

The BOS: Eliminating the Vexation of Falling Shoulder Straps

Mock Business Plan For CCE 2019

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This Mock Business Plan is just an example aiming to illustrate our guidelines in the corresponding document. It does not constitute a model, and should not be reproduced thoroughly.



Executive Summary

- **BOS:** A re-attachable clip that can be clipped onto any shoulder strap to redistribute the handbag's weight, while providing the most comfortable means for carrying a handbag.
- **Purpose:** To completely eliminate the vexation of falling bag shoulder straps.
- **Market:** For all women, especially business women and mothers (ages 30 – 50) who carry heavy handbags every day; U.S. handbag industry is worth ~\$9B.
- **Distribution Channels:** Incumbent partners, retail stores, direct online sales, and fashion brands.
- **Intellectual Property:** Patentable idea with a semi-"Ideas Factory" strategy
- **Financials:** ~\$693K in EBIT by Year 6; 100% equity in the beginning and ~30% financing from debt in the long-term; BEP in Q3 of Year 2; bank debt, VCs, Angel Investors, and personal funds as forms of financing.

Our Business in Brief

Mission: To eliminate the inconvenience of bag straps slipping off of shoulders.

Vision: To become the leader in producing comfortable, anti-slip bag strap pads for women around the world.

Value Proposition: To put an end to the bag straps that keep falling off by offering a unique device that is discrete, comfortable, and highly-functional.

Product & Market:

- An innovative, invisible, and non-slip clip that can be attached to any bag strap
- Compete based on invisibility and comfort differentiation
- BOS will provide mothers and working women from ages 30 to 50 who value functionality
- Two different clips will target two different target markets

Who Are We & What Are Our Resources?

- A young and competent management team
- Intellectual property
- Human capital (i.e. power of innovation)
- Partner networks (i.e. contacts and relationship-building expertise)



The Winning Value Proposition

“Burning Problems”:

- Handbag shoulder straps slipping off ,causing a perpetual nuisance to women.
- Women are reluctant to buy non-slip handbags because of poor design and unknown brand name.
- Existing anti-slip pads are ugly and badly suited to match women’s handbags.

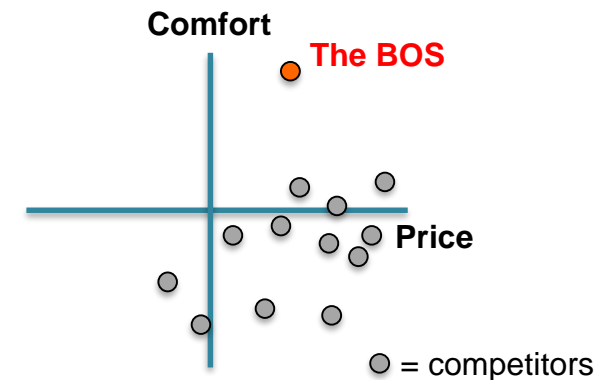
Market Definition: All women, but specifically, working women and mothers (from the ages 30 to 50), have this problem because of the amount of “stuff” they carry in their handbag everyday.

The BOS: A polyurethane pad, that is double-layered with foam for comfort and attachable by using a solid silicone clip.

- Combined advantages: discretion, softness, functionality, adaptability, weight redistribution, non-slip technology, and durability.

Product Positioning:

- Comfort and invisibility for a competitive price will be emphasized.
- BOS holds a great solution to countless women's handbag needs.
- BOS will be split into two products of different quality levels.



A Brief Overview of the Industry

Size and Scope (in the U.S.):

- Industry revenue of \$9B (largest in the world) with a CAGR of 1.2% (2008-2013)¹
- Average woman owns 7 handbags²
- There are 63.6M females within the age range of 25 to 54³
- For the U.S. luxury handbag segment, Coach Inc. is the current market leader⁴
- Handbags currently represent 1/3rd of the share in the overall women's accessories market⁵

Current Characteristics and Projected Changes:

- 1/5th feel that a compliment about their handbag is the ultimate flattery⁶
- 1/3rd of women feel envious of others' handbags⁶
- Handbags have a pragmatic role, but also a fashion role in completing a woman's wardrobe
- Functionality and comfort are the most valued features by female shoppers⁷
- As the economy recovers and grows, the fragmented handbag market will grow in parallel
- As online shopping gains more popularity, more women will buy handbags online



Our Target Customer & Market Entry Strategy

Customer Profile: Meet Lisa

- Age: 36
- Urban – New York City
- Part-time associate at a local law firm; salary of \$58,000/year
- Purchases at 1 handbag a year and values its functionality/comfort
- Carries a laptop and a lot of paperwork in her handbag daily
- Values family; brings son to soccer games on weekends (while carrying toys and snacks in her bag)



Product Development Market Strategy:

1. Patent idea (new product) and form partnerships with to access complementary assets
2. Beta test product in a regional market (i.e. Philadelphia) with Product A
3. Adjust Product A to customers' needs and reactions
4. Develop and brand Product B for higher-end handbags
5. Target eastern-U.S. and then offer products nationally



Essential Partners for Success

Key Partners	Main Functions	Advantages
External Suppliers	Manufacturing and production needs	<ul style="list-style-type: none"> Existing machinery and necessary assets Low labour costs Expertise in raw material purchasing
Outbound Logistics Company	Distribution under private sales	<ul style="list-style-type: none"> Better inventory management Efficient and timely delivery of products
Incumbents (i.e. collaboration)	Financial. and technological, manufacturing support	<ul style="list-style-type: none"> Existing relationships within value chain Already established a brand name Better economies of learning and of scale
Business Angels	Financial support	<ul style="list-style-type: none"> Initial funding without significant cost of debt
Venture Capitalists	Financial support and business acumen	<ul style="list-style-type: none"> Better identify market opportunities and appropriate business model
Brand Name Fashion Companies	Distribution, sales, and marketing support	<ul style="list-style-type: none"> Add to brand equity and sense of legitimacy in fashion industry via increased brand awareness
Department Stores	Distribution and sales	<ul style="list-style-type: none"> Established mass-distribution channels Build on brand equity and awareness
Online Retail Stores	Distribution and sales	<ul style="list-style-type: none"> Convenient distribution method with established customer base

Other Infrastructural Elements for Success

Key Resources:

- Financial investments and loans
- Legal
 - Patent filing, drafting contracts, legal advice, etc.
- Intellectual (innovations)
- Human capital
 - I.e. experts in quality standards
- IT expertise
- Access to incumbents, delivery companies, advertising agencies, retail stores, etc.
- Websites (private and retail)
- Long-term relationships with suppliers

Key Activities:

- Customer service
- On-time delivery
- Favourable return policies
- Beta-testing and quality control
- Innovation-centric R&D
- Marketing and brand management
- Efficient supply chain to decrease production costs
- Supplier relationship management
- Retailer, fashion brand, and online retailer relationship management
- Long-term partnerships with potential incumbents



Overview of a Convincing Business Model

Revenue Sources:

- Private label: Product A from Year 1 and onwards
- Product B from Year 3 and onwards
- Licensing to other BOS's technology
- Gift cards
- Sales from the following channels:
 - Department stores (private label)
 - Fashion brands (licensing to stores like Prada, Coach, etc.)
 - Online internet sales (private label via i.e. amazon.com)

Key Cost Drivers:

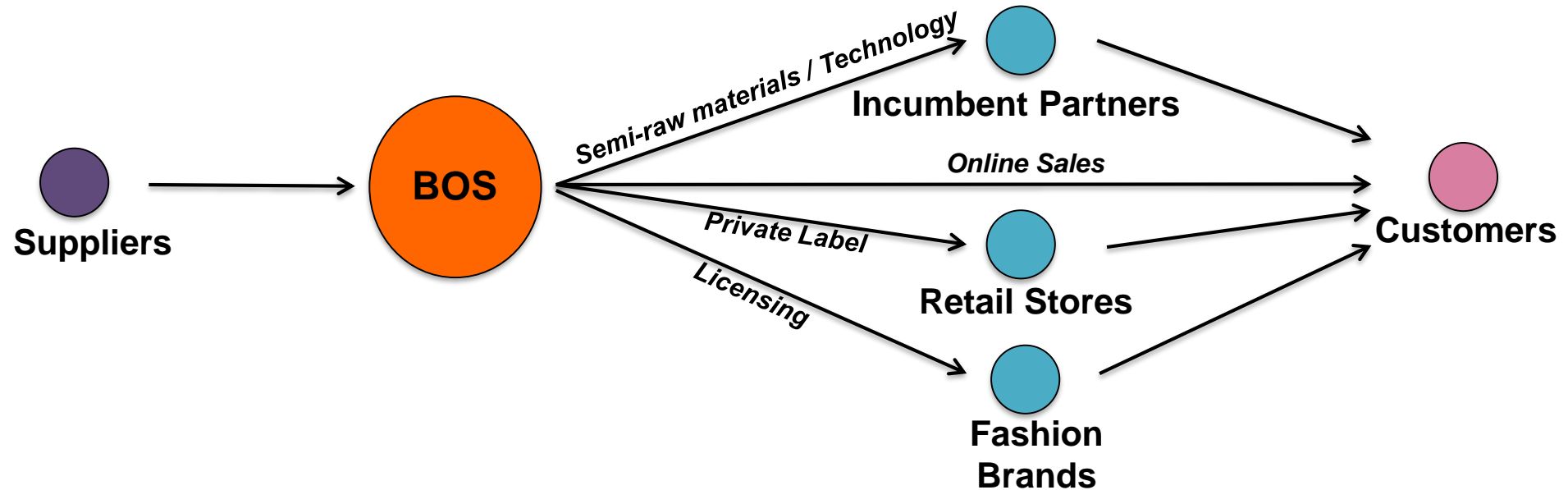
- Costs of revenue*
 - Raw material costs
 - Transportation costs, etc.
- Sales & Marketing
 - Sales people
 - Commissions
 - Marketing promotions, etc.
- R&D
 - Significant investment in Year 1-2 for Product A adjustments and Product B development
- G&A
 - Salaries
 - Rent
 - Office materials, etc.

* Expected to decrease year-over-year from economies of learning and economies of scale



Overview of a Convincing Business Model

Simplified Value Chain Model



Patentable Idea & Multiple Commercialization Possibilities

Idea Can be Highly Protected by Intellectual Property Because:

- Existing patents fail to combine weight distribution and non-slip technology together;
- Many patents are for hefty bags (i.e. golf bags) → large and indiscrete pads;
- Our idea is unique because of the multipurpose clip with a non-slip base; and
- Our transparent and easily removable clip adapts to any bag

Better Commercialization Through a Semi-‘Ideas Factories’ Strategy:

- Decrease required, intensive capital investment by partnering up with an incumbent for complementary assets → decreases production and distribution costs
- Numerous local and international incumbents with the capabilities to efficiently produce our innovative clips
- Potential business partners: Purse Gummy (non-slip, flexible strip for straps), Hideagrip (non-slip gripper for shoulder straps), Prada (licensed usage for their line of products), etc.



Other Commercialization Methods & Threat of Substitutes

Besides a Patent, Other Options Include:

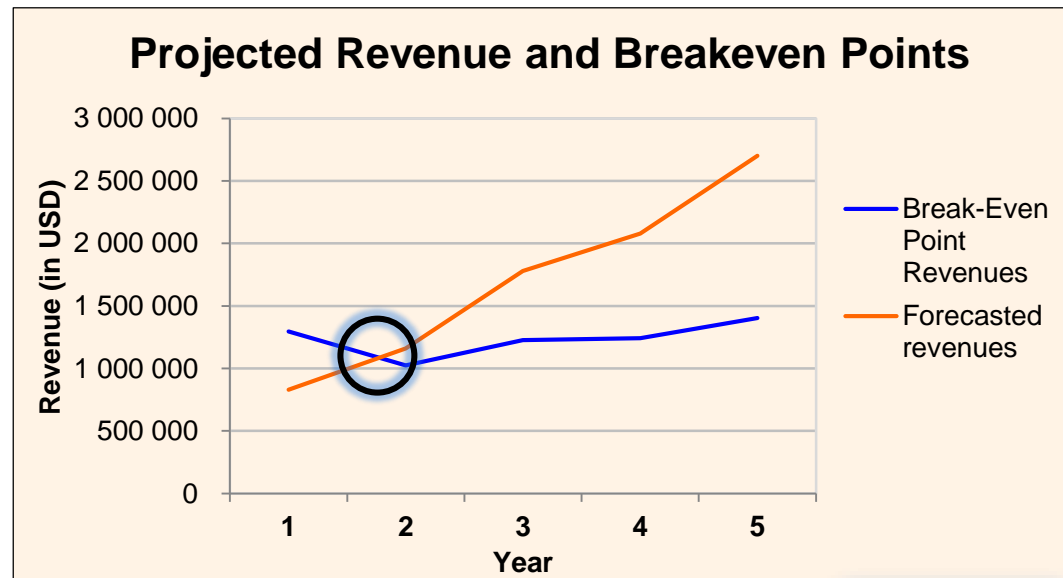
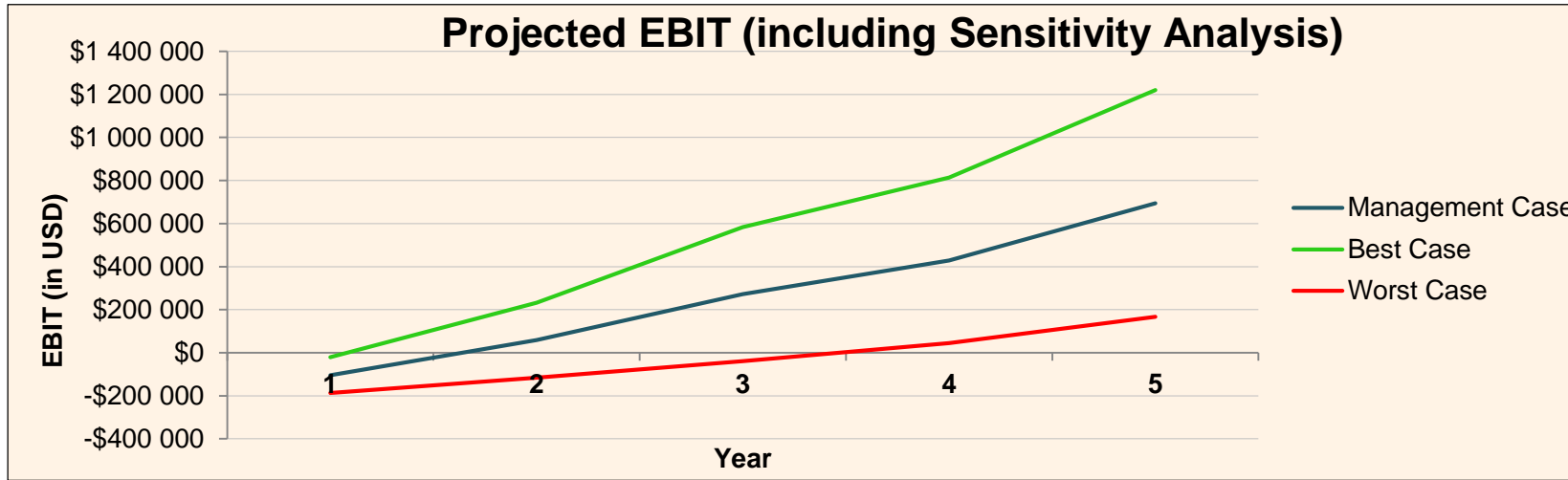
- Entering the market in secrecy;
- Copyrighting the artistic design of the product;
- Trademarking the unique design of the product or product line; and
- Using trade secrets (not recommended since degree of technological advancement is limited)

High Threat of Substitutes, but the Market is Also Growing...

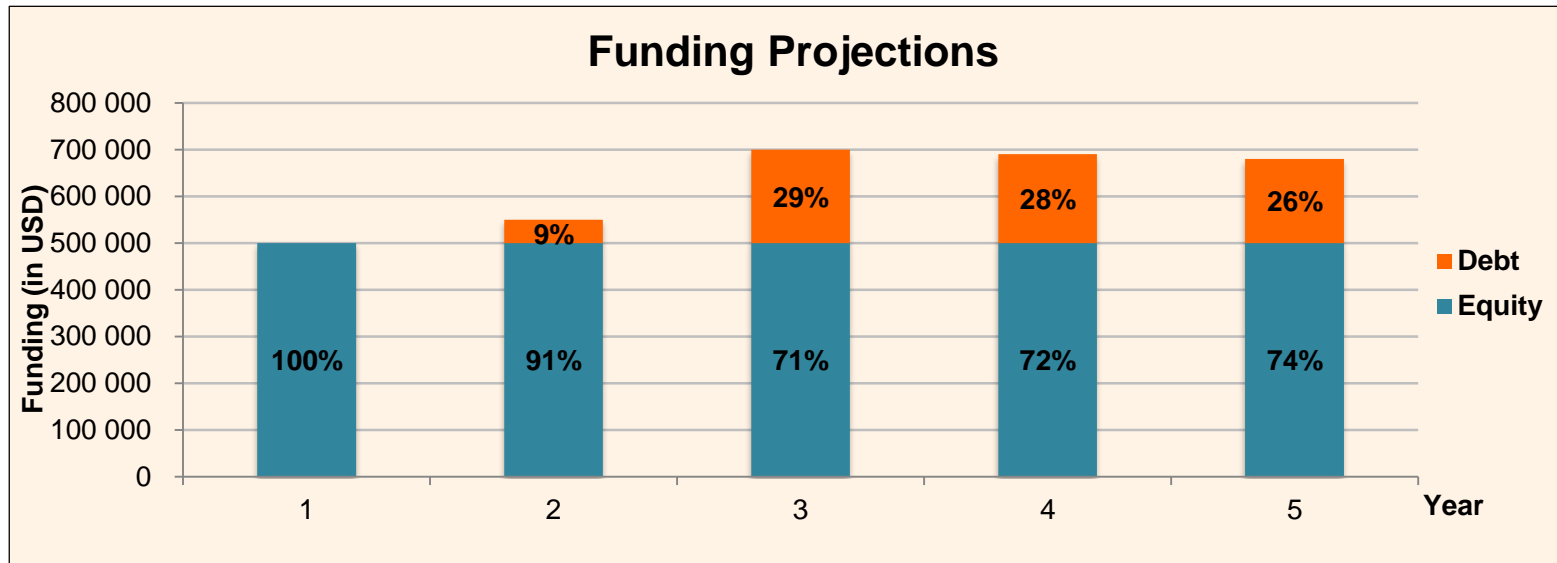
- Non-slip, contoured shoulder pads
- Anti-slip shoulder straps
- Non-slip stickers for shoulder straps
- Handheld bags, backpacks, satchels, etc.
- Solution against threat of substitutes: leverage competitive advantage of using the clip and positioning it to consumers so that the value of comfort and invisibility is ubiquitous



Financials in Brief: Projected EBIT and Breakeven Analysis



Funding Projections and Investment Requirements

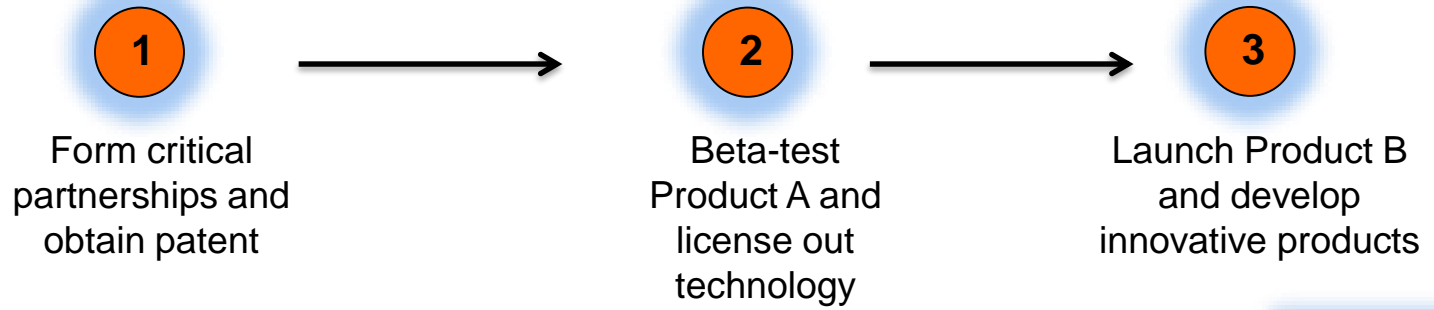


Source	Amount	Timing	Purpose
<ul style="list-style-type: none"> Venture Capitalist Angel Investors Personal Funds 	<ul style="list-style-type: none"> VC: \$400,000 Angel: \$50,000 Personal: \$50,000 	<ul style="list-style-type: none"> Venture Capitalist: Yr 1 – Yr 6 Personal Funds: Long-term 	<ul style="list-style-type: none"> Initial funds to start business and to fund business activities To cover manufacturing costs and operating expenses
<ul style="list-style-type: none"> Short-term debt from bank 	<ul style="list-style-type: none"> \$50,000 	<ul style="list-style-type: none"> Yr 2 – Yr 3 	<ul style="list-style-type: none"> Cover higher expenses from R&D for Product B and from Marketing & Sales
<ul style="list-style-type: none"> Long-term debt from bank 	<ul style="list-style-type: none"> \$200,000 	<ul style="list-style-type: none"> Yr 3 – long-term 	<ul style="list-style-type: none"> Safety cash in order to hire more staff, develop more future products, improve marketing efforts, etc.

Implementation Timeline and Road Map to Win

Gantt Chart – Planning Schedule

	Now	Month 6	Year 1	Year 2	Year 3	Year 4	Year 5	Long-term
Owner to hire three part-time staff as part of management team	█							
Management team to contact potential suppliers and partner incumbents	█	█						
Legal team files and secures patent rights	█	█	█					
Legal and sales team to secure contracts with brand name fashion brands		█	█					
Legal and sales team to secure rest of value chain and Product A production begins			█					
S&M team to begin beta-testing in the Philadelphia market			█					
S&M team to evaluate results and further expand in U.S.				█	█	█	█	█
R&D team to develop Product B				█				
BOS to launch Product B in a test market					█			
M&S team to evaluate results of Product B and BOS will expand worldwide						█	█	█
<i>Note: Developing, testing, and launching products will require the involvement of business partners and incumbents.</i>								
R&D team to develop other accessories or products								█



Appendix



Patent Research

Patent Search: ttl/(antislip AND (pad OR clip)): 2 hits; ttl/(shoulder AND pad): 105 hits; ttl/(pad AND bag): 60 hits; ttl/(shoulder AND (pad OR clip)): 115 hits

Similar Patented Products:

- **Shoulder pad (6,698,633)**
 - Rigid pad to place on shoulder and has a slot to hold bag straps
 - Conforms to anatomy of shoulder
 - Prevents strap from digging into shoulder and bag from slipping off
- **Contoured pad for a shoulder strap (5,507,422)**
 - Shoulder pad consisting of a support with inclined wedges that prevent bag from slipping
 - Pad follows contour of the shoulder to distribute weight of the bag evenly
- **Shoulder pad (4,887,318)**
 - Pad consists of a single rubbery material with straps to attach to bag handle
 - Single material – cheap to produce and solid
- **Shoulder pad for shoulder bags (D494,368)**
 - Only on ornamental design of a one-piece flexible pad
 - Adjusts to shoulder and bears streaks that prevent any shoulder strap from slipping.
- **Shoulder strap pad (6,318,609)**
 - Rectangular-based pad with projections and clips that lock onto bag straps
 - Limits movement of the bag on the shoulder and redistributes bag weight



Revenue Breakdown

Revenue Breakdown by Product and Year

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
PRODUCT A					
Number of Units*	92,160	129,024	180,634	234,824	305,271
Price per unit**	9.00	9.00	9.00	8.00	8.00
Total	829,440	1,161,216	1,625,702	1,878,589	2,442,166
PRODUCT B***					
Number of Customers****			10,240	13,312	17,306
Fee per Customer			15.00	15.00	15.00
Total	0	0	153,600	199,680	259,584
NET REVENUE	829,440	1,161,216	1,779,302	2,078,269	2,701,750

Assumptions:

† Growth assumptions for Yr 1 to Yr 3 is 40% y/y and Yr 4 to Yr 5 is 30% y/y.

* Yr 1: In the US, 64M women from the age of 25 to 54 x 80% who have handbags x 90% of those who have handbags priced under \$200 x 0.2% penetration rate.

** Price will decrease after Yr 3 to ensure competitive pricing compared to competitors.

*** Product B will be another non-slip pad that will be targeted to the high-end handbag target market (with better aesthetic features)

**** Yr 3: 64M women from the age of 25 to 54 x 80% who have handbags x 10% of those who have handbags priced over \$200 x 0.2% penetration rate



Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
NET REVENUES	\$829,440	\$1,161,216	\$1,779,302	\$2,078,269	\$2,701,750
COST OF REVENUE	663,552	812,851	1,156,547	1,309,310	1,648,068
% of Revenues	80.0%	70.0%	65.0%	63.0%	61.0%
GROSS PROFIT	165,888	348,365	622,756	768,960	1,053,683
% of Revenues	20.0%	30.0%	35.0%	37.0%	39.0%
OPERATING EXPENSES					
Sales & Marketing	100,000	120,000	160,000	165,000	170,000
Research & Development	70,000	50,000	40,000	20,000	30,000
General and Administration	100,000	120,000	150,000	155,000	160,000
Total Operating Expenses	270,000	290,000	350,000	340,000	360,000
% of Revenues	33%	25%	20%	16%	13%
EBIT	(104,112)	58,365	272,756	428,960	693,683
% of Revenues	-12.55%	5.03%	15.33%	20.64%	25.68%

Assumptions:

1. Growth assumptions for Yr 1 to Yr 3 is 40% y/y and Yr 4 to Yr 5 is 30% y/y.
2. Yr 1: In the US, 64M women from the age of 25 to 54 x 80% who have handbags x 90% of those who have handbags priced under \$200 x 0.2% penetration rate.
3. Price will decrease after Yr 3 to ensure competitive pricing compared to competitors.
4. Product B will be another non-slip pad that will be targeted to the high-end handbag target market (with better aesthetic features).
5. Product B will be introduced in Yr 3: 64M women from the age of 25 to 54 x 80% who have handbags x 10% of those who have handbags priced over \$200 x 0.2% penetration rate.
6. Cost of revenue will decrease significantly at first because of learning curve and continue to decrease because of economies of scale.
7. More Sales & Marketing will be required in Yr 3 given the launch of Product B (that is targeted towards higher-end handbag users).
8. There will be a lot of investment in R&D because Product A needs to be further altered to suit customers' needs and Product B will need to be developed during Yr 1 to Yr 2.



Sensitivity Analysis: Best Case (0.3% Penetration Rate)

Sensitivity Analysis: Best Case Scenario – 0.3% Penetration Rate

	Year 1	Year 2	Year 3	Year 4	Year 5
NET REVENUES	\$1,244,160	\$1,741,824	\$2,668,954	\$3,117,404	\$4,052,625
COST OF REVENUE	995,328	1,219,277	1,734,820	1,963,965	2,472,101
% of Revenues	80.0%	70.0%	65.0%	63.0%	61.0%
GROSS PROFIT	248,832	522,547	934,134	1,153,440	1,580,524
% of Revenues	20.0%	30.0%	35.0%	37.0%	39.0%
OPERATING EXPENSES					
Sales & Marketing	100,000	120,000	160,000	165,000	170,000
Research & Development	70,000	50,000	40,000	20,000	30,000
General and Administration	100,000	120,000	150,000	155,000	160,000
Total Operating Expenses	270,000	290,000	350,000	340,000	360,000
% of Revenues	22%	17%	13%	11%	9%
EBIT	(21,168)	232,547	584,134	813,440	1,220,524
% of Revenues	-1.70%	13.35%	21.89%	26.09%	30.12%



Sensitivity Analysis: Worst Case (0.1% Penetration Rate)

Sensitivity Analysis: Worst Case Scenario – 0.1% Penetration Rate

	Year 1	Year 2	Year 3	Year 4	Year 5
NET REVENUES	\$414,720	\$580,608	\$889,651	\$1,039,135	\$1,350,875
COST OF REVENUE	331,776	406,426	578,273	654,655	824,034
% of Revenues	80.0%	70.0%	65.0%	63.0%	61.0%
GROSS PROFIT	82,944	174,182	311,378	384,480	526,841
% of Revenues	20.0%	30.0%	35.0%	37.0%	39.0%
OPERATING EXPENSES					
Sales & Marketing	100,000	120,000	160,000	165,000	170,000
Research & Development	70,000	50,000	40,000	20,000	30,000
General and Administration	100,000	120,000	150,000	155,000	160,000
Total Operating Expenses	270,000	290,000	350,000	340,000	360,000
% of Revenues	65%	50%	39%	33%	27%
EBIT	(187,056)	(115,818)	(38,622)	44,480	166,841
% of Revenues	-45.10%	-19.95%	-4.34%	4.28%	12.35%



Breakeven Point Analysis

Annual Breakeven Point Analysis (in USD)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$829,440	\$1,161,216	\$1,779,302	\$2,078,269	\$2,701,750
Cost of Revenue					
Variable	575,482	625,180	851,296	974,233	1,222,453
Fixed	88,070	187,671	305,251	335,077	425,615
Total	663,552	812,851	1,156,547	1,309,310	1,648,068
Operating Expenses					
Variable	68,594	44,103	49,260	36,737	34,801
Fixed	201,406	245,897	300,740	303,263	325,199
Total	270,000	290,000	350,000	340,000	360,000
Total Costs & Expenses					
Variable	644,076	669,283	900,556	1,010,971	1,257,254
Fixed	289,476	433,568	605,990	638,339	750,814
Total	933,552	1,102,851	1,506,547	1,649,310	2,008,068
Variable Costs/Revenue Ratio	0.78	0.58	0.51	0.49	0.47
Break-Even Point Revenues	1,295,304	1,023,445	1,227,021	1,242,989	1,404,304
Forecasted revenues	829,440	1,161,216	1,779,302	2,078,269	2,701,750



Funding Projections and Repayment Schedule

	Begin	Year 1	Year 2	Year 3	Year 4	Year 5
BEGINNING CASH	500,000					
EQUITY						
Common	300,000	300,000	300,000	300,000	300,000	300,000
Increase / (Decrease) Previous Period		-	-	-	-	-
Preferred						
A Round	200,000	200,000	200,000	200,000	200,000	200,000
B Round						
Total Preferred	200,000	200,000	200,000	200,000	200,000	200,000
Increase / (Decrease) Previous Period		-	-	-	-	-
Total Equity	500,000	500,000	500,000	500,000	500,000	500,000
DEBT						
Short Term Debt		-	50,000	-	-	-
Increase / (Decrease) Previous Period		-	50,000	(50,000)	-	-
Long Term Debt						
Current Portion		-	-	-	-	-
Long Term Portion		-	-	200,000	190,000	180,000
Total Long Term Debt		-	-	200,000	190,000	180,000
Increase / (Decrease) Previous Period						
Current Portion		-	-	-	-	-
Long Term Portion		-	-	200,000	(10,000)	(10,000)
Total Long Term Debt		-	-	200,000	(10,000)	(10,000)
TOTAL EQUITY & DEBT	500,000	500,000	550,000	700,000	690,000	680,000

Sources

- 1 <https://www.ibisworld.com/industry/default.aspx?indid=1965>
- 2 <http://www.glamour.com/fashion/blogs/dressed/2011/05/the-average-woman-owns-7-handb.html>
- 3 http://www.indexmundi.com/united_states/demographics_profile.html
- 4 <http://forum.purseblog.com/handbags-and-purses/name-5-qualities-that-your-bag-has-have-537237.html>
- 5 <http://www.smh.com.au/lifestyle/life/whats-in-a-handbag-sex-toys-knickers-and-dog-biscuits-20110524-1f1uy.html>
- 6 http://global_handbags_market_report_2012_edition.pdf
- 7 <http://forum.purseblog.com/handbags-and-purses/name-5-qualities-that-your-bag-has-have-537237.html>

