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January 1998

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# Cutting Edge Drapery

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## 1.0 Executive Summary

### **Introduction**

Cutting Edge Drapery is a well established decorators' workroom. The company is engaged in the production of draperies, slip covers, and other textile products in accordance with the designs and concepts of interior designers. Cutting Edge Drapery has recently expanded its production facilities and is well-positioned to market its workroom production beyond its present client base. The company is dedicated to providing the highest quality workmanship, meeting the agreed delivery dates, and executing the custom work exactly in accordance with the designer's concept. The focus of this business plan is to identify its future target clients, explain its marketing strategy, and to improve its internal procedures so it can substantially increase profitability.

### **The Company**

Cutting Edge Drapery is located in Loudon, New Hampshire. Soft window treatments represent the major share of the company's production. The total market for soft window treatments in the communities which the company targets is approximately \$2.7 million. The share of this market channeled through designers and decorators is directly proportional to disposable income and real estate valuations.

The company is a sole proprietorship and has been operating for nearly 25 years. The owner worked out of her home as a seamstress and tailor until her business volume caused her to move her operation into rented space in Loudon. This expanded space allowed her to concentrate more on draperies and window treatments. The office is comprised of 2,200 square feet where seven people are employed full-time. Recently an assistant has been hired to take on the administrative burden and to help improve the company's internal procedures. A new outside accountant has been engaged who is steamlining the computerized accounts.

### **The Products**

Cutting Edge Drapery provides sewing services in the creation of high quality soft window treatment products such as; draperies, swags, jabots, slip covers, etc.

Although the company could be considered a company making products, because clients furnish the fabric for each custom crafted unit, it actually only provides the sewing and installation services to its customers. There are relatively few sourcing costs because the company does not have to directly provide for fabric, which is the most expensive input in the production process.

### **The Market**

The population of the 17 communities in close proximity to Cutting Edge Drapery is estimated at 277,253. Roughly, this would mean that this area comprises a total soft window treatment market in excess of \$2.7 million annually. All of these treatments must be produced in decorator workrooms. The company's share of this nearby market is approximately 7.5%.

The company is in the process of shifting from its current target market of interior decorator clients to the more higher end interior designer market. A change to this target market will improve profitability levels since the designer segment is much less price sensitive and provides greater margins. The designer's clients include the high income homeowners that demand unique products and a high degree of customer service. This, in turn, requires a high contact service environment between the designers and workrooms that can best be served by a company such as Cutting Edge Drapery.

# Cutting Edge Drapery

To penetrate the interior designer-controlled share of the window treatment market ("Designer" being the key word here rather than "decorator"). Within the next twelve months it is the objective of the company to market the 15 targeted designer members of the American Society of Interior Designers (ASID) who are located in close proximity to its Loudon facilities, and to establish a business relationship with at least three of them. This will grow to five in the second year and seven in the third year. The company faces significant competition from existing workrooms within the local area. Cutting Edge Drapery's strategy is to lift its image, through advertising in prestigious trade publications, joining and net-working ASID membership, and actively marketing its selected target market.

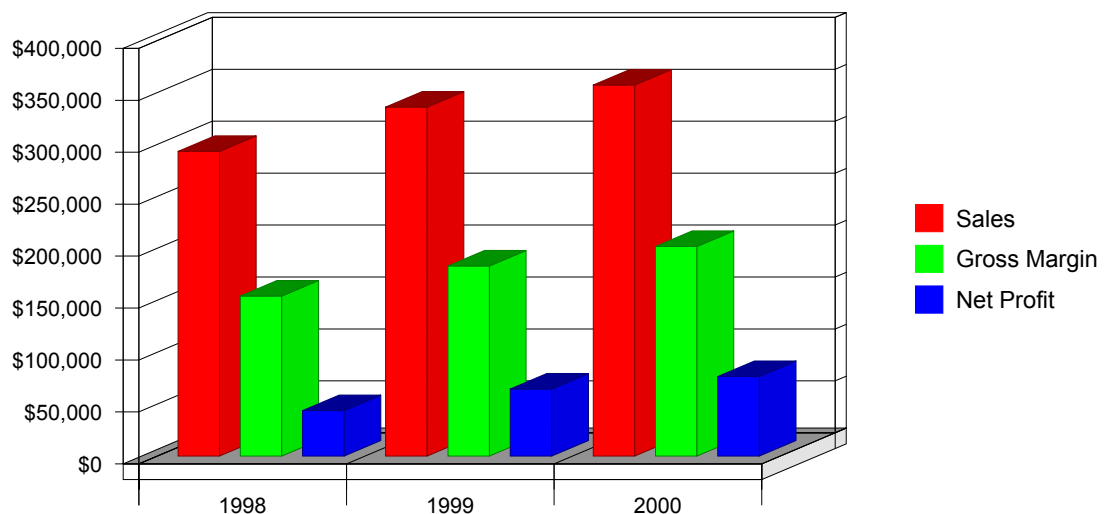
## Financial Considerations

The marketing research and tailored marketing strategy described in this business plan will result in after-tax profits of \$43,000 in 1998, increasing to nearly \$75,000 in after-tax profits within three years. It is estimated that by year 2000, revenues will reflect an 11% market share of the local soft window treatment market.

Monthly break-even stands at 35 units. The company must keep stitchers busy producing a mixed quota of 35 units per month to break even. Total production at the time of this writing was approximately 98 units, which will increase to 115 by the end of the year 2000. Break-even is at 30% of capacity initially.

Because it is the policy of the company's clients to provide the fabric for the soft window treatment products, the company has a very low cost of goods sold account and therefore a high gross margin. Furthermore, the custom nature of the business means that there is no inventory cost to speak of or accounts payable. Finally, the company does not possess any debt or long term capital assets that would affect the cash flow. With the ability to generate so much cash flow, it is assumed that the company will seek to use this asset to expand its markets and production capacity in the near future.

## Highlights



# Cutting Edge Drapery

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## 1.1 Objectives

1. To penetrate the interior designer-controlled share of the window treatment market ("Designer" being the key word here rather than "decorator"). Within the next twelve months it is the objective of the company to market the 15 targeted designer members of the American Society of Interior Designers (ASID) who are located in close proximity to its Loudon facilities, and to establish a business relationship with at least three of them. This will grow to five in the second year and seven in the third year.
2. To substantially increase profitability. We will encourage price-sensitive jobs to go elsewhere by formalizing the pricing mechanics. This will allow for attention to a more high-end custom work to be performed for the less price-sensitive designer market sector. This pricing will insure a minimum of \$65,000 in pre-tax profits during the first year.
3. To improve the administrative machinery of the operation. This will allow a reduction in the owner's involvement in simple administrative tasks from 50% of her time to 20%, thereby allowing her more time for sales and marketing tasks.

## 1.2 Mission

Cutting Edge Drapery is best suited to serving the interior designer share of the textile treatment market because clients of interior designers can afford expensive materials and custom solutions. The company is unable to compete with large workrooms geared to mass production runs, nor can its pricing compete with the many "mom and pop" home workrooms. The company is dedicated to providing the highest quality workmanship, meeting the agreed delivery dates, and executing the custom work exactly in accordance with the designer's concept.

## 1.3 Keys to Success

There are a few key factors that spell success or failure for professional workrooms--most of which stem from the importance of reputation to an interior designer:

1. The professional workroom must not have private clients. Interior designers are often paranoid that one of his clients will discover he could have saved thousands of dollars by dealing directly with the workroom. If private clients contact the company, they should be referred to a designer who works closely with the company.
2. Clients who can afford interior designers tend to be very demanding; designers are under a lot of pressure. The interior designer needs to feel that his workroom considers that designer the most important person in the world. Any action that might indicate that the workroom might be busy with other designers' work, such as failing to return phone calls promptly, must be avoided.
3. The workroom must be true to its word. The work must be executed exactly according to plan, when it was promised, and at the agreed price. The ability of the workroom to communicate effectively with the designer is key.
4. The quality of the production supervisor is key. The production supervisor must insure that jobs quoted at 15 hours do not take 20 or more. Profit goals can not be reached

# Cutting Edge Drapery

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if individual production stitchers do not work efficiently or are left idle.

## 2.0 Company Summary

Cutting Edge Drapery is a decorators' workroom located in Loudon, New Hampshire. The company is engaged in the production of draperies, slip covers, and other textile products in accordance with the designs and concepts of interior designers. Soft window treatments represent the major share of the production. The total market for soft window treatments in the communities which the company targets is approximately \$2.7 million. The share of this market channeled through designers and decorators is directly proportional to disposable income and real estate valuations.

## 2.1 Company Ownership

The company, Cutting Edge Drapery, is a sole proprietorship registered DBA by the owner. Some thought has been given to incorporating Cutting Edge Drapery, but a decision has not yet been reached.

## 2.2 Company History

The owner of Cutting Edge Drapery has been operating a workroom for nearly 25 years. She worked out of her home as a seamstress and tailor until her business volume caused her to move her operation into rented space in Loudon. This expanded space allowed her to concentrate more on draperies and window treatments. The office is comprised of 2,200 square feet where seven people are employed full-time. This company history closely parallels the histories of owners of the more prestigious and expensive Boston workrooms.

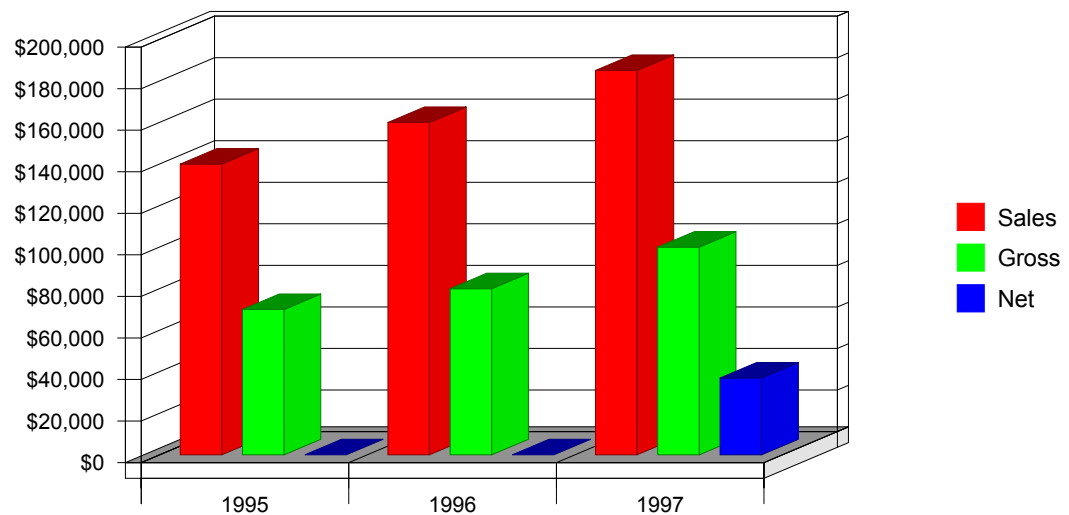
The owner is a member of the National Textile Museum in Washington D.C. and a member of the Museum of Textile History in Lowell, Massachusetts. She has recently applied for membership in the American Society of Interior Designers as an Industry Partner.

# Cutting Edge Drapery

**Table: Past Performance**

Past Performance	1995	1996	1997
Sales	\$140,000	\$160,000	\$185,000
Gross Margin	\$70,000	\$80,000	\$100,000
Gross Margin %	50.00%	50.00%	54.05%
Operating Expenses	\$40,000	\$50,000	\$50,000
Collection Period (days)	0	0	0
Inventory Turnover	0.00	0.00	0.00
<b>Balance Sheet</b>			
Current Assets	1995	1996	1997
Cash	\$0	\$0	\$2,000
Accounts Receivable	\$0	\$0	\$6,000
Inventory	\$0	\$0	\$1,000
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$0	\$0	\$9,000
Long-term Assets			
Capital Assets	\$0	\$0	\$30,000
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$30,000
Total Assets	\$0	\$0	\$39,000
<b>Capital and Liabilities</b>			
	1995	1996	1997
Accounts Payable	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$0	\$0
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0
Paid-in Capital	\$0	\$0	\$0
Retained Earnings	\$0	\$0	\$2,000
Earnings	\$0	\$0	\$37,000
Total Capital	\$0	\$0	\$39,000
Total Capital and Liabilities	\$0	\$0	\$39,000
<b>Other Inputs</b>			
	1995	1996	1997
Payment Days	0	0	0
Sales on Credit	\$0	\$0	\$0
Receivables Turnover	0.00	0.00	0.00

**Past Performance**





# Cutting Edge Drapery

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## 2.3 Company Locations and Facilities

The company is located in Loudon, NH. The recently expanded workroom occupies 2,200 square feet which includes a show window (150 sq. ft.), office and administration (700 sq. ft.) with the remainder (1,350 sq. ft.) devoted to production.

## 3.0 Services

Cutting Edge Drapery provides sewing services in the creation of high quality soft window treatment products such as:

- Draperies
- Swags
- Jabots
- Balloon Shades
- Slip Covers
- Roman Shades

Although the company could be considered a company making products, because clients furnish the fabric for each custom crafted unit, it actually only provides the sewing and installation services to its customers. Because Cutting Edge Drapery produces for the higher end segments, the two most important aspects of production are quality and scheduling. The company's clients have a tremendous buying power as they represent the reputation of the workroom to the final consumer. Therefore if the company does not produce the necessary items with the required specifications when needed, the loss of future revenue from a client can be significant. There are relatively few sourcing costs because the company does not have to directly provide for fabric, which is the most expensive input in the production process. The company does not foresee any new service development in the near future.

## 4.0 Market Analysis Summary

According to the U.S. Department of Commerce, the entire window treatment category reached \$7.8 billion in 1996. The Paint and Decorating Retailers Association states that 30%, or \$2.34 billion, was made up of soft window treatments. The population of the 17 communities in close proximity to Cutting Edge Drapery is estimated at 277,253. Roughly, this would mean that this area comprises a total soft window treatment market in excess of \$2.7 million annually. All of these treatments must be produced in decorator workrooms. There are various levels of workrooms which are discussed in more detail in this chapter. The company's share of this nearby market is approximately 7.5%.

Cutting Edge Drapery has not, in the past, invested in advertising or promotion. The client base and volume has grown steadily to nearly \$200,000 annually. The market, as explained more fully in Section 4.1, is segmented. Work generated via the higher echelons of interior designers requires a higher level of quality and expanded skills to achieve it. This work is also less price-sensitive. The capability of the company to produce high-quality textile treatments is on par with workrooms who have established high images, and who often have a clientele located far afield from Boston. By increasing Cutting Edge Drapery's image through advertising and networking within ASID membership and elsewhere, the potential market will expand from its present localized boundaries. This strategy should also result in improved margins as more and more higher-tiered, less price-sensitive, designers bring their work to Cutting Edge Drapery.

# Cutting Edge Drapery

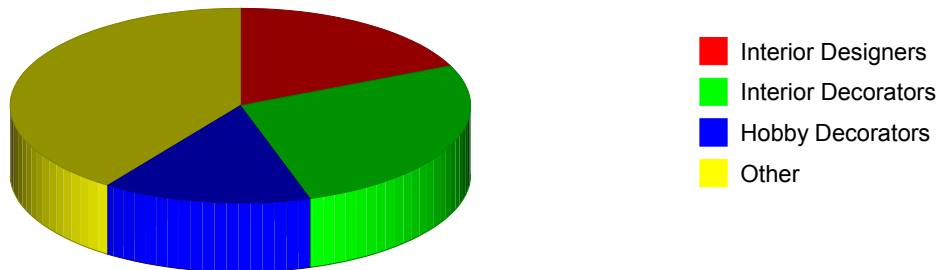
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## 4.1 Market Segmentation

The market for soft window treatments reflects the buyer's income bracket and standard of living in much the same way that the furniture market is segmented. Below are listed market segments based on size of pocketbook and quality of production:

1. **Material Outlets.** At the bottom of the pyramid are outlets such where drapery material could be chosen and purchased. The person would have to buy rodding at the hardware store and install it all himself. Quality is the lowest.
2. **Drapery Specialists.** Here you would be waited on and shown fabric samples. A salesperson with some feel for color and decor will assist you and perhaps suggest a few alternatives. They would come and measure at your home and would install it once the curtains were ready. The product itself would probably be done by their own in-house workshop or sent to a low-bidding outside workroom. Some drapery specialists, knowing the price-sensitivity of their clients, have arrangements with large production workrooms in other states to which this customer's drapes as well as several others will be shipped in one consignment.
3. **Hobby Decorators.** These will advertise in local newspapers in the "services" section of the classified. They do the same thing as a drapery specialist, but give a bit more special attention to the client and make the client feel that they are dealing with a professional. The results are often better, sometimes worse, but the price tag is higher. These decorators have customers who still have a close eye on their pocketbooks.
4. **Interior Decorators.** In this category would be decorators of average quality--some quite good and others who are unimaginative. The common factor is that they have not yet "arrived" in their profession. They do not attract the clients with deep pockets. These decorators still expect quality from their workrooms, but are willing to compromise a bit on quality. Neither of these workrooms work exclusively for the decorator/designer trade. These workrooms are for the most part "mom and pop" operations where the wife produces the drapery and the husband installs it. These decorators have more ordinary, straight-forward work than Category Five (below), and are more cost-conscious. These would include most of the present clients of Cutting Edge Drapery with the exception of perhaps three or four.
5. **Interior Designers.** This is the category of decorator who has "arrived." He or she is likely to have "ASID" after their name, which means they have successfully passed testing by the American Society of Interior Designers. They sign contracts with clients on a regular basis amounting to tens of thousands of dollars. Several thousand dollars for one window treatment is not unusual. These individuals covet their reputation, and they would not consider using a "mom and pop" workshop or dealing with a workroom that also deals directly with clients. These individuals are demanding in their insistence on quality, and usually have jobs that involve creative solutions. Prices charged by the workrooms these designers work with are several times higher. When surveying these designers as to the features important to them in choosing a workroom, price is the last feature mentioned.

## Market Analysis (Pie)



**Table: Market Analysis**

Market Analysis Potential Customers	Growth	1998	1999	2000	2001	2002	CAGR
Interior Designers	2%	15	15	15	15	15	0.00%
Interior Decorators	2%	22	22	22	22	22	0.00%
Hobby Decorators	4%	12	12	12	12	12	0.00%
Other	5%	33	35	37	39	41	5.58%
Total	2.35%	82	84	86	88	90	2.35%

### 4.1.1 Market Analysis

The above tables reflect the data given in the Section on Industry Analysis, and represents the number and segmentation of the various clients within the Boston area. The table also represents the estimated growth rates for each segment.

### 4.2 Target Market Segment Strategy

Currently, Cutting Edge Drapery serves the interior decorator market segment. However, the company has recognized that its skills and quality capability, together with its small size, allow it to be perfectly positioned to compete in the higher end interior designer segment. A shift to this target market will improve profitability levels since the designer segment is much less price sensitive and provides greater margins. Furthermore, since the segment is relatively small and well connected, establishing a reputation among such clients will strengthen the existing word of mouth marketing strategy that the company has pursued in the past.

An analysis of marketing survey data provided indicates that the designers needs of quality, reliable delivery, and high customer service are not always being met by the competition due to the sub-standard, job shop industry environment. In such an environment, it is difficult to provide consistent service. This creates a significant opportunity for Cutting Edge Drapery.

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The company has already sought to build the infrastructure to create such service through its database of previous work, scheduling, and communication procedures.

## 4.2.1 Market Needs

The interior designer market segment needs can be broken down into three categories:

1. High quality.
2. Reliable forecasting of product delivery.
3. High customer service.

The need for high quality has been discussed above. The designer's clients include the high income homeowners that demand unique products, therefore, a workroom that cannot provide such quality cannot compete in this segment. Additionally the end customers expect their tastes and wishes to be pampered by the designers. This requires a high contact service environment where client/workroom communication and customer service is a must. Finally, since interior alterations to a home are often very disruptive, meeting deadlines is crucial to maintaining the reputation of the client designers.

## 4.3 Service Business Analysis

In setting a foundation on which to build a suitable market strategy for Cutting Edge Drapery, players were contacted by phone. These players are located in the greater Boston area. A summary of this investigation follows:

*\* \* All names have been omitted for confidentiality purposes.*

### 4.3.1 Competition and Buying Patterns

Cutting Edge Drapery exists in a purely competitive market in which there is potentially unlimited competition and easy entry/exit in the market. This situation is mitigated by the fact that almost all competitors are small companies that have very restricted geographic reach. One of the factors influencing choice of workrooms is the professional credentials and reputation of the company's proprietor. Interior designers and decorators seek to establish long-term relationships with their suppliers to ensure that their client's strict demands are met. Therefore, the process of choosing a workroom requires a lengthy evaluation period and the establishment of close ties among principals, both of which may not be possible with larger workrooms. Oftentimes word of mouth marketing provides more business than advertising, although advertising in certain areas (such as trade journals) creates awareness of the company's existence and skill level.

The industry is geographically oriented with most of the clients working on a local basis. Very few designers and decorators carry on business beyond a local or state level.

Price is often not a major issue when dealing in the interior designer segment since the quality and uniqueness of the product is the overall driver of business for the clients. There exists three major competitors in the area that compete in the interior designer segment. The market research described in the following section seems to indicate that there may be a deficit in supply and customer service in this segment.

# Cutting Edge Drapery

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## 4.3.2 Main Competitors

The top designers in the Boston area rely heavily on Finelines in Peabody, Paul Brown in Boston, and Inside Outlook in New Hampshire. All three advertise heavily in *Design Times* and all three have full page ads in the ASID Directory.

The long-term marketing strategy of Cutting Edge Drapery is formulated to bring it up in image to the ranks of the competitors mentioned above.

Other contenders who compete more in Category Four (see Market Segmentation listing) and who compete more directly with the present client base include:

\* \* *All names have been omitted for confidentiality purposes.*

## 5.0 Strategy and Implementation Summary

Image is a key factor in making in-roads into the higher echelons of interior designers. Their work is desirable because it is less price-sensitive. Cutting Edge Drapery's strategy is to lift its image, through advertising in prestigious trade publications, joining and net-working ASID membership, and actively marketing a selected group of 15 interior designers located in close proximity to the company's target market area.

## 5.1 Competitive Edge

The company seeks to establish a competitive edge in its new target market segment by increasing the level of customer contact and service that other competitors seem to oftentimes lack. Additionally, Cutting Edge Drapery possesses the necessary skills to produce the high quality products that are needed in this field. The establishment of the previously mentioned work processes that will ensure greater service will strengthen the contacts that promote word of mouth marketing and networking.

## 5.2 Marketing Strategy

As mentioned in the previous section, it is important to the marketing strategy to develop an attractive image to the trade. This can be done in a number of ways:

1. **Advertising.** Most designers interviewed suggested *Design Times* as the best place to advertise. *Draperies & Window Coverings* and *Interiors and Sources* are others. A quarter page ad in the regional edition runs \$1,080 for *Draperies and Window Coverings*, and the same for *Interiors and Sources* runs \$700 for black and white. These two latter publications have directories. There is no charge for inclusion in the directories. In *Design Times*, a color 1/4 page ad would run \$3,634 for three insertions if signed by December 1, 1997, which provides a 15% discount. This averages out to \$1,211 per insertion, even less for black and white.
2. **Join ASID.** The image of Cutting Edge Drapery would be elevated by joining ASID. This would cost only \$285 for the first year. Advertising in the ASID directory is worth considering. The present directory which comes out once per year has a full page color ad for Paul Brown and a full page black and white for Outside Inlook, both of

## Cutting Edge Drapery

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whom are mentioned in the competitive analysis section of this plan. A small black and white ad by The Drapery Man can also be found.

3. **Advertising.** Development of a top quality logo and photography which can be used in ads, brochures, name cards, etc. Not counting printing costs, which relate to quantity and quality of paper chosen, the design costs for this would run about \$1,500. A day's photography would be an additional \$850-1,600.
4. **Participation in Showhouses.** Another image-building marketing ploy is participating in showhouses. These showhouses are usually for the benefit of some charity event. This would require time and effort, but not much in the way of money. This should be coordinated with the company's favorite designer to insure satisfaction with the design concept when doing a showhouse room.

In addition to the above-mentioned activity designed to elevate the company's image, it is essential to market directly the selected 15 target clients who are all members of ASID. Most of them are associate members while some are professional members. Success in making inroads into these names would set the stage for entry into the more prestigious Boston designers.

Marketing these prime prospects must be carried out in a thoughtful organized way. Color literature including the newly designed logo should be completed as a first step. When marketing these prospects it will be important to present a portfolio of Cutting Edge Drapery's most innovative work. A relaxed face-to-face meeting, resulting in good communication between designer and the owner, should be all that's needed to generate a first order.

Networking is also very useful. It is important, once the logo and artwork materials have been completed, for the owner to make a point of introducing herself to important players in the design world surrounding Boston. A good example is major upholstery businesses, custom carpets, suppliers of tile, etc. who often need to color-coordinate or fabric-coordinate with workrooms.

### 5.2.1 Pricing Strategy

Pricing of workroom products is not cut and dried. An attempt was made to compare prices charged by various workrooms. Three rather generic items were chosen and interior designers were asked to submit prices based on what their workrooms charge. The three items were:

1. Swag and Jabot (40"wide 50" long). Formal style, coordinated lining in jabot, welted edges.
2. 1 1/2 panel each side (3 widths) draperies lined and interlined. Applied fringe on lead edges. Pinch pleat heading. (finished drape 60"X90").
3. Working balloon shade on clutch roller. 45" wide 60" long. Shirred heading.

The few respondents quoted:

*\* \* All names have been omitted for confidentiality purposes.*

The fact that so few designers contributed to the survey is an indication of the relative unimportance of the workroom cost. The fact that only one was willing to share the name of his/her workroom is an indication of how close to the chest designers/decorators hold their

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cards in respect to workrooms. Cutting Edge Drapery's pricing, based on the scheme mentioned elsewhere in this plan, and which is used for purposes of financial projections, places the company slightly below the average for item one, slightly over the average for item two, and 30% more expensive for item three. None of the respondents quoted prices charged by the high-image workrooms (see section on competition) which have been tagged as members of a community of workrooms to which the company would like to belong. All indications, based on numerous interviews, is that prices charged by the more prestigious workrooms are at least double the prices of the company, and perhaps even more.

In view of the image that Cutting Edge Drapery intends to create, consistent with its quality and skill level, it is advisable from a marketing point of view not to try to be the cheapest price-wise.

### 5.3 Sales Strategy

The marketing strategy discussed previously in this business plan will generate the desired sales. These sales will begin with a phone call to Cutting Edge Drapery. It is a stated objective to transfer the administrative burden away from the owner, freeing up her time to meet with clients, to network at ASID and Design Center functions, and to market the list of 15 prospective clients. This means that someone else will be answering the incoming calls. This person must be carefully trained to recognize who must be called back immediately by the owner. The interior designer needs--and expects--close contact with the workroom principal. The designer is under pressure to get a quotation together, for example, and being told that "she isn't here right now" is not going to foster sales. The owner must be armed with a cell phone and a pager. The important caller should be told that the owner will "call right back." The more successful the marketing strategy is in making in-roads into the designer share of the workroom market, the more important this communication response will become.

In respect to the prospect list of clients, it is essential that a "salesman's" approach be adopted to insure an organized, orderly approach to each prospect. Notes need to be kept on each client. Follow-up and persistence will pay off.

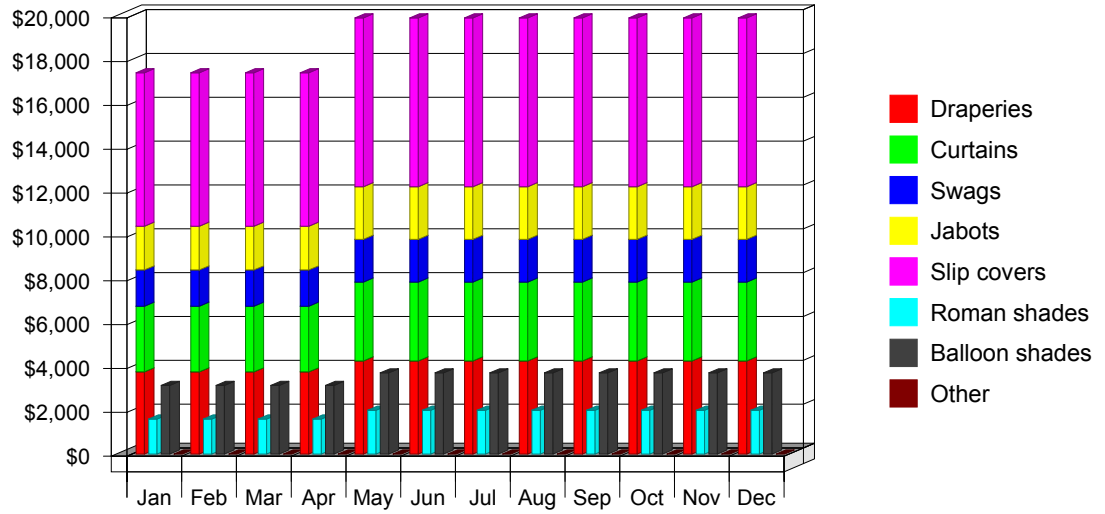
#### 5.3.1 Sales Forecast

The Sales Forecast is divided up into the major categories of sewing products the workroom creates. Unit sales includes the yearly forecast of each unit per category, based on an average of 10-15 labor hours per item and forecasted capacity given the personnel changes mentioned in the Personnel Section. The unit prices reflect the average cost per item, based on past pricing strategies. Since the company deals with providing custom services, this can vary wildly between items. Due to target market shift, estimated increase in unit prices is reflected in years 1999 and 2000. Direct unit costs reflect direct costs in producing the items but does not including labor and fabric.

It is estimated that by year 2000, revenues will reflect an 11% market share of the local soft window treatment market.

# Cutting Edge Drapery

## Sales Monthly





## Cutting Edge Drapery

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**Table: Sales Forecast**

Sales Forecast			
Unit Sales	1998	1999	2000
Draperies	196	210	220
Curtains	272	280	290
Swags	148	153	160
Jabots	136	140	150
Slip covers	256	260	275
Roman shades	112	117	120
Balloon shades	148	155	165
Other	0	0	0
<b>Total Unit Sales</b>	<b>1,268</b>	<b>1,315</b>	<b>1,380</b>
Unit Prices	1998	1999	2000
Draperies	\$250.00	\$300.00	\$300.00
Curtains	\$150.00	\$200.00	\$200.00
Swags	\$150.00	\$165.00	\$165.00
Jabots	\$200.00	\$200.00	\$200.00
Slip covers	\$350.00	\$350.00	\$350.00
Roman shades	\$200.00	\$225.00	\$225.00
Balloon shades	\$285.00	\$300.00	\$325.00
Other	\$0.00	\$0.00	\$0.00
Sales			
Draperies	\$49,000	\$63,000	\$66,000
Curtains	\$40,800	\$56,000	\$58,000
Swags	\$22,200	\$25,245	\$26,400
Jabots	\$27,200	\$28,000	\$30,000
Slip covers	\$89,600	\$91,000	\$96,250
Roman shades	\$22,400	\$26,325	\$27,000
Balloon shades	\$42,180	\$46,500	\$53,625
Other	\$0	\$0	\$0
<b>Total Sales</b>	<b>\$293,380</b>	<b>\$336,070</b>	<b>\$357,275</b>
Direct Unit Costs	1998	1999	2000
Draperies	\$30.00	\$36.00	\$36.00
Curtains	\$18.00	\$24.00	\$24.00
Swags	\$18.00	\$19.80	\$19.80
Jabots	\$24.00	\$24.00	\$24.00
Slip covers	\$42.00	\$42.00	\$42.00
Roman shades	\$24.00	\$27.00	\$27.00
Balloon shades	\$34.20	\$36.00	\$39.00
Other	\$0.00	\$0.00	\$0.00
Direct Cost of Sales	1998	1999	2000
Draperies	\$5,880	\$7,560	\$7,920
Curtains	\$4,896	\$6,720	\$6,960
Swags	\$2,664	\$3,029	\$3,168
Jabots	\$3,264	\$3,360	\$3,600
Slip covers	\$10,752	\$10,920	\$11,550
Roman shades	\$2,688	\$3,159	\$3,240
Balloon shades	\$5,062	\$5,580	\$6,435
Other	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>	<b>\$35,206</b>	<b>\$40,328</b>	<b>\$42,873</b>

# Cutting Edge Drapery

## 5.4 Milestones

Cutting Edge Drapery has a big year forthcoming. In order to achieve the sales and marketing goals that have been outline in this business plan, the company has deadlines to meet and ideas to implement. Some of these are outlined below:

- December 1, 1997 is the date mentioned by *Design Times* as being the deadline after which a 15% discount is no longer offered for ads to be placed in 1998. Budgeted are 1/4 page four color ads (price \$1,425 assuming 3 insertions). Total = \$4,275. After 15% discount = \$3,634.
- January 29, 1998 is the deadline given by *Design Times* to submit final films for ads to appear in the April/May edition of *Design Times*.
- Joining ASID is key to the marketing/networking effort. Should be effective immediately after submitting application and membership fee.
- Participating in a showhouse is mentioned as important to desired image-building for MRS. Expenses are difficult to predict. The workroom does not get paid for its work. What about fabric? Budget \$2,000. By March 1, 1998 plans should be fixed up for participation in at least one showhouse during 1998.
- Networking materials. Printing costs are involved in printing brochures, name cards, and in putting together portfolios of work. This can't be done until after the photo/logo design work (costing \$2,700) has been completed.
- An additional \$3,000 is available from the total marketing budget for 1998. These funds have not yet been earmarked.

**Table: Milestones**

Milestones Milestone	Start Date	End Date	Budget	Manager	Department
Design Times Ad commitment	12/1/97	12/1/97	\$3,634	Owner	Admin
Photo/logo design/ad film	1/29/98	1/29/98	\$2,700	Owner	Admin
Join ASID	1/1/98	1/1/98	\$285	Owner	Admin
Showroom	3/1/98	3/1/98	\$2,000	Owner	Admin
Networking Materials	12/15/97	12/15/97	\$400	Owner	Admin
Other	1/1/98	1/1/98	\$0	ABC	Department
Totals			\$9,019		

## 6.0 Management Summary

Cutting Edge Drapery is presently made up of six employees and the principal. Outside installers are used. Four stitchers and one production supervisor are kept busy nearly full-time. Two of the stitchers are putting in 30 hour weeks and two are working full 40 hour weeks. As work volume increases, a fifth stitcher will need to be hired and longer hours will need to be worked by those now working only 30 hours/week. There is sufficient room in the production facilities to add a sixth stitcher if volume dictates. It is planned that some less-critical work may need to be farmed out to subcontractors.

An administrative assistant has been hired and is presently being trained in. It is planned that this assistant will take substantial paperwork and mundane computer work away from the owner as well as much of the non-production related work now being handled by the production supervisor. This would include recording receipts, maintaining the accounts

## Cutting Edge Drapery

receivable files, customer files, scheduling of installations, etc.

At present, nearly 50% of the owner's time is taken up with administrative matters. It is hoped that these matters will occupy less than 20% of her time.

A new outside accountant has been engaged who is streamlining the computerized accounts.

### 6.1 Personnel Plan

All work is, at the moment, produced by four production staff and one production supervisor. Two of these stitchers are kept busy 30 hours/week and the other two are putting in full 40-hour weeks. Additional stitchers will be added where necessary and in line with success in penetrating the plan's targeted new business. By the end of March 1998, it is assumed that increased business volume will require two stitchers to put in a full 40-hour week. By the end of June 1998, increased volume will require hiring a new stitcher working a 30-hour/week, and increasing to 40 hour/week by end of September. In 1999, Cutting Edge Drapery will have five stitchers working full-time, with an increasing amount of less sensitive work being farmed out to subcontractors. It is assumed that a sixth stitcher will be added in either year 1999 or 2000, depending on demand volume.

The hourly wage includes basic wage plus 7.65% social security, 2% unemployment tax, and 3% workers compensation.

The owner's income is calculated at \$60,000 per year.

**Table: Personnel**

Personnel Plan	1998	1999	2000
<b>Production Personnel</b>			
Stitcher 1	\$19,260	\$20,544	\$20,544
Stitcher 2	\$17,244	\$18,394	\$18,394
Stitcher 3	\$17,299	\$17,299	\$17,299
Stitcher 4	\$16,358	\$16,358	\$16,358
Supervisor	\$24,000	\$24,000	\$24,000
New stitcher	\$6,134	\$12,269	\$12,269
Subtotal	\$100,296	\$108,864	\$108,864
<b>Sales and Marketing Personnel</b>			
Name or title	\$0	\$0	\$0
Other	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0
<b>General and Administrative Personnel</b>			
Administrative assistant	\$11,520	\$11,520	\$11,520
Other	\$0	\$0	\$0
Subtotal	\$11,520	\$11,520	\$11,520
<b>Other Personnel</b>			
Name or title	\$0	\$0	\$0
Other	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0
Total People	6	0	0
Total Payroll	\$111,816	\$120,384	\$120,384

# Cutting Edge Drapery

## 7.0 Financial Plan

The business of Cutting Edge Drapery does not require substantial outlays for inventory and virtually all sales are on a cash basis, so increases in sales will not be accompanied by initial cash-flow deficits.

## 7.1 Break-even Analysis

Average per-unit revenue and variable costs are weighted averages based on sales/costs of each category of "products." It is assumed that each unit is a 15-hour job involving 2.5 installation hours.

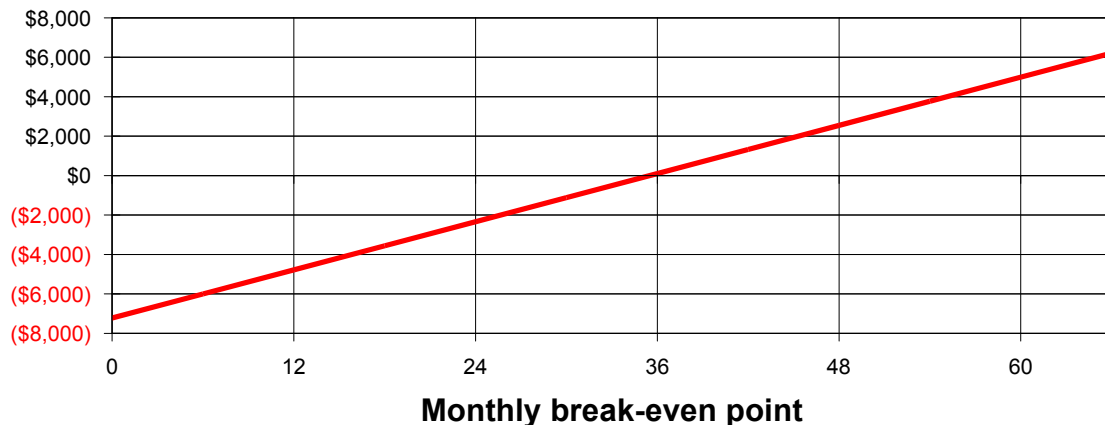
Total fixed costs are a total of all other costs not including production wages.

Monthly break-even stands at 35 units. The company must keep stitchers busy producing a mixed quota of 35 units per month to break even. Total production at the time of this writing was approximately 98 units, which will increase to 115 by the end of the year 2000. Break-even is at 30% of capacity initially.

**Table: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	35
Monthly Revenue Break-even	\$8,212
Assumptions:	
Average Per-Unit Revenue	\$231.37
Average Per-Unit Variable Cost	\$27.76
Estimated Monthly Fixed Cost	\$7,226

### Break-even Analysis



Break-even point = where line intersects with 0

## Cutting Edge Drapery

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### 7.2 Projected Profit and Loss

Outlined below, and in the following table and chart, are some of the intrinsic facets of the projected profit and loss for Cutting Edge Drapery.

- Cost of sales reflects direct materials needed to carry out the sewing services, such as thread, sewing supplies, etc.
- Miscellaneous operating expenses are projected to remain flat at approximately \$3,800 annually, based on historical numbers.
- All sales and marketing is performed by the principal. Salary is not paid to her, as this is a sole proprietorship.
- 1998 will require a substantial outlay in advertising and promotion. In 1999 and 2000 this can be cut back a bit.
- Car expenses of \$560 monthly consist of insurance (\$1,000 annually), depreciation and maintenance, taxes and inspection, etc.(\$3,000 annually) and fuel (\$2,800 annually).
- The various General and Administrative expenses are projected based on present actual expenses.
- The salary of the administrative assistant includes social security (7.65%) unemployment (2%) and workers compensation (3%).

# Cutting Edge Drapery

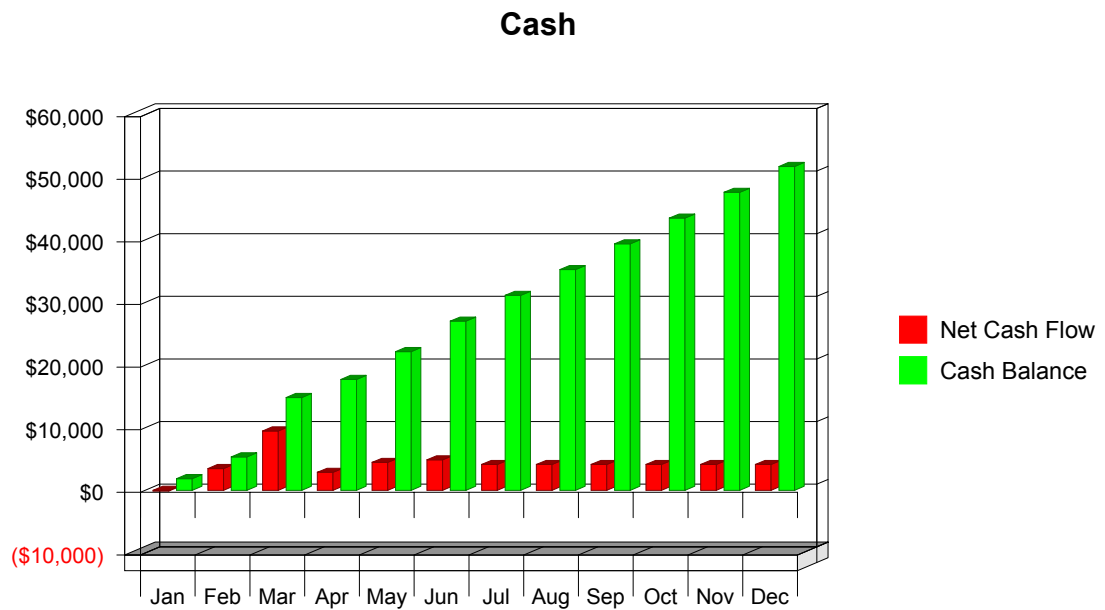
**Table: Profit and Loss**

Pro Forma Profit and Loss	1998	1999	2000
Sales	\$293,380	\$336,070	\$357,275
Direct Cost of Sales	\$35,206	\$40,328	\$42,873
Production Payroll	\$100,296	\$108,864	\$108,864
Misc operating expenses	\$3,792	\$3,792	\$3,792
	-----	-----	-----
Total Cost of Sales	\$139,294	\$152,984	\$155,529
Gross Margin	\$154,086	\$183,086	\$201,746
Gross Margin %	52.52%	54.48%	56.47%
Operating Expenses:			
Sales and Marketing Expenses:			
Sales and Marketing Payroll	\$0	\$0	\$0
Advertising/Promotion	\$12,000	\$8,000	\$8,000
Car insurance/depreciation/maint./fuel	\$6,720	\$6,720	\$6,720
Miscellaneous	\$0	\$0	\$0
Other	\$0	\$0	\$0
	-----	-----	-----
Total Sales and Marketing Expenses	\$18,720	\$14,720	\$14,720
Sales and Marketing %	6.38%	4.38%	4.12%
General and Administrative Expenses:			
General and Administrative Payroll	\$11,520	\$11,520	\$11,520
Sales and Marketing and Other Expenses	\$0	\$0	\$0
Depreciation	\$2,000	\$2,000	\$2,000
Depreciation	\$3,000	\$3,000	\$3,000
Depreciation	\$1,200	\$1,200	\$1,200
Depreciation	\$1,200	\$1,200	\$1,200
Depreciation	\$500	\$500	\$500
Depreciation	\$3,000	\$3,000	\$3,000
Depreciation	\$1,080	\$1,080	\$1,080
Depreciation	\$204	\$204	\$204
Supplies/misc office expense	\$1,000	\$1,000	\$1,000
Salary Admin Assist	\$18,384	\$18,384	\$18,384
Rent	\$10,764	\$10,764	\$10,764
Other	\$0	\$0	\$0
Payroll Taxes	\$14,145	\$15,229	\$15,229
Other General and Administrative Expenses	\$0	\$0	\$0
	-----	-----	-----
Total General and Administrative Expenses	\$67,997	\$69,081	\$69,081
General and Administrative %	23.18%	20.56%	19.34%
Other Expenses:			
Other Payroll	\$0	\$0	\$0
Contract/Consultants	\$0	\$0	\$0
	-----	-----	-----
Total Other Expenses	\$0	\$0	\$0
Other %	0.00%	0.00%	0.00%
	-----	-----	-----
Total Operating Expenses	\$86,717	\$83,801	\$83,801
Profit Before Interest and Taxes	\$67,370	\$99,285	\$117,946
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$23,579	\$34,750	\$41,281
Net Profit	\$43,790	\$64,536	\$76,665
Net Profit/Sales	14.93%	19.20%	21.46%
Include Negative Taxes	TRUE	TRUE	TRUE

# Cutting Edge Drapery

## 7.3 Projected Cash Flow

As can be seen from the Cash Flow chart and table below, Cutting Edge Drapery has a number of advantages that provide for a large amount of growth in the company's cash account. Because it is the policy of the company's clients to provide the fabric for the soft window treatment products, the company has a very low cost of goods sold account and therefore a high gross margin. Furthermore, the custom nature of the business means that there is no inventory cost to speak of or accounts payable. Finally, the company does not possess any debt or long term capital assets that would affect the cash flow. With the ability to generate so much cash flow, it is assumed that the company will seek to use this asset to expand its markets and production capacity in the near future.



## Cutting Edge Drapery

**Table: Cash Flow**

Pro Forma Cash Flow	1998	1999	2000
<b>Cash Received</b>			
<b>Cash from Operations:</b>			
Cash Sales	\$293,380	\$336,070	\$357,275
Cash from Receivables	\$6,000	\$0	\$0
Subtotal Cash from Operations	\$299,380	\$336,070	\$357,275
<b>Additional Cash Received</b>			
Non Operating (Other) Income	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$299,380	\$336,070	\$357,275
<b>Expenditures</b>			
<b>Expenditures from Operations:</b>			
Cash Spending	\$123,702	\$134,369	\$143,220
Payment of Accounts Payable	\$125,961	\$135,612	\$135,612
Subtotal Spent on Operations	\$249,662	\$269,982	\$278,832
<b>Additional Cash Spent</b>			
Non Operating (Other) Expense	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$249,662	\$269,982	\$278,832
Net Cash Flow	\$49,718	\$66,088	\$78,443
Cash Balance	\$51,718	\$117,806	\$196,249

### 7.4 Business Ratios

The following table outlines some of the more important ratios from the interior design/sewing industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the Standard Industry Classification (SIC) code, 7389.



# Cutting Edge Drapery

**Table: Ratios**

Ratio Analysis	1998	1999	2000	Industry Profile
Sales Growth	58.58%	14.55%	6.31%	8.20%
<b>Percent of Total Assets</b>				
Accounts Receivable	0.00%	0.00%	0.00%	26.30%
Inventory	3.71%	2.39%	1.67%	3.80%
Other Current Assets	0.00%	0.00%	0.00%	44.20%
Total Current Assets	66.18%	82.35%	89.29%	74.30%
Long-term Assets	33.82%	17.65%	10.71%	25.70%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.00%	0.00%	0.00%	49.00%
Long-term Liabilities	0.00%	0.00%	0.00%	13.80%
Total Liabilities	0.00%	0.00%	0.00%	62.80%
Net Worth	100.00%	100.00%	100.00%	37.20%
<b>Percent of Sales</b>				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	52.52%	54.48%	56.47%	0.00%
Selling, General & Administrative Expenses	37.59%	35.28%	35.01%	81.40%
Advertising Expenses	4.09%	2.38%	2.24%	1.70%
Profit Before Interest and Taxes	22.96%	29.54%	33.01%	2.10%
<b>Main Ratios</b>				
Current	0.00	0.00	0.00	1.49
Quick	0.00	0.00	0.00	1.17
Total Debt to Total Assets	0.00%	0.00%	0.00%	62.80%
Pre-tax Return on Net Worth	81.37%	67.39%	52.66%	4.20%
Pre-tax Return on Assets	81.37%	67.39%	52.66%	11.30%
<b>Business Vitality Profile</b>				
	1998	1999	2000	Industry
Sales per Employee	\$48,897	\$0	\$0	\$0
Survival Rate				0.00%
<b>Additional Ratios</b>				
	1998	1999	2000	
Net Profit Margin	14.93%	19.20%	21.46%	n.a
Return on Equity	52.89%	43.80%	34.23%	n.a
<b>Activity Ratios</b>				
Accounts Receivable Turnover	0.00	0.00	0.00	n.a
Collection Days	0	0	0	n.a
Inventory Turnover	12.00	12.24	11.81	n.a
Accounts Payable Turnover	0.00	0.00	0.00	n.a
Payment Days	0	0	0	n.a
Total Asset Turnover	3.54	2.28	1.60	n.a
<b>Debt Ratios</b>				
Debt to Net Worth	0.00	0.00	0.00	n.a
Current Liab. to Liab.	0.00	0.00	0.00	n.a
<b>Liquidity Ratios</b>				
Net Working Capital	\$54,790	\$121,326	\$199,991	n.a
Interest Coverage	0.00	0.00	0.00	n.a
<b>Additional Ratios</b>				
Assets to Sales	0.28	0.44	0.63	n.a
Current Debt/Total Assets	0%	0%	0%	n.a
Acid Test	0.00	0.00	0.00	n.a
Sales/Net Worth	3.54	2.28	1.60	n.a
Dividend Payout	0.00	0.00	0.00	n.a

# Appendix

## Appendix Table: Sales Forecast

Sales Forecast												
Unit Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Draperies	15	15	15	15	17	17	17	17	17	17	17	17
Curtains	20	20	20	20	24	24	24	24	24	24	24	24
Swags	11	11	11	11	13	13	13	13	13	13	13	13
Jabots	10	10	10	10	12	12	12	12	12	12	12	12
Slip covers	20	20	20	20	22	22	22	22	22	22	22	22
Roman shades	8	8	8	8	10	10	10	10	10	10	10	10
Balloon shades	11	11	11	11	13	13	13	13	13	13	13	13
Other	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Unit Sales</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>
Unit Prices	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Draperies	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00
Curtains	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Swags	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Jabots	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00
Slip covers	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00
Roman shades	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00
Balloon shades	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00	\$285.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Draperies	\$3,750	\$3,750	\$3,750	\$3,750	\$4,250	\$4,250	\$4,250	\$4,250	\$4,250	\$4,250	\$4,250	\$4,250
Curtains	\$3,000	\$3,000	\$3,000	\$3,000	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600
Swags	\$1,650	\$1,650	\$1,650	\$1,650	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950
Jabots	\$2,000	\$2,000	\$2,000	\$2,000	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Slip covers	\$7,000	\$7,000	\$7,000	\$7,000	\$7,700	\$7,700	\$7,700	\$7,700	\$7,700	\$7,700	\$7,700	\$7,700
Roman shades	\$1,600	\$1,600	\$1,600	\$1,600	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Balloon shades	\$3,135	\$3,135	\$3,135	\$3,135	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Sales</b>	<b>\$22,135</b>	<b>\$22,135</b>	<b>\$22,135</b>	<b>\$22,135</b>	<b>\$25,605</b>	<b>\$25,605</b>	<b>\$25,605</b>	<b>\$25,605</b>	<b>\$25,605</b>	<b>\$25,605</b>	<b>\$25,605</b>	<b>\$25,605</b>
Direct Unit Costs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Draperies	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
Curtains	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
Swags	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
Jabots	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00
Slip covers	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00
Roman shades	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00
Balloon shades	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20	\$34.20
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Draperies	\$450	\$450	\$450	\$450	\$510	\$510	\$510	\$510	\$510	\$510	\$510	\$510
Curtains	\$360	\$360	\$360	\$360	\$432	\$432	\$432	\$432	\$432	\$432	\$432	\$432
Swags	\$198	\$198	\$198	\$198	\$234	\$234	\$234	\$234	\$234	\$234	\$234	\$234
Jabots	\$240	\$240	\$240	\$240	\$288	\$288	\$288	\$288	\$288	\$288	\$288	\$288
Slip covers	\$840	\$840	\$840	\$840	\$924	\$924	\$924	\$924	\$924	\$924	\$924	\$924
Roman shades	\$192	\$192	\$192	\$192	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240
Balloon shades	\$376	\$376	\$376	\$376	\$445	\$445	\$445	\$445	\$445	\$445	\$445	\$445
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>	<b>\$2,656</b>	<b>\$2,656</b>	<b>\$2,656</b>	<b>\$2,656</b>	<b>\$3,073</b>	<b>\$3,073</b>	<b>\$3,073</b>	<b>\$3,073</b>	<b>\$3,073</b>	<b>\$3,073</b>	<b>\$3,073</b>	<b>\$3,073</b>

# Appendix

**Appendix Table: Personnel**

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Production Personnel</b>												
Stitcher 1	\$1,284	\$1,284	\$1,284	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712
Stitcher 2	\$1,150	\$1,150	\$1,150	\$1,533	\$1,533	\$1,533	\$1,533	\$1,533	\$1,533	\$1,533	\$1,533	\$1,533
Stitcher 3	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442	\$1,442
Stitcher 4	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363	\$1,363
Supervisor	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
New stitcher	\$0	\$0	\$0	\$0	\$0	\$0	\$1,022	\$1,022	\$1,022	\$1,022	\$1,022	\$1,022
Subtotal	\$7,238	\$7,238	\$7,238	\$8,050	\$8,050	\$8,050	\$9,072	\$9,072	\$9,072	\$9,072	\$9,072	\$9,072
<b>Sales and Marketing Personnel</b>												
Name or title	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>General and Administrative Personnel</b>												
Administrative assistant	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960
<b>Other Personnel</b>												
Name or title	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total People</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Total Payroll</b>	<b>\$8,198</b>	<b>\$8,198</b>	<b>\$8,198</b>	<b>\$9,010</b>	<b>\$9,010</b>	<b>\$9,010</b>	<b>\$10,032</b>	<b>\$10,032</b>	<b>\$10,032</b>	<b>\$10,032</b>	<b>\$10,032</b>	<b>\$10,032</b>

# Appendix

## Appendix Table: Profit and Loss

### Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$22,135	\$22,135	\$22,135	\$22,135	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605
Direct Cost of Sales	\$2,656	\$2,656	\$2,656	\$2,656	\$3,073	\$3,073	\$3,073	\$3,073	\$3,073	\$3,073	\$3,073	\$3,073
Production Payroll	\$7,238	\$7,238	\$7,238	\$8,050	\$8,050	\$8,050	\$9,072	\$9,072	\$9,072	\$9,072	\$9,072	\$9,072
Misc operating expenses	\$316	\$316	\$316	\$316	\$316	\$316	\$316	\$316	\$316	\$316	\$316	\$316
<b>Total Cost of Sales</b>	<b>\$10,211</b>	<b>\$10,211</b>	<b>\$10,211</b>	<b>\$11,022</b>	<b>\$11,438</b>	<b>\$11,438</b>	<b>\$12,461</b>	<b>\$12,461</b>	<b>\$12,461</b>	<b>\$12,461</b>	<b>\$12,461</b>	<b>\$12,461</b>
Gross Margin	\$11,924	\$11,924	\$11,924	\$11,113	\$14,167	\$14,167	\$13,144	\$13,144	\$13,144	\$13,144	\$13,144	\$13,144
Gross Margin %	53.87%	53.87%	53.87%	50.21%	55.33%	55.33%	51.34%	51.34%	51.34%	51.34%	51.34%	51.34%
Operating Expenses:												
Sales and Marketing Expenses:												
Sales and Marketing Payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Advertising/Promotion	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Car insurance/depreciation/maint./fuel	\$560	\$560	\$560	\$560	\$560	\$560	\$560	\$560	\$560	\$560	\$560	\$560
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Sales and Marketing Expenses</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>	<b>\$1,560</b>
Sales and Marketing %	7.05%	7.05%	7.05%	7.05%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
General and Administrative Expenses:												
General and Administrative Payroll	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960	\$960
Sales and Marketing and Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$166	\$166	\$167	\$166	\$166	\$167	\$167	\$167	\$167	\$167	\$167	\$167
Depreciation	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Depreciation	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Depreciation	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$40	\$40
Depreciation	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Depreciation	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90
Depreciation	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17
Supplies/misc office expense	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$80	\$80
Salary Admin Assist	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532	\$1,532
Rent	\$897	\$897	\$897	\$897	\$897	\$897	\$897	\$897	\$897	\$897	\$897	\$897
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Taxes	\$1,037	\$1,037	\$1,037	\$1,140	\$1,140	\$1,140	\$1,269	\$1,269	\$1,269	\$1,269	\$1,269	\$1,269
Other General and Administrative Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total General and Administrative Expenses</b>	<b>\$8,275</b>	<b>\$5,275</b>	<b>\$5,276</b>	<b>\$5,378</b>	<b>\$5,378</b>	<b>\$5,379</b>	<b>\$5,508</b>	<b>\$5,508</b>	<b>\$5,508</b>	<b>\$5,508</b>	<b>\$5,502</b>	<b>\$5,502</b>
General and Administrative %	37.38%	23.83%	23.84%	24.30%	21.00%	21.01%	21.51%	21.51%	21.51%	21.51%	21.49%	21.49%
Other Expenses:												
Other Payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract/Consultants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Other Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Other %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Operating Expenses</b>	<b>\$9,835</b>	<b>\$6,835</b>	<b>\$6,836</b>	<b>\$6,938</b>	<b>\$6,938</b>	<b>\$6,939</b>	<b>\$7,068</b>	<b>\$7,068</b>	<b>\$7,068</b>	<b>\$7,068</b>	<b>\$7,062</b>	<b>\$7,062</b>
Profit Before Interest and Taxes	\$2,089	\$5,089	\$5,088	\$4,175	\$7,229	\$7,228	\$6,076	\$6,076	\$6,076	\$6,076	\$6,082	\$6,082
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$731	\$1,781	\$1,781	\$1,461	\$2,530	\$2,530	\$2,127	\$2,127	\$2,127	\$2,127	\$2,129	\$2,129
Net Profit	\$1,358	\$3,308	\$3,307	\$2,714	\$4,699	\$4,698	\$3,950	\$3,950	\$3,950	\$3,950	\$3,954	\$3,954
Net Profit/Sales	6.14%	14.94%	14.94%	12.26%	18.35%	18.35%	15.43%	15.43%	15.43%	15.43%	15.44%	15.44%
Include Negative Taxes												

# Appendix

## Appendix Table: Cash Flow

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Cash Received</b>												
<b>Cash from Operations:</b>												
Cash Sales	\$22,135	\$22,135	\$22,135	\$22,135	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605
Cash from Receivables	\$0	\$0	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$22,135	\$22,135	\$28,135	\$22,135	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605
<b>Additional Cash Received</b>												
Non Operating (Other) Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$22,135	\$22,135	\$28,135	\$22,135	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605	\$25,605
<b>Expenditures</b>												
<b>Expenditures from Operations:</b>												
Cash Spending	\$13,032	\$9,425	\$9,425	\$9,106	\$11,007	\$10,590	\$10,187	\$10,187	\$10,187	\$10,187	\$10,183	\$10,183
Payment of Accounts Payable	\$9,235	\$9,235	\$9,235	\$10,149	\$10,149	\$10,149	\$11,301	\$11,301	\$11,301	\$11,301	\$11,301	\$11,301
Subtotal Spent on Operations	\$22,267	\$18,661	\$18,661	\$19,255	\$21,156	\$20,740	\$21,488	\$21,488	\$21,488	\$21,488	\$21,484	\$21,484
<b>Additional Cash Spent</b>												
Non Operating (Other) Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$22,267	\$18,661	\$18,661	\$19,255	\$21,156	\$20,740	\$21,488	\$21,488	\$21,488	\$21,488	\$21,484	\$21,484
Net Cash Flow	(\$132)	\$3,474	\$9,474	\$2,880	\$4,449	\$4,865	\$4,117	\$4,117	\$4,117	\$4,117	\$4,121	\$4,121
Cash Balance	\$1,868	\$5,342	\$14,816	\$17,696	\$22,145	\$27,010	\$31,127	\$35,243	\$39,360	\$43,477	\$47,597	\$51,718