us with some business advice and we will retain his services as needed.

Jack Bolts, of **Pleasant Insurance** in Pleasant, is our insurance agent and we consult with him as needed regarding insurance issues relating to our business in the home.

We also work with various graphic artists in the Pleasant area to help with the design of the ornaments or for promotional products relating to the business. They own their own businesses and are not employees.

Additional employees are not projected to be necessary during our first year of business. Family members have offered to help with packaging and order fulfillment during peak seasons.

We will not have any employees associated with the **United Catalog Company**. They will fulfill orders from their plant in Colorado.

Risk Management

Our insurance agent has assured us that our homeowners policy will cover our inventory if we suffer a loss at this time due to minimal inventory. As inventory increases we will need to make adjustments in coverage. He did not feel we have any product liability risk with the ornaments.

We have researched our business name through the **Kansas Tech, U.S. Patent & Trademark Depository Library** in Moute, Kansas. It was not found as a listed name being utilized by another company in their database. We have also registered our name with the **Secretary of State of Kansas** and had a logo custom designed for our business.

We will copyright our version of the story behind the Christmas carol, "The Twelve Days of Christmas", after we are done test-marketing various religious versions of it. We paid a small commission to have a retired English professor write our version so we have the right to the copy. Folklore is not required to be copyrighted if it is more than 100 years old.

B. Operating Controls

Record Keeping Functions

We have installed computer software that keeps our business in check. **Quickbooks** Version 4.0 allows us to create invoices, track customer payments and receivables, and list bill reminders. It also provides us with an inventory control system.

I post charges and payments as they come in on a daily basis during peak seasons. I also make deposits usually on a weekly basis but during peak seasons this would be done daily.

Our bookkeeper reconciles our bank statements and petty cash on a monthly basis. Our accountant and bookkeeper are communicating as needed to set the business up in a manner both can utilize effectively.

Other Operations Controls

Bill Walker, owns a local business that creates customized glass etched products. He suggests we include a "complimentary order confirmation" with each custom order. (Please see Appendix Section for sample letter.)

This will eliminate confusion of any aspects of the telephone agreement and allow the customer ample time to decline the order. By restating the agreement it will give both the customer and our business a form of a contract.

Samples provided by the manufacturer will be submitted for approval to the customer before a custom order is made. Changes will be made if necessary to the customers specifications. Samples are shipped via **UPS** to us and we hand deliver to the customer if possible.

My office is solely used for this business. Inventory to be packaged will be stored in a locked office space until packaging is completed. Once packaging is completed delivery will be made to the customer by my personal vehicle.

V. The Marketing Plan

A. The Product

Product Description

Our product is a Christmas ornament with a custom design etched into solid brass covered with a 24K gold, silvertone, or antique brass electroplated finish. (Please refer to the Appendix section for a sample.)

An original product we have created is a series of twelve ornaments depicting **The Twelve Days of Christmas**. We created the series due to minimal availability and large differences in cost and quality of other series sets. (These range in price from \$2.08 (pewter), \$4.58 (glass), to \$14.16 (hand-painted).

We have eliminated the "middleman" or wholesale gift supplier by working directly with the manufacturer so our price is lower than our competition on both the series ornaments and custom orders. Our manufacturer has an open line of designs that is made available to retailers primarily in the eastern United States. They do not have a series of the **Twelve Days of Christmas** in their open line.

We have contacted another manufacturer which carries a series of the twelve ornaments in their open design line but we were able to beat the price by \$1.47 each by designing the ornament ourselves. (This particular manufacturer is a good secondary resource to create our product with comparable pricing and quality if we were unable to utilize our current manufacturer.)

We found five ornaments that are similar in composition and size, however they all were not plated in 24K gold (they were solid brass with "gold-tone", 22K and gold plated finishes.) An average price for one of these ornaments was \$3.87. One of our custom designs of the Twelve Days series is priced below the competition at \$3.75 each.

Features/Benefits

We can create flat or partial three-dimensional ornaments. (Cost is based on yield, so the larger or more dimensions to the ornament, the higher the cost.) We also offer an option of color added to the ornament at a slightly higher cost.

A huge part of the success of our test marketing was due to the folklore story we included with our Twelve Days series. It explains the spiritual significance of the Christmas carol and the hidden meanings behind each of the gifts in the song. This makes our product especially unique and the story can be shared for generations.

Life Cycles/Seasonality

Our products certainly have a large seasonality factor involved with the purchase of these items. Our Twelve Days series is particularly seasonal since it is marketed directly during the months before Christmas.

Ornaments that are designed as corporate gifts for Christmas can be designed ahead of the season and we will target our proposals in early spring months to corporations.

Organizations that are using our product as a fundraising tool can also be approached early in the year to allow enough time for sales projections, design, and delivery previous to the season.

Souvenir ornaments sales depend on the location of the gift shop. Sales projections for Kansas souvenirs will be higher during summer and fall months when tourists are on vacation. Sales projections for a resort located in a tropical environment would have less seasonal influences.

If we make a custom order for a retail environment, we have been advised by two local retail experts that orders are placed from one year to 8 months before Christmas. This information was made available from **Tina Mills** of **Hermans** and **Don Sutkins** of **Susans Hallmark** in Pleasant, MT. These interviews indicated that products made for the retail environment would need to be displayed well and have a general rather than specific market appeal to them. (For example: An ornament featuring a local landmark would not be as attractive to a buyer as one with Kansas appeal.)

Our 1996 season test marketing of the Twelve Days series in three uniquely different gift shops in Pleasant provided us with good market information. These stores included: **Susans Hallmark**, **Quality Gifts**, and **Yesteryear**. Retail sales were minimally successful as compared to word-of-mouth sales. Profits were less due to a 20-30% commission, the cost of displays and time involved in distribution.

The series was designed as a mail-order product and we think a brochure or catalog advertisement will prove to be more successful than a retail environment. Our product was not displayed well and that also contributed to fewer sales. We are currently reviewing different packaging options that would display the product well in retail or mail-order venues. We also are revising the story card to appeal to a more general religious audience by omitting the reference to the Catholic faith.

Products Growth Description

We plan to expand our product line by adding additional ornaments and gifts that include a story or legend relating to the significance of Christmas customs and

traditions. Including the story makes our product unique and meaningful and will go along with trends that indicate these are the type of ornaments people want to buy.

We plan on advertising our Twelve Days series in a catalog as another test marketing avenue. If it is successful we plan to expand our product line in a catalog format.

Our three year goal of marketing our products on the **Internet** goes along with trends to support that it will be very common to make purchases of this nature in a few years.

B. The Market Analysis

Customer Analysis

Some key characteristics of our customers have been compiled by researching our test market and data from the **Pleasant Chamber of Commerce**, the **Kansas Department of Commerce**, the **Travel Kansas** office, and the **United Catalog Company**. Data relating to the **Internet** was researched through various periodicals and publications.

A customer profile of my test market of 49 people in **Pleasant, Ks.** includes: primarily 65% women aged 33-65 years of age. 35% have professional occupations and education. I do not have statistics on income levels for the women individually since most are married with children in a two income household. 35% of my customers in Helena were men of approximate age, education, income and marital status as the women.

A custom profile of tourists traveling to **Hanks National Park** reveals: 68,398 total visitors to the park in 1996. Statistics of gender are not available. 41-66% were on vacation traveling with family primarily in the summer and fall months. Of their daily expenditures, an average of 25% was spent on retail items.

A custom profile of over 250,000 catalog shoppers from the **United Catalog Company** shows: Average age of 35+ years of age, married with children ages 4+, household income of \$100,000+, professional and educated, home owner \$300,000+ in value.

A customer profile of Internet users by **Neilsen Internet Demographics Survey** states:

One million new users per month with males representing 60% and females representing 40%. 25% have incomes over \$80,000, 50% are professional or managerial, 64% have a college degree and six million have purchased products or services.

Competitive Analysis

Our major competitors are retailers of Christmas ornaments, gifts and souvenirs. They are located in specialty gift shops, malls, chain discount stores, and catalogs.

We hold a competitive edge by offering a custom product over mass produced items with little individual significance. They offer a larger variety of products but ours tend to have a higher quality. Our price is less than most comparable items of this nature. We are a new business so we will strive to be competitive by being better not bigger.

Market Potential

Current Trade Area

Our current trade area encompasses the State of Montana. Our plans are to utilize our experience and customer satisfaction to entice other accounts from out-of-state northwest regions. Once we advertise on the **Internet** we open up a worldwide presence.

Market Size and Trends

The **Pleasant** market consists of 24,316 female and 23,179 male consumers with a median age of 34.1. Being the capital of the State of Montana, there are many historical landmarks and points of interest in this community.

State of Kansas residents have a median age of 35.9 years. 175,969 females aged 30-60 years of age and 178,205 males of the same age group compromise a state market figure. Continued growth in population is being noted in various counties primarily in western Montana.

By advertising our series ornaments in The **United Catalog Company**, we can market to a varied number of proven mail order buying customers. The circulation we are targeting for our first advertisement is 300,000 of its customers. There are various catalogs available and we can advertise in two or three to increase the customer base.

According to a March 19, 1997 article in the **Pleasant Independent Record** from **Bloomberg**, "The retailing experiment with perhaps the most promise – and surely the most hype – is selling on the **Internet**." One million new users a month are joining the Internet hype with phenomenal growth of 6000% according to the **Nielsen** survey.

Market Potential

We targeted 1% of females in the age groups between the ages of 35-64 in the Pleasant area, State of Kansas and included estimates for a corporate account and 5.5% of College Alumni. Total annual market potential is \$33,588. We used

a 1% factor based on information gained from speaking with a national magazine advertising representative and he stated this percentage is realistic for response in an ad format. We also have statistics for our target group of the **United Catalog Company** and sales projections.

Also from **Bloomberg**, March 19, 1997, states "**Internet** sales reached about \$520 million last year, according to **Forrester Research**, which tracks on-line commerce. Considering that retail sales were about \$2 trillion in 1996, that's not much. But it's growing fast. Forrester expects on-line sales of about \$6.6 billion market by 2000 and **International Business Machines Corp.** sees the market expanding to about \$1 trillion by 2010."

C. Marketing Strategies

Location/Distribution

We are a home-based business. Our product is manufactured elsewhere and we do not have any employees. There are no zoning restrictions for having the business in my home and deliveries are not a problem. I have a separate office and inventory and packaging areas are set up in my basement. Each customer has different distribution channels and we will consider that aspect before approaching a customer. The Twelve Days series will be directly distributed from our business from mail orders and local retailers.

The **United Catalog Company** will take and provide fulfillment of our orders so we will package them and forward them on to the plant in Colorado. They have a toll-free number & customer service representatives available to answer questions and offer credit card processing. (Please see brochure in Appendix Section for an example of their catalog.)

Since we are home-based, we will be required to go to the customer for custom contracts. Some travel will be necessary for proposals outside the Pleasant area, however, we will advertise by the most effective and economic means available to us to keep costs down. We are committed to providing a high level of customer service and feel it will benefit the business by getting to know our customer on a more personal level. It also provides us with great networking possibilities.

Our eventual plan to have a presence on the **Internet** will provide us with a location that is becoming increasingly popular. According to a study sponsored by **AT&T**, "80 million people worldwide have Internet access. And more of those people are discovering the ease and convenience of shopping online everyday."

From **FirstUSA**, Card Facts, Winter 1997, states as many as 80 percent of purchases on the Internet are made via credit card. It goes on to discuss the perception that using your credit card is unsafe and has deterred some customers from using this convenience. Now the most popular browsers use encryption

software that disguises the order information with a code that can ideally only be deciphered by the intended recipient. We feel most of these "bugs" will be worked out by the time our site is created. (Please see the Appendix Section for an example Web site created by the **Pennsylvania Trolley Museum** that shows browsers with security in place.)

Another pertinent article relating to credit card shoppers from ***Wealth Building***, January, February 1997 quotes: "By 2010, as much as 55 percent of American Shopping will be conducted in non-store venues, such as on the Internet, or online services, direct mail, catalogs, shopping channels, CD Rom, Interactive TV and 800 numbers. --- **NIMA News**, March 1996."

It also states: "Charges in 1995 alone topped \$538 billion. By accepting credit cards, you offer your potential customers a convenient and most widely accepted payment method."

Price/Quality Relationship

Our position between price and quality is right on the mark. A lower cost to us means we can offer a lower price to our customer. Our quality is equal to or higher than that of our direct competitors. Our image is consistent with our price and quality.

Our three direct competitors are manufacturers with the ability to create custom ornaments with 24K gold plating. Our manufacturer, **All States Manufacturing Corporation**, has developed a subsidiary company called **Gift Traditions** that offers custom ornaments. (Please see the Appendix Section for a brochure of products they have created.) We feel direct customer contact and knowledge of the proposed project is a definite plus in marketing a custom product. Our competitors do not have the advantage of being a native Kansan or being familiar with the Northwest region.

We feel we will be able to keep our price competitive in the catalog market by advertising with The **United Catalog Company** since we will receive 80% of the retail price instead of the average wholesale margin of 46%. Even with the additional cost of advertising space in the catalog, it is more profitable than most wholesale margins.

Promotional Strategies

Our marketing slogan "*for years to come*" shows it fits with our mission statement to provide gifts of heirloom quality that will last.

Business cards, stationary, brochures, and custom packaging with our logo and slogan will be of professional quality and color. I will also reflect a professional

image by wearing appropriate business clothing. We have professional contacts in the community that provide services to us and we meet with them on a professional level also. The **United Catalog Company** is very professional and on the cutting edge of marketing techniques for entrepreneurs and fits well with our image.

Public Relations

We plan on becoming members of the **Pleasant Chamber of Commerce** by July 1, 1997.

The fundraising organizations we hope to be working with will be a positive influence on our business. If the **Clark College** proposal is funded by the alumni association, we have offered half of the profits to be directed to an alumni scholarship fund. Also if the **Kansas Capital Restoration Foundation** proposal is accepted, our business will be associated with helping restore our state capitol building.

Advertising

We plan on advertising our **Clark College** promotion in the alumni magazine sent in October to approximately 9000 alumni. Clark has offered to do a feature article on myself and two other alumni who are working on the project along with an order form. Advertising the Twelve Days series will be in The ***Kansas Catholic*** which has 9000 subscribers for the 1997 season.

We have not secured a contract for a custom ornament at the time this plan was written, however, the prospects are positive and we are in close contact with our customers. Many organizations have a committee structure so making a decision is often left up to a group of people. This can be time consuming. We inform our customers timely decisions are necessary to have a completed product in order to advertise in the most effective position.

Brochures will be a large part of our custom ornament advertising budget. We have a quote from a local graphic artist that 5000 brochures of high quality and color will cost approximately \$600.00. We project profits from the first three promotions will allow for us to create a brochure that shows those three products in pictures. This will give us credibility and enable us to feature our unique niche in the custom gift market.

According to **Daniel H. Schulman**, **AT&T's** marketing vice-president for small business: "Technology is going to become a tremendous equalizer. Size will no longer be as important in determining market strength. Creativity and innovation are the main factors."

From a special report in ***Business Week***, November 20, 1995, ***Small Fry Go Online*** states: "Technology lets even tiny businesses out-market the giants " also "using massive databases and the **Internet**, entrepreneurs can target smaller – and sometimes more profitable – niches, swiftly change plans, and enter new markets." High tech marketing ideas include networking on the Net with the **SBA's** online bulletin boards and industry bulletin boards. Also sending customers faxes in higher volumes are available from \$175 to \$250 per 1,000 pages from **AT&T, MCI and Sprint**. They also suggest getting your own home page on the **Internet** by creating one yourself or getting one made from an **Internet** provider for \$200 to \$5000 plus monthly service fees.

Advertising will depend on how sales go with the initial advertising of The Twelve Days series in the **United Catalog Company** catalog. If they go well, we have the option of advertising in their wholesale supplier catalog or Wholesale Website to boost sales. (Please see the Appendix Section for a sample of retail stores and catalog companies that receive the wholesale catalog along with advertising rates.)

VI. The Financial Plan

The owner does not plan on taking owner withdrawals during the first year of business. The second and third years owner draw expenses are listed on the cash flow statements.

Debt financing will be required for the second year to purchase inventory for the catalog venture. The advertising costs will be funded from cash on hand. We expect advertising costs to lessen some when the Internet venture is added.

Cash flow projections follow the break-even analysis.

A personal financial statement was not prepared for review for the first year in business due to the fact we are not seeking to borrow funds. A current statement will be provided in the second year of business.

A. Break-Even Analysis

Total Sales	\$32,720.25
Cost of Projected Product Units Sold	<u>20911.10</u>
Gross Margin	11,597.00
Variable Operating Expenses	0.00
Contribution Margin	<u>\$11,597.00</u>

The break-even point was factored on an average purchase of \$12.00 per sale. This figure was used as a conservative estimate due to the price difference between custom ornaments and the set of ornaments. It is suggested that a break-even point be figured on a yearly basis if the business is highly seasonal so we adjusted accordingly.

There are no variable operating expenses as those are figured into the cost of product first.

Fixed operating expenses divided by the contribution margin percentage (\$3584 divided by .36) equals the annual Break-Even Dollars required of \$9956. The Break-Even Units equals \$9956 divided by the selling price of \$12 = 829 units per year. (Our anticipated first year units are 1595 combined.)

This is a reasonable Break-Even Point. The owner does not plan on taking an owner's draw during the first year of business, so no additional units must be sold to meet that cost in the first year.

Startup Expenses Sheet for Christmas Customs

FY 1997

	On-hand	Expenses
Cash	\$1,814	
Supplies		\$150
Advertising		\$600
Miscellaneous Expenses		\$300
Debt Payment		
Totals	\$1,814	\$1,050
Beginning Cash Balance	\$764	
(Starting Bal. On Cash Flow)		

Christmas Customs Sales Forecast 1997

Sales Forecast for Year One - 1997													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Ornament #1													
Units Sold	0	0	0	0	0	500	0	0	0	0	0	0	500
Price per Unit	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Total Sales	0.00	0.00	0.00	0.00	0.00	8,500.00	0.00	0.00	0.00	0.00	0.00	0.00	8,500.00
Ornament #2													
Units Sold	0	0	0	0	0	0	0	0	0	175	200	125	500
Price per Unit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.95	19.95	19.95	19.95
Total Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,491.25	3,990.00	2,493.75	9,975.00
Ornament #3													
Units Sold	0	0	0	0	0	0	0	0	0	10	45	40	95
Price per Unit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44.95	44.95	44.95	44.95
Total Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	449.50	2,022.75	1,798.00	4,270.25
Ornament #4													
Units Sold	0	0	0	0	0	0	500	0	0	0	0	0	500
Price per Unit	0.00	0.00	0.00	0.00	0.00	0.00	19.95	0.00	0.00	0.00	0.00	0.00	19.95
Total Sales	0.00	0.00	0.00	0.00	0.00	0.00	9,975.00	0.00	0.00	0.00	0.00	0.00	9,975.00
Totals	0.00	0.00	0.00	0.00	0.00	8,500.00	9,975.00	0.00	0.00	3,940.75	6,012.75	4,291.75	32,720.25

Cost of Projected Product Units Sold - Christmas Customs 1997

Cost of Projected Products Units Sold for Year One - 1997													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Ornament #1													
Units Sold	0	0	0	0	0	500	0	0	0	0	0	0	500
Price per Unit	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Total Sales	0.00	0.00	0.00	0.00	0.00	5,000.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Ornament #2													
Units Sold	0	0	0	0	0	0	0	0	0	175	200	125	500
Price per Unit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.57	14.57	14.57	14.57
Total Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,549.75	2,914.00	1,821.25	7,285.00
Ornament #3													
Units Sold	0	0	0	0	0	0	0	0	0	10	45	40	95
Price per Unit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.38	22.38	22.38	22.38
Total Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	223.80	1,007.10	895.20	2,126.10
Ornament #4													
Units Sold	0	0	0	0	0	0	500	0	0	0	0	0	500
Price per Unit	0.00	0.00	0.00	0.00	0.00	0.00	13.00	0.00	0.00	0.00	0.00	0.00	19.95
Total Sales	0.00	0.00	0.00	0.00	0.00	0.00	6,500.00	0.00	0.00	0.00	0.00	0.00	6,500.00
Totals	0.00	0.00	0.00	0.00	0.00	5,000.00	6,500.00	0.00	0.00	2,773.55	3,921.10	2,716.45	20,911.10

Monthly Cash Flow Projection 1997 - Christmas Customs

Monthly Cash Flow Projections for Christmas Customs - Year 1997													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Cash Balance	\$764	\$532	\$255	(\$57)	(\$815)	(\$1,453)	\$1,528	\$1,274	\$1,022	(\$4,197)	\$2,633	\$6,289	764
Cash Receipts													
Cash Sales	\$0	\$0	\$0	\$0	\$0	\$4,250	\$4,987	\$4,250	\$8,927	\$6,012	\$4,291	\$0	\$32,717
Other Income													
Total Cash Receipts	\$0	\$0	\$0	\$0	\$0	\$4,250	\$4,987	\$0	\$4,250	\$8,927	\$6,012	\$4,291	\$32,717
Cash Disbursements													
Cash Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	\$0	\$8,356	\$1,745	\$1,995	\$1,246	\$18,342
Salaries/Benefits	\$0	\$0	\$0	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300
Outside Services	\$60	\$60	\$146	\$466	\$166	\$142	\$60	\$60	\$146	\$60	\$60	\$146	\$1,572
Outside Services-repairs	\$0	\$50	\$0	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100
Insurance	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$34
Advertising / Travel	\$20	\$20	\$20	\$20	\$20	\$620	\$20	\$20	\$95	\$120	\$120	\$20	\$1,115
Occupancy Expenses	\$111	\$106	\$106	\$111	\$111	\$116	\$121	\$131	\$131	\$131	\$141	\$141	\$1,461
Misc.-Supplies/Delivery/Taxes	\$38	\$38	\$38	\$108	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$521
Purchase of Fixed Assets						\$350		\$0	\$700				\$1,050
Debt Payment - Old													\$0
Total Cash Disbursement	\$232	\$277	\$313	\$758	\$638	\$1,269	\$5,242	\$252	\$9,469	\$2,097	\$2,357	\$1,594	\$24,495
Net Cash Flow	(\$232)	(\$277)	(\$313)	(\$758)	(\$638)	\$2,981	(\$255)	(\$252)	(\$5,219)	\$6,830	\$3,655	\$2,697	\$8,222
Adjustments to Net Cash Flow													
New Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Owner Investment													
New Debt - Interest payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Debt- Principal payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Net Cash Flow	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Cash Balance	\$532	\$255	(\$57)	(\$815)	(\$1,453)	\$1,528	\$1,274	\$1,022	(\$4,197)	\$2,633	\$6,289	\$8,986	\$8,986

Cash Flow Projections, Years 2 and 3 - Christmas Customs

Annual Cash Flow Projection - Year 2		Annual Cash Flow Projection - Year 3	
	Yearly Total		Yearly Total
Cash Balance	\$8,986	Cash Balance	\$17,633
(Ending balance Year 1)		(Ending balance Year 2)	
Cash Receipts		Cash Receipts	
Cash Sales	\$57,192	Cash Sales	\$74,349
Other Income		Other Income	
Total Cash Receipts	\$57,192	Total Cash Receipts	\$74,349
Cash Disbursements		Cash Disbursements	
Cash Purchases	\$26,712	Cash Purchases	\$34,725
Salaries/Benefits/Owner's Draw	\$9,600	Salaries/Benefits/Owner's Draw	\$10,800
Outside Services	\$0	Outside Services	\$0
Outside Services-repairs	\$0	Outside Services-repairs	\$0
Insurance	\$35	Insurance	\$35
Advertising / Travel	\$6,750	Advertising / Travel	\$4,000
Occupancy Expenses	\$1,948	Occupancy Expenses	\$2,532
Misc.-Supplies/Delivery/Taxes	\$2,000	Misc.-Supplies/Delivery/Taxes	\$2,600
Purchase of Fixed Assets	\$1,500	Purchase of Fixed Assets	\$1,950
Debt Payment - Old		Debt Payment - Old	
Total Cash Disbursement	\$48,545	Total Cash Disbursement	\$56,642
Net Cash Flow	\$8,647	Net Cash Flow	\$17,707
Adjustments to Net Cash Flow		Adjustments to Net Cash Flow	
New Debt	\$0	New Debt	\$0
New Owner Investment		New Owner Investment	
New Debt - Interest payments	\$0	New Debt - Interest payments	\$0
New Debt- Principal payments	\$0	New Debt- Principal payments	\$0
Adjusted Net Cash Flow	\$0	Adjusted Net Cash Flow	\$0
Ending Cash Balance	\$17,633	Ending Cash Balance	\$35,340

Appendix Section

(Please Note: All Appendix attachments were deleted from this plan for proprietary reasons. The list, however, provides an example of the type of additional documentation that could be included in an Appendix section.)

⌘ **Complimentary Order Confirmation (example)**

⌘ **United Catalog Company catalog (example)**

⌘ **Pennsylvania Trolley Museum (example)**

⌘ **All States Manufacturing Corporation (brochure)**

⌘ **United Catalog Company (retail store list)**

⌘ **Product (sample)**