





Manufacturing Business Plan

Business Plan

2020 - 21

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Executive Summary

Business Profile Summary



TIP

Baggit designs manufacture and sell the highest quality men's and women's designer bags and totes. Baggit distributes products through its online store, boutique retailers, and brick and mortar fashion outlets across North America. Wholesale is a key part of Baggit's strategy through various Sales Trade Shows across North America.

Baggit is currently operating out of a 2-car garage, making sales at

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Market Research Summary



TIP

Jennifer has built key relationships throughout her career in retail sales, fashion design education, and employment at an overseas manufacturer in Spain who is now a supplier of Baggit. Jennifer plans to leverage these relationships to eventually enter into the major retail space.

Baggit's early sales strategy will include targeting small vendors such as boutique clothing and accessory shops, markets and pop-up shops.

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Marketing Summary



TIP

During the first year, Baggit will build on the success of attending local markets, pop-up shops, and boutiques for regular sales. Baggit will attend an average of 4 markets or pop-up shops per month to maintain sales.

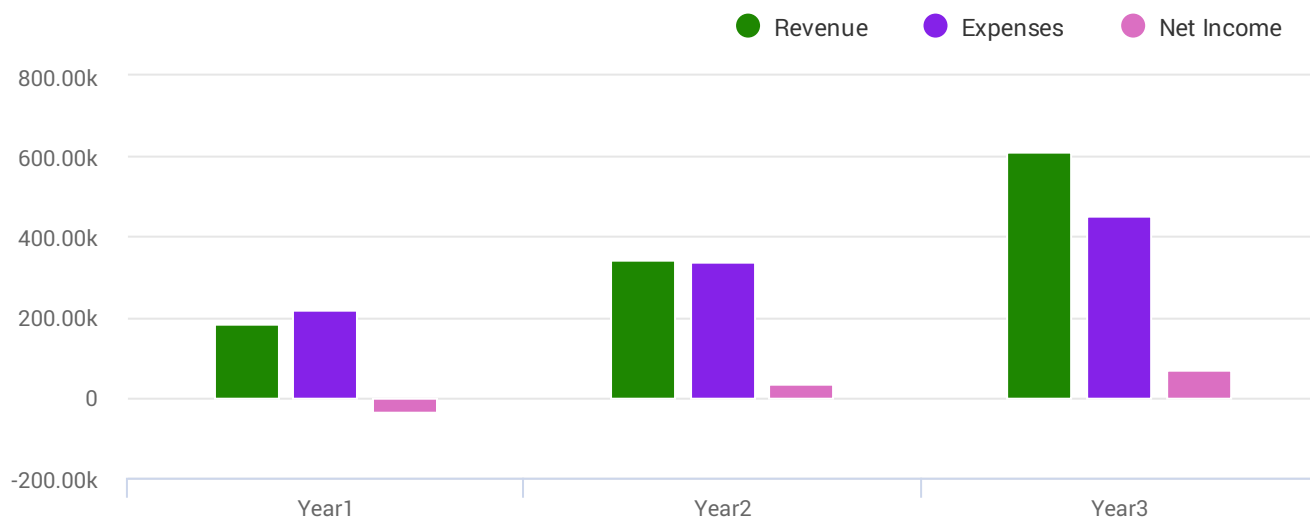
The wholesale strategy will be to attend at least 2 sales trade shows during year 1 in New York and Las Vegas where extensive research has revealed excellent R.O.I. for the top 3 trade shows researched. Baggit will be

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Finance Summary

Net Income



Financial Year	Revenue	Expenses	Net Income
Year1	184074	219452	-35378
Year2	341645	338451	35000
Year3	612545	451125	70000

Business Description

Business Overview



TIP

Baggit designs manufacture and sell the highest quality men's and women's designer bags and totes. Baggit distributes products through its online store, boutique retailers, and brick and mortar fashion outlets across North America. All of the materials are sustainably sourced and selected for their quality. The designs cleverly integrate old-world elements with simple, modern design and functionality that meet the requirements of today's stylish millennial

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Business Description

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TIP

The top three features of Baggit products and their value to the customer:

1. Intelligent organization compartments using lightweight materials. Baggit owners can travel light without unnecessary weight or bulk.
2. Unique, lightweight 'chainmail' material hidden into the fabric (standard model only).

The hidden 'chainmail' material allows added protection for the

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Unique Value Proposition

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Company History



TIP

Since a young child, Jennifer Martinez has been inspired by her grandmother's love for Spanish leather-carving and her grandfather's career as a curator for The Museo Nacional del Prado (Popularly called El Prado) museum in Madrid. Jennifer learned to sew and pattern from her mother and grandmother during her early teens and has been creating and selling inspired works ever since.

Jennifer has recently graduated from the Bachelor of Design Program

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Management



TIP

Jennifer Martinez, 28 years old - 100% Owner/Designer

Jennifer Martinez holds a Bachelor of Design Degree from Emily Carr University. She has been working in the clothing industry for 8 years, starting as a sales representative for The Gap Clothing Company and progressing to store manager within three years. She has since gained 4 years of management experience with The Gap where she learned valuable

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Location



TIP

Baggit currently operates rent-free from a 600 square foot garage at 252 National Street, Burnaby. After 6 months of operations, the company will require a 1000 square foot additional storage and assembly space. An example of the ideal 1000 square foot space is 1352 Woodland Dr. Vancouver, BC located in a light industrial area, yet close to the downtown core. After 1.5 years of operation, Baggit intends to use a fulfillment center such as

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Legal Structure



TIP

Baggit is a sole proprietorship, 100% owned by Jennifer Martinez. A sole proprietorship will fulfill all of the company's requirements for at least the first 2 years.

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Vision & Mission



TIP

In 10 years, the Baggit team will be 100 employees strong and headquartered in Toronto and New York City. The company will have distribution partnerships with major department stores throughout North America such as Nordstrom and Macy's.

Baggit drives optimism. Through its branding, messaging, product design, and company culture, Baggit is committed to helping people feel optimistic about

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Professional Advisors



TIP

Rex Eagleton: 20-year business owner in the clothing industry.

Rex is a family friend of Jennifer's and has been an invaluable source for advice and guidance along her entrepreneurial journey. Rex owns and operates 2 clothing retail stores in Edmonton, AB, and can advise on distribution and sales strategies as well as foster connections in the industry.

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Goals & Objectives

Goal	Objectives	Date
Goal 1	<ul style="list-style-type: none"> Reach \$192,000 in sales Introduce one new product Attend at least 2 trade shows and 3 high-profile fashion shows Sell at least 1 exclusive product to a local or national celebrity 	Year1
Goal 2	<ul style="list-style-type: none"> Reach \$300,000 in sales Presence in a major retail chain 	Year2

Products and Services

Products



TIP

All materials for Baggit's premium line are selected for quality and durability. Materials include chromium-free, vegetable-tanned, high-end leather, and recycled cork.

Men's Courier Style Bags and Women's Designer Handbags:

Baggit carries 3 premium designs for men and 2 premium designs

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Premium Sustainable Leather Designer Bag

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TIP

All materials for Baggit's Alternate material line are selected for quality and durability. Materials include Hemp fabric, bamboo, cork, organic wool, and linens.

These entry-level bags employ similar design and functionality as the premium models, but use less-expensive materials and are produced 100%

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Alternate Sustainable Material Bag

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TIP

Heirloom edition bags are 100% handmade locally and incorporate original artwork from up and coming global artists. Materials used are similar to the premium design models but the hardware used for each bag uses pure materials such as Stainless Steel, Carbon Fibre, Gold, and Silver. Each piece is a one-of-a-kind original and is created to last for generations. The average cost of each bag varies greatly depending upon the requirements of the

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Heirloom Limited Edition Bag

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TIP

These entry-level bags employ similar design and functionality as the premium models, but use less-expensive materials and are produced 100% mechanically by the manufacturer. The average material and labor costs for each bag are \$20 and shipping is \$150 per 100 bags. Hardware costs are on average \$2 per bag. Local unpacking and handling labor averages about \$5 per bag.

Average Price/Unit of Sale: \$58 (MSRP = \$120)

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Basic Purse

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Market Research

Industry Profile & Outlook



TIP

Baggit operates primarily in the Manufacturing industry.

Handbags became a symbol of women's independence in the 20th century, according to "Handbags: The Power of the Purse" by Anna Johnson. Chanel saw their potential and by introducing handbags which suited the time managed to increase their popularity.

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Local Market



TIP

Baggit's early sales strategy will include targeting small vendors such as boutique clothing and accessory shops, markets and pop-up shops, as well as some trade shows and fairs.

Vancouver is home to approximately 252 suitable boutique shops that could carry Baggit products. 3 of these boutiques - AAA, BBB, and CCC are interested in making a purchase order from the first production run and have

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Key Competitors / SWOT Analysis

Ci Comme Ca

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Strengths

- Uses many different options for materials
- Strong reputation
- Connections in fashion industry
- Large social media following and engagement

S

Weaknesses

- Style across products is not distinct
- Confusing website
- Brand is not cohesive
- Only sells through Etsy

W

Opportunities

- Could expand distribution
- Leverage large social networks more effectively

O

Threats

- Vulnerable to crashes and changes because of reliance upon Etsy

T

Baggit

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Strengths

- Highest quality materials
- Strong relationships in fashion and retail industries
- Offers both high-end luxury and accessible lines of bags

S

Weaknesses

- Smaller social media networks
- Lower profit margins due to smaller batches during the first year

W

Opportunities

- Develop stronger social media networks
- Increase margins by making larger raw material purchases
- Student interns
- Maximize partnership with previous employers

O

Threats

- Changes in import regulations
- Fluctuations in currency could affect margins

T

Target Market



TIP

Primary Target Market – End consumer

- 26 – 32-year-old women; 35 – 40-year-old men
- Household income of \$60,000 to \$100,000 per annum
- University Educated
- Lifestyle activities including dining out with friends; yoga; travel

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Customer Survey Summary



TIP

Based on a recent survey poll, Baggit has updated its design and marketing strategy to confirm a target market.

A social media campaign on Facebook, Instagram, and Tumblr was sent out asking consumers to answer 10 short questions about their needs when it comes to the bags they currently use. The results were very productive over 50 polls in 24 hours, sparking direct interest via email. People

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Pricing Strategy



TIP

This product is priced at the lower end of designer bags and is intended to be used as an everyday bag with more common materials employed. **The MSRP for this product is \$225.**

Volume discount for wholesale:

2-5 bags

\$220 per bag

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Alternate Sustainable Material Bag

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TIP

This product is priced at the high end of the 'accessible' designer bags but the low end of the well-known brand names and is intended to be used for specific purposes and special occasions with higher-end materials and designs used. **The average MSRP of this product is \$425.**

Volume discount for wholesale:

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Premium Sustainable Leather Material Bag

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TIP

This product is priced at the premium level. Only 2-3 will be made per year and the opportunity to purchase them will only happen 2 times per year on an application basis. They are exclusive and one-of-a-kind items. These high-end bags are used to raise the profile of Baggit products and gain attention and reputation from the fashion and design community. They will appeal to the affluent accessories collector who truly wants a quality, exclusive p

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Heirloom Limited Edition Bag

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TIP

This product has been created to provide a smaller, more affordable entry level for consumers. It is an everyday purse and a way for customers to discover the quality and style of Baggit products, but without having to invest in a more expensive bag immediately. **The MSRP for this product is \$100.** Profit margins are lower on this product as it will be entirely manufactured by Fabric Industrial Ltd.

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Basic Purse

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Marketing Strategy



TIP

Digital Marketing strategies will focus on Instagram, Facebook, Professional Bloggers, and directing traffic to Baggit's website.

In-Person Marketing Strategies will focus upon trade shows, conferences, and purchase fairs, pop-up shops, weekend markets, boutique vendors, networking, and art shows.

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TIP

Most Instagram and Facebook posts will be used to engage with customers as opposed to advertising or direct selling with approximately 3 to 4 posts every day rotating between fashion and entertainment info; makeup and fashion tutorials; latest trends from Paris, New York, and London.

There will be a monthly 'selfie contest' to encourage followers to post on our pages with \$100 per month spend in highly targeted Facebook

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Digital Marketing

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TIP

Baggit stands out at every event because of the unique and creative displays, for example, turning our display table into a high-end-looking runway using mannequins. At each event, the aim is to collect an email address from each booth visitor by offering something of value in return. For smaller events, follow-up will be personalized email. For larger events, mass emails via MailChimp will direct potential purchasers to the Baggit website and

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In Person Marketing

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TIP

Circulation of approximately 100 business cards per month at a cost of \$300 per year.

Circulation of approximately 500 flyers/per month at a cost of \$500 per month.

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Print Marketing

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Operations

Location(s)



TIP

Currently, Baggit operates out of a 600 square foot garage for its manufacturing, storage, packaging, and shipping. Space includes a fabric and materials storage area, 2 large working tables, 2 sewing machines, and a small product storage area. Working and storage are workable up to about 200 units of production per month.

Once demand reaches approximately 200 units per month, Baggit will

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Legal Issues



TIP

Baggit anticipates the following legal issues:

- business licenses
- import/export

A business license from the city of Burnaby will be required for the operation. After the proposed location moves in year 2, Baggit will

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Insurance Issues



TIP

Basic Liability Insurance will be obtained through Atkinson and Terry Insurance and will be paid in monthly installments to help increase monthly cash flow.

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Human Resources



JENNIFER MARTINEZ

Owners- jen@example.com

Her responsibilities include building relationships that lead to sales, design work and changes, sewing, cutting and shipping & handling. Jennifer plans to employ staff to take over the manufacturing, shipping, and handling during the first 6 months of operation. The role will be paid a starting salary at \$32,500 per year and will aim for 40 - 60 hours per week.



TIP

The position is currently filled by family members on a pro bono basis, which will continue until approximately month 6. Position requires approximately 10 hours per week, with responsibilities include boxing, labeling, packaging, organizing and shipping orders. The role will be part-time, starting at \$11 per hour.

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Packaging/Shipping/Handling

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TIP

The position will begin as part-time during months 3 and 4 becoming full-time in month 5. Responsibilities will focus on manufacturing and assembly work (sewing, cutting, gluing, etc.). This role is key in enabling Jennifer to plan for and attend shows and trade fairs. The role will be part-time leading to full-time starting at \$15 per hour. This role would be suitable for a recent design graduate.

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Manufacturing Assistant

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TIP

Linda Holsworth bringing with her 8 years of marketing experience. The position is on a contract basis at approximately \$40 per hour and is on an 'as needed' basis.

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Marketing Designer

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Process/Production

PROCESS/ PRODUCTION



Products/Services Production Flow: Raw materials will be ordered 2 months in advance, allowing approximately 30-45 days of manufacturing time to maintain sufficiently. Cutting is done in as large batches as possible and prepared material is organized near the assembly station. Sewing and assembly of the materials happen in 3-day runs and stacked near the assembly tables for attachment of branding and labeling. A Quality Assurance examination

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Production Flow and Delivery Method of Products and Services

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Suppliers

Supplier Name	Product/Service	Pricing	Terms & Policies Location
Cal industries Inc.	Industrial leather sewing machine 6" leather skiving machine Hot Foil Stamping Machine	\$1,500 \$2,600 600	30 days shipping Southern California, USA
Archdale Leather	Vegetable-tanned leather hides Provides entry-level materials as well as premium materials Vegan and alternative leathers available	\$4 - \$45 per sq.ft.	Minimum order time of 14 days in advance 30 day order time for material not in stock North Vancouver, Canada
BC Calzado Leather SL	Premium, authentic Spanish leather hides Unique hides finished with traditional Spanish carving patterns	\$2 - \$35 per sq. ft. Additional \$5 per sq. ft. shipping	Up to 65 days custom clearance Min order of 5 hides Madrid, Spain
Mackrelmoto Media	Website design and development Digital marketing campaign management Print and banner design work	\$5,000 \$800 per month Per project	Vancouver, Canada

Risk Assessment



TIP

Cash flow is dependent on making estimated sales at 2 trade shows per year: The first trade show is already confirmed. Jennifer will apply to attend multiple shows.

Illness or inability for Jennifer to work:

Jennifer has a family with the skills to help run the business temporarily if needed. She has confirmed this option with the family members as

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Financials

Breakeven analysis



TIP

Average Overhead cost per month: \$18,000

Average Product Price: \$153

Average Product Cost: \$49

In order to break even, Baggit will need to sell on average 173 units per month

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Projected Profit and Loss

As the Profit and Loss table shows the Baggit expects to have rapid growth in sales revenue and an increase in net profit over the next three years of operations.

	Year1	Year2	Year3
Sales	\$29,137	\$172,500	\$315,000
Direct Cost of Sales	\$6,799	\$50,350	\$93,600
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$6,799	\$50,350	\$93,600
Gross Margin	\$22,338	\$122,150	\$221,400
Gross Margin %	76.67%	70.81%	70.29%
Expenses			
Payroll	\$5,000	\$90,000	\$120,000
Marketing/Promotion	\$180	\$300	\$400
Depreciation	\$6,000	\$15	\$45,000
Building Expense	\$804	\$400	\$800
Equipment Expense	\$3,000	\$0	\$0
Utilities	\$5,719	\$8,000	\$15,000
Phone/Fax	\$1,266	\$1,500	\$1,800
Legal	\$500	\$250	\$250

	Year1	Year2	Year3
Rent	\$3,996	\$0	\$0
Repair Maintenance	\$3,798	\$1,500	\$4,500
Inventory	\$966	\$1,000	\$2,500
Auto/Truck Expense	\$9,600	\$5,000	\$5,000
Total Operating Expenses	\$40,829	\$107,965	\$195,250
Profit Before Interest and Taxes	(\$18,491)	\$14,185	\$26,150
EBITDA	(\$12,491)	\$14,200	\$71,150
Interest Expense	\$5,778	\$4,877	\$3,077
Taxes Incurred	\$0	\$2,792	\$6,922
Net Profit	(\$24,269)	\$6,516	\$16,151
Net Profit/Sales	-83.29%	3.78%	5.13%

Projected Cash Flow

Baggit shows positive cash flow and the analysis is outlined in the following table. The investment of grant funding along with the disbursements of it was primarily accounted for in one month to simplify cash flow assumptions.

	Year1	Year2	Year3
Cash Received			
Cash from Operations			
Cash Sales	\$29,137	\$172,500	\$315,000
Subtotal Cash from Operations	\$29,137	\$172,500	\$315,000
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$15,000	\$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	\$1,944,390	\$0	\$0

	Year1	Year2	Year3
Subtotal Cash Received	\$1,988,527	\$172,500	\$315,000
Expenditures	Year1	Year2	Year3
Expenditures from Operations			
Cash Spending	\$5,000	\$90,000	\$120,000
Bill Payments	\$47,111	\$432,961	\$75,327
Subtotal Spent on Operations	\$52,111	\$522,961	\$195,327
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$1,932	\$2,000	\$2,000
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$2,400	\$12,000	\$20,000
Purchase Other Current Assets	\$40,000	\$10,000	\$10,000
Purchase Long-term Assets	\$1,500,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$1,596,443	\$546,961	\$227,327
Net Cash Flow	\$392,084	(\$374,461)	\$87,673
Cash Balance	\$401,834	\$27,373	\$115,047

Projected Balance Sheet

	Year1	Year2	Year3
Assets			
Current Assets			
Cash	\$401,834	\$27,373	\$115,047
Inventory	\$8,480	\$399,543	\$305,943
Other Current Assets	\$53,500	\$63,500	\$73,500
Total Current Assets	\$463,814	\$490,416	\$494,489

	Year1	Year2	Year3
Long-term Assets			
Long-term Assets	\$1,594,047	\$1,594,047	\$1,594,047
Accumulated Depreciation	\$44,700	\$44,715	\$89,715
Total Long-term Assets	\$1,549,347	\$1,549,332	\$1,504,332
Total Assets	\$2,013,161	\$2,039,748	\$1,998,821
Liabilities and Capital			
Current Liabilities			
Accounts Payable	\$4,315	\$38,386	\$3,308
Current Borrowing	\$15,168	\$13,168	\$11,168
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$19,483	\$51,554	\$14,476
Long-term Liabilities	\$40,600	\$28,600	\$8,600
Total Liabilities	\$60,083	\$80,154	\$23,076
Paid-in Capital	\$1,944,390	\$1,944,390	\$1,944,390
Retained Earnings	\$32,957	\$8,688	\$15,204
Earnings	(\$24,269)	\$6,516	\$16,151
Total Capital	\$1,953,078	\$1,959,594	\$1,975,745
Total Liabilities and Capital	\$2,013,161	\$2,039,748	\$1,998,821
Net Worth	\$1,953,078	\$1,959,594	\$1,975,745