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STITCHIN' QUARTERS, INC: A BUSINESS PLAN

A thesis submitted to
Regis College
The Honors Program
in partial fulfillment of the requirements
for Graduation with Honors

by

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May 2012

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Stitchin' Quarters, Inc.

BUSINESS PLAN

Submitted by:

Sarah Magill

4/30/12

This document contains the description of Stitchin' Quarters, Inc., an existing, local, family owned business in Arvada, Colorado. The purpose of the business is to provide quality decorated apparel and promotional products on time, at prices that reflect a good value relative to competitors, while maintaining the highest level of customer satisfaction, loyalty and support available in the industry today.

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EXECUTIVE SUMMARY

Stitchin Quarters, Inc. is a family owned and operated business in the computerized embroidery and promotional product industry. The business supplies custom logos embroidered on garments of all types, including: jackets, t-shirts, caps, and other wearable goods. In addition, Stitchin' Quarters sells signs, printed materials, drinkware, writing instruments, and other types of promotional products.

The company was founded in 1994 and has experienced a dramatic shift in the type of work provided, as seen in the shift from contract work to independent orders. Stitchin' Quarters primarily does direct work with the customer, reducing the need for a middle-man, thus saving the customers' money. Stitchin' Quarters is located in Arvada, Colorado, just north of Interstate 70, which is a primary thoroughfare through the state of Colorado. The company has office and warehouse space, enabling customers to visit and see how the business works.

Stitchin' Quarters, Inc. currently provides embroidered goods and promotional products to many industries and markets, including: restaurants, construction companies, schools, municipalities, etc. However, the company is actively seeking a larger segment of the Border Collie owner, handler, and breeder market in the Rocky Mountain region of the continental United States.

Competition within this industry includes suppliers of embroidered goods, suppliers of promotional products, and suppliers of dog specific items (items for the dog, rather than for the owner). Several competitors exist, but Stitchin' Quarters has a unique competitive advantage, based on the quality and value of their work.

Current estimates of the Border Collie owner, handler, and breeder market indicate that roughly 5% of the overall market could be captured by Stitchin' Quarters, Inc. in the next year, which translates to about \$12,000 in net income to the company. This net income would make up 15% of the company's overall net income, which is a reasonable and profitable amount for the company at this time.

Stitchin' Quarters' primary strengths lie in the exceptionally high quality embroidery, goods, service, and value provided to the customer. These qualities meet or exceed the needs of the customer, and as such create a valuable competitive advantage to Stitchin' Quarters. The most significant weaknesses that the company faces currently, include the small size of the company and the lack of significant discretionary monetary resources.

Based on projections, the company estimates a growth rate steady with the current economic conditions. Growth within the Border Collie market has great potential and feasibility, due to the expanding nature of the market, and the economic trends toward agricultural and sustainable activities, thus creating a worthwhile and profitable pursuit for Stitchin' Quarters, Inc.

SECTION 1: THE BUSINESS PROPOSITION - STITCHIN' QUARTERS, INC.

GENERAL BUSINESS DESCRIPTION

Stitchin' Quarters, Inc. was established in 1994 in Arvada and currently provides garment sales, silk screening, signage, promotional products, printed materials, etc. As part of a short-term strategic plan, Stitchin' Quarters is venturing into a new segment of the computerized embroidery and promotional product market. In accord with this plan, the business will actively seek a larger segment of the decorated apparel and promotional product market of owners, handlers, and breeders of Border Collies in the Rocky Mountain region of the continental United States. Primary product offerings will be custom embroidered apparel for events, places, and clubs.

BUSINESS PHILOSOPHY/MISSION

Stitchin' Quarters, Inc. is a family owned and operated business focused on providing quality decorated apparel and promotional products on time, at prices reflecting a good value relative to our competitors, while maintaining the highest level of customer satisfaction, loyalty and support available in the industry today.

As a family run business, the long term goals of Stitchin' Quarters, Inc. are to remain family owned and operated, generate enough business to double in size, and expand into distributing original wildlife designs.

SITUATION ANALYSIS

Industry Overview

Stitchin' Quarters, Inc. is considered to be a part of the "All Other Miscellaneous Product Mills" industry. According to the U.S. Census Bureau, this industry is comprised of "establishments primarily engaged in manufacturing textile products...from purchased materials." The North American Industry Classification Systems (NAICS) code for this industry is 314999 (U.S. Census Bureau, 2012).

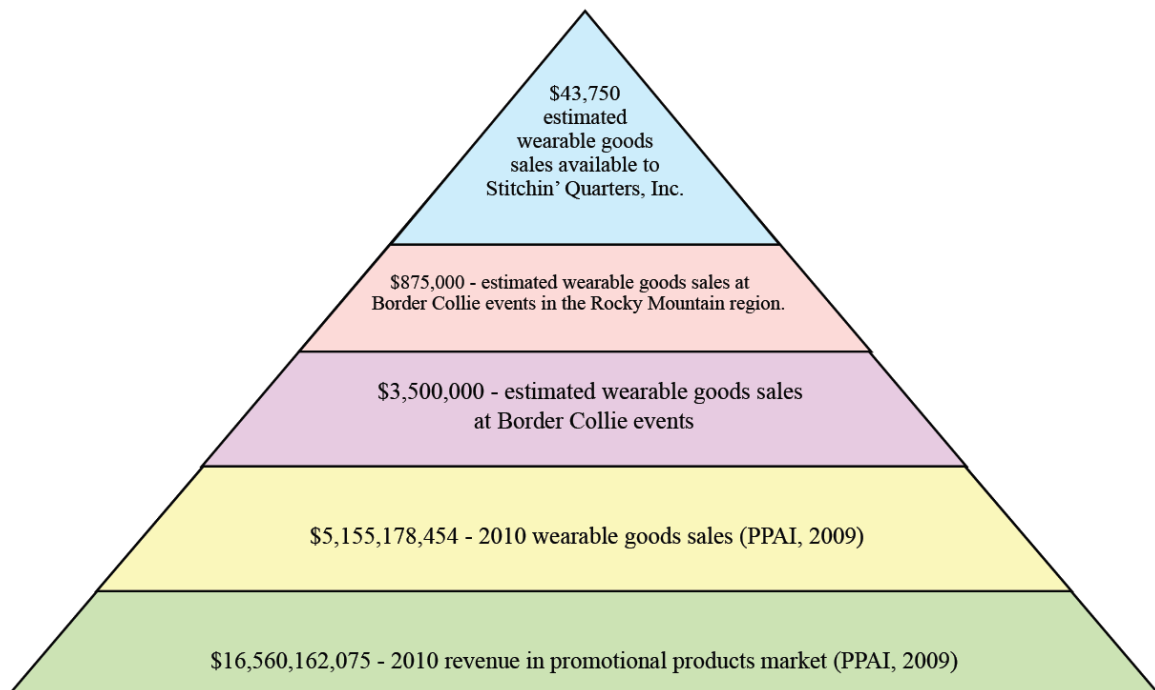


Figure 1: Illustration of market dollar amount breakdown of Border Collie owner, handler, and breeder industry

This industry falls under the broad category of promotional products, which, according to the Promotional Products Association International (PPAI), had a projected total revenue of \$16,560,162,075 in 2010. Of this amount, roughly 31.13% or \$5,155,178,454 was composed of sales of wearables (PPAI, 2009).

One segment of the wearable goods market which has had a high demand for wearable goods is the area of Border Collie trials, shows, and other events. Based on estimates, about \$3.5 million of the overall revenue is made up of wearable goods sales at these types of events. This \$3.5 million of revenue is spread across the United States. Estimates suggest that roughly one fourth of this revenue is in the Rocky Mountain region and available to Stitchin' Quarters at this stage in the venture into a new target market. Thus, the potential pool of revenues available to Stitchin' Quarters is roughly \$875,000. Based on the number of competitors in this field, the business' experience and connections, and the market response, it seems feasible that about 5% (\$43,750) of this market could be captured, leaving roughly \$12,000 net income after paying for the cost of goods sold and other expenses, with potential for growth in the near future. This is a satisfactory amount of initial profit to be gained, based on the size and current income of the business, and the fact that Stitchin' Quarters would initially be counting Border Collie wearable goods sales as roughly 15% of overall net income, so this area seems worth pursuing.

Competition

Within this promotional product industry in general, and the Border Collie industry in particular, there are several competitors for Stitchin' Quarters, Inc. These competitors seem to be segregated into three main categories which include vendors of wearable goods, vendors of promotional products/souvenirs, and vendors of dog specific merchandise (for the dog, rather than for the owner).

Vendors of Wearable Goods:

Vendors of wearable goods offer silkscreened, embroidered, or blank apparel. These are direct competitors of Stitchin' Quarters, which means that customers must shop comparatively, basing their decisions on factors such as quality, price, and style of the garments offered.

Vendors of Promotional Products/Souvenirs:

Vendors of promotional products offer items related to the event such as water bottles, walking sticks, photo books, and other non-wearable items that pertain to the particular event or breed. This type of vendor, while not in direct competition to Stitchin' Quarters, because they do not sell garments, still is a viable competitor because the dollars spent on promotional products cannot be spent on wearable goods. While the sale of these items decreases the potential buying power of the customer, the fact remains that the embroidered garments offered by Stitchin' Quarters are one of a kind, and most people wanting recognition with the particular event purchase some sort of wearable merchandise in addition to any other memorabilia.

Vendors of Dog Specific Merchandise:

Vendors of dog specific merchandise are also competing with Stitchin' Quarters indirectly for disposable income dollars. They tend to offer items such as leashes, dog bowls, kennel accessories, and other dog specific merchandise. While still competing for disposable income, these vendors cannot entirely negate the sales of wearable goods, because the owners, handlers, and breeders still purchase items for themselves, and not merely for their dogs.

The primary competitors in the Border Collie market are Best Friends Embroidery, Border Collies In Action, and Ivars Incorporated.

Best Friends Embroidery:

Best Friends Embroidery is located in Loveland, Colorado and was founded in 1983. They primarily offer stock embroidery designs and roughly a dozen standard apparel items. They have been a previous vendor at some of the sheepdog trials, but are not a major presence outside of Colorado.

Border Collies In Action:

Border Collies In Action is probably the largest direct competitor of Stitchin' Quarters, Inc. in the Border Collie market in the Rocky Mountain region. They offer some wearable goods with generic designs, but their primary focus is on souvenirs and gifts. Border Collies In Action is largely involved with the Border Collie market because the owner is a Border Collie handler herself, and though based out of Wyoming, the owner travels around to the various trials quite frequently. Border Collies In Action has a large portion of the market share of event related items, but does not offer customized embroidered clothing, which is what Stitchin' Quarters specializes in.

Ivars Incorporated:

Ivars Incorporated is a larger promotional products and wearables distributor based out of North Carolina. Ivars is the online supplier for the United States Border Collie Handlers Association (USBCHA) and offers many wearables goods decorated with USBCHA logo ("USBCHA Online Store," 2012). Ivars does not travel to the various trials or offer customization beyond the standard logo.

Target Market Determining Factors

Stitchin' Quarters' niche within the wider Border Collie market consists of owners, handlers, and breeders of Border Collies. Three factors drove the decision to select this niche. Those factors are competition, customer desire, and company experience.

Competition:

Though competitors of Stitchin' Quarters can provide items with a generic "dog" logo, they are limited in their ability to compete with customized official logos of the events and the personal customization that Stitchin' Quarters can offer. Because competitors are limited in their design abilities, a need is created that Stitchin' Quarters can fill without impeding on competitors business or creating animosity between vendors.

Customer Desire:

The owners, handlers, and breeders within this niche want customization that accurately reflects both the dog and the event. They want to see the specific qualities of a working dog shine through the designs and they want to have the items they buy represent a particular event that will be remembered, rather than a generic design (M. Cunningham, personal communication, February 22, 2012; L. Estermann, personal communication, February 18, 2012; E. Nieslanik, personal communication, February 26, 2012; I. Stoller, personal communication, February 18, 2012; D. Terry, personal communication, February 18, 2012). Because of this desire, they are willing to pay more for

customization and Stitchin' Quarters can provide the customization they desire, which other competitors may be unable to supply.

Experience:

Stitchin' Quarters' has had experience providing goods for dog trials and has an existing relationship with people running two of the major organizations within the Border Collie field (Meeker Classic Championship Trials and the 2011 National Sheepdog Finals). This relationship has flourished over the past several years and Stitchin' Quarters has consistently met and surpassed the needs and expectations of the event leaders. Because of this strong relationship, Stitchin' Quarters has a perfect opportunity to continue to expand the product offerings and service to the market of Border Collie owners, handlers, and breeders.

Target Market Characteristics

This niche of Border Collie owners, handlers, and breeders can be specifically identified by demographic, geographic, and psychographic factors:

Demographic Characteristics:

Gender

According to a survey done during the 2009 Meeker Championship Trials, roughly 59% of the participants were men and 41% were women (Whedbee, 2009). However, according to several delphi interviews conducted in 2012, the percentage of women participants seems to be increasing at a growing rate. This indicates that the market share between men and women is roughly the same, so the needs and desires of both men and women should be taken into consideration when determining the product mix to offer.

Age

Sources state that while the overall range of handler ages goes from mid-20s to mid-80s, the average age of a Border Collie handler is 54 years ("One Girl," 2010). Thus, most handlers are fairly established in their way of life, but are not so far set in their own style and ideas that they are unreceptive to innovation, whether in styles, colors, or designs.

Income

Income produced by handling dogs can be anywhere from \$30,000 to \$60,000 per year, which may or may not include the purses for trial wins, which vary from \$3,500 to over \$40,000 (Dog Trainer Salary). However, while most owners, handlers, and breeders are highly invested in their dogs, the vast majority of them have other primary sources of income. Thus, most owners, handlers, and breeders have a fair amount of disposable income.

Geographic Characteristics:

Location

The American Kennel Club lists the number of registered Border Collie breeders in each state, and based on these lists, the spread is fairly even across the country, as seen in the percentages reflected in each area (American Kennel Club, 2012). This implies that there are fairly equal possibilities of growth in all areas of the country. Note: For a description of the geographic breakdown, see Appendix B.

Table 1

Geographic characteristics of owners, handlers, and breeders (N = 582)

Characteristic	<u>n</u>	%
Geographic Domicile		
West	121	21
Midwest	150	26
Northeast	179	31
South	132	23

Psychographic Characteristics:

This information was obtained through observation of participants and confirmed through the interviews previously referenced above.

High standards

Most owners, handlers, and breeders have high standards in their life. In relation to their dogs, they typically only have one litter of puppies per year, preferring fewer, but good dogs and encouraging those dogs to perform at their best. They also live according to high standards, both personally and professionally, following the code of ethics required by members of the United States Border Collie Handlers Association.

Competitive

In most cases, the owners, handlers, and breeders of Border Collies are very competitive. This competitiveness involves both competing against other dogs and handlers in an effort to win the trials, but it also involves a self competitiveness which strives for constant improvement and excellence.

Identity

Border Collies make up a huge part of their owner's identity. Because of the massive time commitment and dedication involved in training and caring for these dogs, their owners, handlers, and breeders are all very serious about and committed to their dogs.

Without their dogs, the owners would simply not be the same. In addition, a growing trend is taking place in which handlers, owners, and breeders wish to preserve the agricultural lifestyle.

Practical

Many handlers, owners, and breeders are very frugal and conscientious, especially with their money. Several come from ranching/agricultural backgrounds and are hardworking, diligent, down-to-earth people.

Market Need/Desires

The market needs of Border Collie owners, handlers, and breeders were identified in several delphi interviews, based on the target market characteristics of high standards, identity, competitiveness, practicality, and disposable income.

Quality:

A high emphasis was placed on quality as the number one determining factor as to whether or not a purchase of memorabilia/promotional merchandise was made. Thus, the owners place great stock in high quality goods, just as they place great emphasis on high standards in their lives and in their dogs.

Timely:

Competitiveness evokes a sense of timeliness. Timing can be everything to winning a competition or to making life streamlined and effective. Thus, owners find that timely customer service is crucial to success.

Pertinence:

Since their dogs make up a major portion of their identity, owners recognize when a product is pertinent and relevant to their lives. They do not want something that is not suited to their individual needs or is inaccurate. Thus, they want items that represent themselves and their dogs.

Useful:

Practicality is a key factor in purchasing, and for most owners, a product should serve some useful function to make it a worthwhile purchase. Thus, they would prefer a practical, useful item rather than some frivolous knick-knack.

Value:

Though income itself is not a major drawback for spending, owners appreciate a good value. They want to be sure they are getting good quality at a fair price. Thus, they may not buy a lot and often, but they will buy freely when a good value is perceived and the product is something they want.

Value Proposition

The field within the Border Collie market is fairly competitive because there are always at least 2-3 wearables or souvenir vendors at each trial or show. However, because of the uniqueness of the company and its offerings, Stitchin' Quarters has a major competitive advantage in the Border Collie market. Through addressing each category of the market's needs/desires, Stitchin' Quarters has come out leading the way.

High Quality:

Stitchin' Quarters has extremely high quality embroidery and is known for the exceptional caliber of its work. No one in the industry can touch the detail and precision of their customized designs. Stitchin' Quarters' embroidery is considered wearable art. Mark Magill, the owner of Stitchin' Quarters, helped create the embroidery machinery and design the digitrac, which makes designs extremely detailed and his name is on the patent. In addition, the CEO of the leading manufacturer of embroidery equipment worldwide recommended Mark Magill as being the best digitizer and producer of the highest quality embroidery in the world.

To back this up, Stitchin' Quarters did a survey of participants who purchased embroidered jackets at the 2011 National Sheepdog finals asking about the quality of work done by Stitchin' Quarters. The results of the survey showed that the embroidery and garments offered through Stitchin' Quarters are above average. This is recognized by both the company and the customers as seen by a survey done regarding the quality of the embroidery and the quality of the garment. Tables 2 and 3 show customer responses to the quality of the embroidery and garments done by Stitchin' Quarters, Inc. Over 81% of customers rated the quality of Stitchin' Quarters' embroidery as above average and over 77% of customers rated the quality of Stitchin' Quarters' jacket as above average. These ratings show that Stitchin' Quarters produces high quality of work which meets or exceeds the expectations of most customers. Owners, handlers, and breeders of Border Collies desire high quality and Stitchin' Quarters can provide quality that meets the standard they set in their own lives.

Table 2

Participant responses to quality rating of embroidery (N = 22)

Variables	<u>n</u>	%
Above average	18	81.9
Average	3	13.6
Below average	1	4.5

Table 3

Participant responses to quality rating of jacket (N = 22)

Variables	<u>n</u>	%
Above average	17	77.3
Average	4	18.2
Below average	1	4.5

Customer Service:

Stitchin' Quarters strives to make each and every transaction as personable, efficient, and streamlined as possible, while taking into consideration every customer's unique needs. Recently Stitchin' Quarters has acquired a trailer and generator, which enables the company to take the embroidery machinery anywhere that can be reached by automobile. They can sew on-site, do not need an outside power source, and have the capability to sew up to 5 garments at a time with the transported machines. This convenience provides customers with customized apparel quickly and in an easily accessible location, while they are already on-site for the trials and events, thus reducing travel and/or delivery time, which is a highly valued aspect per delphi interviews.

Table 4 shows customer perception of the customer service offered by Stitchin' Quarters. As can be seen in the survey results, Stitchin' Quarters' customer satisfaction levels were highly rated, with over 68% of participants rating the quality of customer service offered by Stitchin' Quarters as above average. These ratings show that Stitchin' Quarters provides excellent levels of service, which meets or exceeds the needs of most customers. Owners, handlers, and breeders of Border Collies desire timely, efficient service and Stitchin' Quarters can provide the streamlined service that helps them achieve their own goals.

Table 4

Participant responses to quality of customer service (N = 22)

Variables	<u>n</u>	%
Above average	15	68.3
Average	5	22.7
Below average	2	9

Pertinent Customization:

Stitchin' Quarters offers unique designs and personal customization, which is appealing to those who want special, relevant memorabilia type products. This is especially important because customization is one factor being repeatedly mentioned as desired in surveys, interviews, and conversations with the handlers, owners, and breeders. Stitchin' Quarters has the ability to customize like none other. This gives the company a distinct competitive advantage over competitors as Stitchin' Quarters can change colors, logos, names, dates, etc. down to the minuscule details, and make it look fabulous. Other embroiderers are limited to stock designs or will simply not take the time to customize because they do not want to work with individuals. Stitchin' Quarters values individual customers and treats everyone with the same care and service, regardless of size. By taking the time to provide this detail oriented service, Stitchin' Quarters can meet the needs for customization and pertinence, which are crucial factors in the identity of owners, handlers, and breeders of Border Collies.

Practical Goods:

Stitchin' Quarters offers useful and durable garments, such as jackets, sweatshirts, polo shirts, hats, and many more, which are custom embroidered with a stunning logo, thus making the purchase both practical and personal. In addition, the product selection of wearable items is extremely vast, as Stitchin' Quarters has access to thousands of products, which can meet any need. From sweatshop free to eco-friendly, top of the line to giveaway quality, brand name to generic items, Stitchin' Quarters offers almost any product imaginable. By providing a wide variety of items to the Border Collie owners, handlers, and breeders, Stitchin' Quarters can meet their individual needs and desires, making them more willing to purchase a product since it actually suits them.

Prices:

Stitchin' Quarters offers an excellent, high quality product at a good value. The prices Stitchin' Quarters charge are extremely fair and reflect the quality of the work produced. Stitchin' Quarters is very competitive in its pricing, and customers who want quality

work, are more than willing to pay the prices asked. As can be seen in the survey results in Table 5, 91% of respondents said that the prices charged by Stitchin' Quarters were reasonable, which indicates that Stitchin' Quarters is competitively and fairly priced for this market. By charging customers a fair price for a quality garment, Stitchin' Quarters can provide the value customers are looking for in their purchases, which promotes long term relationships with the customers and ultimately leads to more profitability than a short term, cheap sale.

Table 5

Participant responses to jacket price perception (N = 22)

Variables	<u>n</u>	%
Very expensive	2	9
Reasonable	20	91
Not expensive	0	0

MARKETING STRATEGY

Using the situational analysis information, Stitchin' Quarters has created a marketing strategy which incorporates the target market characteristics, market need, and value proposition into the areas of product mix, pricing, place and promotion. This marketing strategy aligns with the company's vision of meeting the customer's needs at the best value, with the best service.

Product Mix

Our product mix will contain garments and accessories embroidered with various logos, which include, but are not limited to: jackets, vests, sweatshirts, woven shirts, knit shirts, T-shirts, caps, aprons, bags, bandanas, blankets, etc. Based on Stitchin' Quarters' 17 years of experience, these items are some of the most popular apparel items in the industry, but are also practical for everyday use. In addition, the variety of products is geared to an individual's taste and budget. These items will be embroidered with one or more of the following options: custom logos pertaining to the specific dog event occurring, custom designs related to a specific breed of dog or physical location, and/or personalization. Thus, the items will align with the customer needs of quality, usefulness, and pertinence, because Stitchin' Quarters will be providing garments that will endure, that are personalized, and that will be used.

Most of the garments will be ordered from wholesalers/manufacturers with whom accounts have already been established. Stitchin' Quarters has been doing business with

these suppliers for several years and often receives case pricing because of this relationship. These relationships further Stichin' Quarters' competitive advantage, because any savings received from these suppliers is passed on to the customer.

Pricing

By operating directly with manufacturers and suppliers, providing in-house embroidery services, and eliminating middleman sales markups, the apparel sold by Stichin' Quarters is of the highest quality possible for the best value. Stichin' Quarters uses a cost based pricing approach, typically marking the garment up by a small percentage and then adding the cost of embroidery. The markup percentage and cost of embroidery vary depending on the quantity of pieces ordered, the complexity of the design, and the relationship with the customer, so it is hard to quantify and exact pricing model. This markup method of pricing enables Stichin' Quarters to cover the variable costs of the garment, while still making enough money to cover fixed costs of running the business and the variable costs of the embroidery, but still allows the customer to purchase a custom embroidered garment for roughly the same price or less than the retail cost of the same garment with no embroidery. Stichin' Quarters also adds value to the product by not only embroidering the garment with a unique design, but also offering customization services.

Though Stichin' Quarters is competitive with other computerized embroidery and clothing suppliers, the company is focused primarily on providing excellent value and quality to their customers, rather than simply competing via price. By providing an excellent relationship between quality and price, Stichin' Quarters meets the customer needs of purchasing products that have value. Providing the value that owners, handlers, and breeders are looking for enables Stichin Quarters to both maintain sustainable customer loyalty and re-orders, which is the primary source of business for the company.

Place

Stichin' Quarters' primary channel of distribution is via direct sales to customers. Whether that involved going to trade shows and taking orders or having customers call or physically come in to the office, this area of distribution is the source of most orders. However, as the business grows, one of the goals the company would like to pursue is more indirect channels of distribution, where Stichin' Quarters can sell embroidered goods to one distributor, who would then be able to turn and resell it in areas Stichin' Quarters cannot attend.

Stichin' Quarters, Inc. is conveniently located in the Denver metro area, easily accessible to many customers and near many major highways. The storefront is open during traditional work hours: Monday - Friday: 8:00 am - 5:00 pm. This is when most business takes place. However, Stichin' Quarters also offers flexibility to customers by extending additional meeting times if necessary, monitoring e-mail and phone messages remotely, and ensuring that any special needs are taken into consideration. Stichin' Quarters also

offers shipping to any customer who would prefer that option. Customers can visit the shop physically, order online via e-mail, call or fax. Between location, availability, and flexibility, customers can maximize the use of their time and handle their order in the most convenient way possible.

In addition, Stitchin' Quarters has a definite advantage over many competitors because of the ability to make the operations mobile. Stitchin' Quarters has the capability of transporting the embroidery machines anywhere accessible by road. Through the use of a power generator, Stitchin' Quarters does not need electrical outlets and so can provide services to even remote ranches, which is where many of the Border Collie trials and events take place. Due to feasibility however, Stitchin' Quarters is currently limiting its travel radius to locations within the Rocky Mountain region of the continental United States until more growth in this market occurs.

Promotion

Given the composition of our target market, we have a wide variety of options available for the promotion of our company and our products. We have existing contacts with whom we work on a continual basis, but we are also incorporating website availability, direct customer follow up, future events, etc. These forms of promotion seem to be effective in promoting our products and they cost very little compared to other forms of advertising and marketing, while producing good results.

Most of our target market relies on three primary sources to get their information about promotional products. First, the visibility of the event itself is probably the most important way to advertise and sell products. Owners, handlers, and breeders attend the events and specifically look for vendors selling customized memorabilia. Second, many of the events have websites posted online, where information about the event requirements, results, and other information is posted and updated on a regular basis. Owners, handlers, and breeders follow these websites to stay current on the information. Vendors and products can be listed on the websites for pre-event orders, which is a wonderful opportunity. Third, the Border Collie community is very tight knit and word travels quickly about many different things, both good and bad. Word-of-mouth is a key means of promoting products and is perhaps one of the most effective ways to reach out to this target market.

SECTION 2: GENERAL MANAGEMENT AND LOGISTICS

BUSINESS STRUCTURE AND GOVERNANCE

Stitchin' Quarters, Inc. is organized as a corporation, founded in 1994 and fully family owned and operated. Currently all employees are family members. All necessary permits and licenses have been obtained as the business has been in operation for 17 years.

Stitchin' Quarters, Inc. carries a variety of products, including decorated wearables, promotional products, indoor and outdoor signage, printed forms, etc. Our primary products for this business plan are custom embroidered garments and accessories which include, but are not limited to: Jackets, sweatshirts, fishing shirts, denim shirts, caps, aprons, tote bags, sling bags, dog bandanas, etc. These items will be purchased from wholesale suppliers such as Imprints Wholesale, SanMar, and other vendors who currently are in a working relationship with Stitchin' Quarters, Inc. These apparel items will be ordered as needed, and if necessary, stored on site as inventory in Stitchin' Quarters' warehouse. Items will be packaged, if necessary, when sold.

SECTION 3: PLANS FOR GROWTH

PHASE 1:

The objectives of identifying a target market niche, researching market needs, and competitively positioning products for Stitchin' Quarters have been accomplished with this plan. In addition, Stitchin' Quarters has created a plan of action, separate from this plan, which involves setting benchmarks for the future. At present Stitchin' Quarters is still in phase one, but will soon be moving on to phase 2 by the summer of 2012.

PHASE 2 AND BEYOND:

Several benchmarks have been created during phase one, which will be instituted in phase two of Stitchin' Quarters' effort to capture a larger segment of the decorated apparel and promotional product market in relation to owners, handlers, and breeders of Border Collies in the Rocky Mountain region of the continental United States. Some of these benchmarks include:

- Attending at least four Border Collie events in the Rocky Mountain region by the end of 2013.
- Expanding garment offerings to meet more customer needs and style tastes.
- Receiving roughly one third of total revenues from Border Collie related orders.
- Expanding coverage of Border Collie events beyond the Rocky Mountain regions into greater areas of the West and Midwest portions of the continental United States.
- Creating our own line of Border Collie designs to reflect the diverse nature of the dogs, from the working Border Collie to the show dog.
- Using these same techniques to branch out into other areas of wildlife design, including fish and big game.

SECTION 4: FINANCIAL ANALYSIS/FEASIBILITY

The pro forma financial statements for Stitchin' Quarters, Inc. are included in the Appendix 3. These projections have been constructed using the following assumptions:

- Demand estimates for embroidered wearables are based on previous sales and event data as well as current records as to the number of attendees per show. Conservative estimates have been made as to projections of sales and these estimates will be updated as more shows are attended and sales are made.
- Commissions are estimated to be roughly 10% of sales revenue (not including taxes).
- Sales tax is estimated to be 2.9% of total sales revenue.
- Financial projects were created around a calendar year, which is the same fiscal year used by Stitchin' Quarters.
- The growth rate is expected to follow the growth rate of the economy/the inflation rate which is roughly 3%.

Based on predictions or future sales and market growth, the projected net income of Stitchin' Quarters derived from the Border Collie owners, handlers, and breeders market appears to be roughly \$11,500. This \$11,500 will make up 15% of the overall net income of Stitchin' Quarters as a whole. This amount was derived by taking into account the amount of current sales Stitchin' Quarters does with Border Collie owners handlers and breeders, and then increasing it by a conservative amount to account for the growth that is obtained by capturing more of the Border Collie owners, handlers, and breeders market. The estimate of market share that Stitchin' Quarters, Inc. can obtain within the next year or two is roughly 5% of the overall market, which is a conservative estimate, based on the number of official events and attendees, as listed with the American Border Collie Association and the United States Border Collie Handlers Association.

This amount of net income (\$11,500) is a substantial and satisfactory amount for Stitchin' Quarters, especially as the company is just beginning its growth efforts. Because the goal of Stitchin' Quarters is only to obtain 5% of the overall market in the next two years, there is plenty of room for future growth and expansion in this market, especially since the reputation of Stitchin' Quarters will grow as the market share grows, thus leading to an even greater share of the overall market, and more income. Thus, this market is a viable and sustainable market for the next several years, especially since the Border Collie market is becoming more popular as a part of the trend to return to more natural and agricultural activities that are environmentally friendly.

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Appendix A: Survey conducted by Sarah Magill to glean customer responses

1. What is your connection to this market?

Handler/owner of dog

Staff participant (judge, volunteer, etc.)

Personal interest only (hobby)

Other: _____ (please describe)

2. Did you buy an embroidered jacket at the National Sheepdog Finals in a previous year?

Yes

No

3. How would you rate the quality of the jacket itself?

Above average

Average

Less than average

4. How would you rate the quality of the jacket itself compared to previous years' jackets?

Higher quality

Same quality

Lower quality

5. How would you rate the quality of the embroidery on the jacket?

Above average

Average

Less than average

6. How would you rate the quality of the embroidery compared to previous years' embroidery?

Higher quality

Same quality

Lower quality

7. How would you rate your satisfaction of your overall purchase?

Very satisfied

Satisfied

Not satisfied

8. How would you rate your overall satisfaction of your purchase compared to previous years' purchase?

More satisfied

Same satisfaction

Less satisfied

9. How would you rate the overall price of our embroidered jacket?

Very expensive

Reasonable

Not expensive

10. How would you rate the price of our embroidered jacket compared to previous years' jackets?

More expensive than Similar price Less expensive than

11. How would you rate the customer service you received at the show?

Above average Average Less than average

12. How would you rate the customer service you received at the show compared to customer service received during previous years?

Better than Similar to Worse than

13. Would you buy a product from us again?

Yes Maybe No

14. Do you have any other products you would like to see us carry, questions for us, or comments?

Appendix B: Description of geographic breakdown included in target market characteristic section of business plan

The colors in the following table represent each geographic area. Red is West, Blue is South, Yellow is Northeast, and Green is Midwest. These categories were inspired by a map found on the website <http://fixtheprimaries.com/solutions/rotatingregional/>.

Border Collie Breeding Kennel Clubs/State	# of Kennels/State
Alabama	7
Arizona	9
Arkansas	7
California	55
Colorado	8
Connecticut	7
Delaware	2
DC	1
Florida	32
Georgia	13
Idaho	5
Illinois	21
Indiana	16
Iowa	13
Kansas	8
Kentucky	6
Louisiana	11
Maine	6
Maryland	13
Massachusetts	16
Michigan	20
Minnesota	7
Mississippi	12
Missouri	14
Montana	3
Nebraska	5
Nevada	4
New Hampshire	5
New Jersey	16
New Mexico	7
New York	33
North Carolina	18
North Dakota	2
Ohio	25

Oklahoma	10
Oregon	9
Pennsylvania	29
Rhode Island	3
South Carolina	8
South Dakota	2
Tennessee	11
Texas	27
Utah	3
Vermont	1
Virginia	18
Washington	18
West Virginia	4
Wisconsin	17
Wyoming	3
TOTAL	582

Blue - $180/582 = 31\%$

Yellow - $136/582 = 23\%$

Green - $150/582 = 26\%$

Salmon - $124 = 21\%$

Stitchin' Quarters, Inc.
Proforma Income Statement - 2012 (year one)

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
Revenue													
Product A - Jacket							7200	7200	7200				21600
Product B - Hoodie							1881	1910	1910				5701
Product C - Vest							1125	1125	1125				3375
Product D - Cap							1596	1596	1596				4788
Product E - Button Down Shirt							1008	1036	1036				3080
Product F - Tote Bag							825	825	850				2500
Total Income							13635	13692	13717				41044
Cost of Goods Sold													
Product A - Jacket							4000	4000	4000				12000
Product B - Hoodie							1353	1374	1374				4101
Product C - Vest							675	675	675				2025
Product D - Cap							931	931	938				2800
Product E - Button Down Shirt							540	555	555				1650
Product F - Tote Bag							495	495	510				1500
Total Cost of Goods Sold							7994	8030	8052				24076
Gross Margin							5641	5662	5665				16968
Salaries and Wages													
Full-Time Employees	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	18,720
Total Salaries and Wages	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	18,720
Total Fixed Business Expenses	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	13,584
Other Expenses													
Interest Expense	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Total Other Expenses	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Total Fixed Costs	2,992	2,992	2,992	2,992	2,992	2,992	2,992	2,992	2,992	2,992	2,992	2,992	35,904
Allocated Fixed Costs (15% of total) (33% of total)	449	449	449	449	449	449	449	449	449	449	449	449	5,386
Net Income From Sheepdog Shows	-449	-449	-449	-449	-449	-449	5,192	5,213	5,216	-449	-449	-449	11,582

Stitchin' Quarters, Inc.
Salaries and Wages
Page 1 of 1

Salaries and Related Expenses	#	Assumptions	Wage Base	Monthly	Year One	Year Two	Year Three
Percent Change						25%	25%
Salaries and Wages							
Full-Time Employees	1			\$1,560	\$18,720	\$23,400	\$29,250
Estimated Hours Per Week		40					
Estimated Rate Per Hour		\$9					
Total Salaries and Wages				\$1,560	\$18,720	\$23,400	\$29,250
Payroll Taxes and Banefits							
Social Security		6.20%	\$110,100	\$97	\$1,161	\$1,451	\$1,814
Medicare		1.45%		\$23	\$271	\$339	\$424
Federal Unemployment Tax (FUTA)		0.60%	\$7,000	Varies	\$42	\$42	\$42
State Unemployment Tax (SUTA)		2.70%	\$11,000	Varies	\$297	\$297	\$297
Other Employee Benefit Programs		4.00%		\$62	\$749	\$936	\$1,170
Total Payroll Taxes and Benefits							
Total Salaries and Related Expenses				Varies	\$21,240	\$26,465	\$32,997
Allocation Percentage					15%	15%	15%
Allocated Salaries, etc.				\$265	\$3,186	\$3,970	\$4,949

Stitchin' Quarters, Inc.
Projected Expenses - 2012 (year one)

Page 1 of 1

Fixed Operating Expenses	Monthly	Year One	Year Two	Year Three	
Percent Change Expenses			3.00%	3.00%	0.06
Bank and Merchant Fees	75.00	900.00	927.00	954.81	2,781.81
Dues and Subscriptions	25.00	300.00	309.00	318.27	927.27
Miscellaneous	50.00	600.00	618.00	636.54	1,854.54
Insurance	150.00	1,800.00	1,854.00	1,909.62	5,563.62
Licenses/Fees/Permits	50.00	600.00	618.00	636.54	1,854.54
Legal and Professional Fees	75.00	900.00	927.00	954.81	2,781.81
Office Expenses and Supplies	25.00	300.00	309.00	318.27	927.27
Postage and Delivery	50.00	600.00	618.00	636.54	1,854.54
Telephone and Communications	150.00	1,800.00	1,854.00	1,909.62	5,563.62
Travel	25.00	300.00	309.00	318.27	927.27
Utilities	157.00	1,884.00	1,940.52	1,998.74	5,823.26
Total Expenses	832.00	9,984.00	10,283.52	10,592.03	30,859.55
Total Other Expenses	300.00	3,600.00	3,708.00	3,819.24	11,127.24
Total Fixed Operating Expenses	1,132.00	13,584.00	13,991.52	14,411.27	41,986.79
Allocation Percentage	15%	15%	15%	15%	15%
Allocated Operating Expenses	169.80	2,037.60	2,098.73	2,161.69	6,298.02

Stitchin' Quarters, Inc.
Projected Sales Forecast - 2012 (year one)

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Products and Services	Assumptions	%	Jul	Aug	Sep	Totals
Product A - Jacket						
Price Per Unit	72	100%				
Variable Cost Per Unit	<u>40</u>	56%				
Gross Margin Per Unit	32	44%				
Projected Unit Sales	300		100	100	100	300
Seasonality Factor			<u>33.33%</u>	<u>33.33%</u>	<u>33.34%</u>	<u>100.00%</u>
Year One			7200	7200	7200	21600
Year Two Growth	25.00%		9000	9000	9000	27000
Year Three Growth	25.00%		11250	11250	11250	33750
Projected Revenue	21,600					
Variable Costs	<u>12,000</u>					
Gross Margin	9,600					
Overhead Expenses	<u>4,528</u>					
Profit	<u><u>5072</u></u>	23%				
Breakeven Sales Revenue	10188					
Breakeven Sales Units	142					

Stitchin' Quarters, Inc.
Projected Sales Forecast - 2012 (year one)
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Product B - Hoodie

Price Per Unit	28.5	100%				
Variable Cost Per Unit	<u>20.5</u>	72%				
Gross Margin Per Unit	8	28%				
Projected Unit Sales	200		66	67	67	200
Seasonality Factor			<u>33.33%</u>	<u>33.33%</u>	<u>33.34%</u>	<u>100.00%</u>
Year One			1881	1910	1910	5700
Year Two Growth	25.00%		2351	2387	2387	7125
Year Three Growth	25.00%		2939	2984	2984	8906

Projected Revenue	5,700	
Variable Costs	<u>4,100</u>	
Gross Margin	1,600	
Overhead Expenses	<u>4,528</u>	
Profit	<u><u>-2,928</u></u>	-51%

Breakeven Sales Revenue	16131
Breakeven Sales Units	566

Stitchin' Quarters, Inc.
Projected Sales Forecast - 2012 (year one)

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Product C - Vest

Price Per Unit	45	100%				
Variable Cost Per Unit	<u>27</u>	60%				
Gross Margin Per Unit	18	40%				
Projected Unit Sales	75		25	25	25	75
Seasonality Factor			<u>33.33%</u>	<u>33.33%</u>	<u>33.34%</u>	<u>100.00%</u>
Year One			1125	1125	1125	3375
Year Two Growth	25.00%		1406	1406	1406	4219
Year Three Growth	25.00%		1758	1758	1758	5273

Projected Revenue	3,375	
Variable Costs	<u>2,025</u>	
Gross Margin	1,350	
Overhead Expenses	<u>4,528</u>	
Profit	<u><u>-3,178</u></u>	-94%

Breakeven Sales Revenue	13584
Breakeven Sales Units	252

Stitchin' Quarters, Inc.
Projected Sales Forecast - 2012 (year one)

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Product D - Caps

Price Per Unit	12	100%			
Variable Cost Per Unit	<u>7</u>	58%			
Gross Margin Per Unit	5	42%			
Projected Unit Sales	400		133	133	134
Seasonality Factor			<u>33.33%</u>	<u>33.33%</u>	<u>33.34%</u>
Year One			1596	1596	1608
Year Two Growth	25.00%		1995	1995	2010
Year Three Growth	25.00%		2494	2494	2513

Projected Revenue	4,800	
Variable Costs	<u>2,800</u>	
Gross Margin	2,000	
Overhead Expenses	<u>4,528</u>	
Profit	<u><u>-2,528</u></u>	-53%

Breakeven Sales Revenue	15848
Breakeven Sales Units	906

Stitchin' Quarters, Inc.
Projected Sales Forecast - 2012 (year one)
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Product E - Button Down Shirts

Price Per Unit	28	100%				
Variable Cost Per Unit	<u>15</u>	54%				
Gross Margin Per Unit	13	46%				
Projected Unit Sales	110		36	37	37	110
Seasonality Factor			<u>33.33%</u>	<u>33.33%</u>	<u>33.34%</u>	<u>100.00%</u>
Year One			1008	1036	1036	3080
Year Two Growth	25.00%		1260	1295	1295	3850
Year Three Growth	25.00%		1575	1619	1619	4813
Projected Revenue	3,080					
Variable Costs	<u>1,650</u>					
Gross Margin	1,430					
Overhead Expenses	<u>4,528</u>					
Profit	<u><u>-3,098</u></u>	-100%				
Breakeven Sales Revenue	33960					
Breakeven Sales Units	348					

Stitchin' Quarters, Inc.
Projected Sales Forecast - 2012 (year one)

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Product F - Tote Bags

Price Per Unit	25	100%				
Variable Cost Per Unit	<u>15</u>	60%				
Gross Margin Per Unit	10	40%				
Projected Unit Sales	100		33	33	34	100
Seasonality Factor			<u>33.33%</u>	<u>33.33%</u>	<u>33.34%</u>	<u>100.00%</u>
Year One			825	825	850	2500
Year Two Growth	25.00%		1031	1031	1063	3125
Year Three Growth	25.00%		1289	1289	1328	3906

Projected Revenue	2,500	
Variable Costs	<u>1,500</u>	
Gross Margin	1,000	
Overhead Expenses	<u>4,528</u>	
Profit	<u><u>-3,528</u></u>	-141%

Breakeven Sales Revenue	13584
Breakeven Sales Units	453