

# MP III – Final Report

---

*Mott 50 Business Plan*



---

11/30/2012

**Table of Contents**

- 1. EXECUTIVE SUMMARY..... 4
  - Overview..... 4
  - Mott 50’s Approach ..... 4
  - Financing ..... 5
- 2. INDUSTRY ANALYSIS ..... 6
  - 2.1 Market Profile ..... 6
  - 2.2 Market Segment ..... 6
  - 2.3 Key Success Factors..... 7
  - 2.4 Industry Trend..... 7
    - Expansion and Intensified Competition..... 7
    - Differentiation and Niche-targeting ..... 8
    - Aging Demographic ..... 8
    - International Growth..... 9
- 3. COMPETITIVE ANALYSIS..... 10
  - 3.1 Five Forces Analysis ..... 10
    - Competitive Rivalry..... 10
    - Buyers ..... 11
    - Suppliers of Labor, Location, & Equipment..... 11
    - Potential New Entrants..... 11
    - Substitutes..... 12
    - Conclusion..... 12
  - 3.2 SWOT Analysis..... 13
    - Strengths..... 13
    - Weaknesses ..... 14

Opportunities.....	14
Threats.....	15
Conclusion.....	15
4. MARKETING PLAN.....	17
4.1 Target Market.....	17
4.2 Mission and Objectives.....	17
4.3 Marketing Mix.....	18
Product.....	18
Place.....	19
Promotion.....	21
Price.....	23
5. Operational Plan.....	24
5.1 Overview.....	24
5.2 Information Technology (IT).....	24
Hardware.....	24
Software.....	25
5.3 Inventory management.....	26
5.4 Work flow management.....	26
5.5 Appointment Calendar & Queue.....	27
5.6 Marketing.....	27
5.7 Finance.....	27
5.8 Privacy and Security.....	28
6. Organizational Plan.....	29
6.1 Form of Ownership.....	29
6.2 Management Team.....	29

Co-Founder and CEO.....	30
Co-Founder and CMO.....	31
COO.....	31
VP of Finance.....	32
Board of Advisors.....	32
7. Financial Plan.....	35
Capitalization .....	35
Key Financial Assumptions .....	35
Sensitivity & Scenario Analysis .....	40
8. Risk Assessment .....	42
Ineffective Marketing Plan .....	42
Economic Downturn .....	42
The Risk of Imitators .....	43
Consumer’s Lack of Apprehension of Harmful UV rays .....	43
Revenue Shortfalls.....	44
Regulatory Issues in Sun-Protective Clothing.....	44
EXHIBIT 1: List of Competitors and Their Detailed Information .....	46
EXHIBIT 2: Survey Result Summary.....	58
EXHIBIT 3: Financial Data.....	72
EXHIBIT 4: MEMORANDUM.....	82

## **1. EXECUTIVE SUMMARY**

### **Overview**

Skin cancer is the most common form of cancer in the United States. More than 3.5 million skin cancers in over 2 million people are diagnosed annually. Each year there are more new cases of skin cancer than the combined incidence of cancers of the breast, prostate, lung and colon. One in five Americans will develop skin cancer in the course of a lifetime.

The statistics are staggering. However, most Americans limit their sun protection initiatives to the mundane sun block, umbrellas, or just staying out of the sun and are unaware that regular clothing allows in wrinkle - and skin cancer - inducing UVA rays. In fact, the average lightweight white t-shirt has a UPF of only 5. The good news is that there is clothing on the market that can protect your skin while you are enjoying life outdoors.

Mott 50 has filled this void in the apparel market by offering fashion-forward sun protective clothing in soft, lightweight fabrics. Consumers can now effortlessly incorporate sun protective fashions into your daily wardrobe, protecting your skin from pre-mature aging and damage from UV rays. Mott 50's products are UPF 50 protected and use natural Bamboo fabrics that have been certified by the International UV Testing Laboratory.

### **Mott 50's Approach**

Mott 50's marketing model will serve as the basis for an aggressive marketing strategy that is specifically designed to increase public's awareness of sun protective clothing, increase public's awareness of Mott 50 brand, attract new consumers within the target market and retain existing customers.

Mott 50 plans to keep on expanding by extending its product line based on the latest trend and its customer feedback. An after-purchase survey completed by its loyal customers shows that they would like to see Mott 50 produce women's tennis and athletic wear and hats. Mott 50 will open a store in LA in the spring of 2013. Additionally, Mott 50 will tackle beach resort companies and cruise companies where there is typically a strong demand for sun protective wear. Mott 50 will also start to reach its secondary target market such as construction workers, state workers, military personnel and sports team. Mott 50 will advertise through online social media, American Academy of Dermatologists as a Corporate Partner and magazines, to promote its products, communicate its products' features, interact with customers and educate consumers on sun protection.

## **Financing**

In addition to current capitalization, Mott 50 will need to raise \$600,000 in equity from the investors during the first 6 six months, and raise additional \$200,000 each in year 2 and year 3. It will start to produce positive operating cash flow as well as gain a profit in year 3. It will see a Compounded Annual Growth Rate (CAGR) in revenue of about 25% for the next 5 years, which triples the current level; the gross margin remains at about 70% while the net profit margin will increase from -24% to 11% by the end of year 5.

## 2. INDUSTRY ANALYSIS

### 2.1 Market Profile

The women's active wear market is one of the fastest growing categories of the apparel industry in the United States. The total active wear market is estimated to have generated over \$30 billion in sales, growing 9% since 2011; of which, sales from women's active wear reached \$13.7 billion, larger and faster growing than the men's active wear of \$12.7 billion.<sup>1</sup> Companies successfully targeting this market have significantly outperformed the industry average; for example, designer and retailer Lululemon Athletica has seen a CAGR of 58% from 2004 to 2011.<sup>2</sup>

*Also: THE SUN PROTECTION MARKET*

The United States sun protection market was around \$700 million in 2010.<sup>3</sup> It is expected to grow at 7% - 9% in the next five years. Women are the major sales driver for the category as 7 in 10 women use sunscreen to prevent skin cancer and aging.<sup>4</sup>

### 2.2 Market Segment

Customers for the women's active wear can be broadly divided into two groups. The first group comprises of athletes or other professionals who shop for outdoor sports gear and apparel in pursuit of functionality and performance. Technology-enhanced sports apparel makers such as Nike and Adidas, or outdoor expedition gear manufacturers such as Columbia mainly serve this market segment.

---

<sup>1</sup> Gap, Target Join Retail Rush Into Athletic Apparel  
<http://news.investors.com/business/082812-623859-gap-target-join-retail-push-into-athletic-apparel.htm#ixzz29dFQQPQG>

<sup>2</sup> Lululemon 10-K, 2011

<sup>3</sup> Suncare Industry Profile: United States. Data Monitor, Aug 2011

<sup>4</sup> Sun Protection and Sunless Tanners, Mintel Report, Oct 2011

The second group comprises of women who seek comfortable and stylish active wear to go along with their active healthy lifestyle. This segment is highly fragmented by the different merchants selling different product offerings with a very wide range of price points. The premium priced products are stylish apparels under famous brands which are mostly distributed through commercial chain stores where retail margin is the highest. The lower end products are simple basic apparels under private labels, which are typically distributed through wholesale channels, e-commerce websites and discount retailers with low margin. Active lifestyle cloth manufacturers such as Athleta and Gap are examples of such merchants that serve this market segment.

### **2.3 Key Success Factors**

Given the competitive nature and low switching cost of the apparel industry, a successful active wear company should have as a strong brand name with a differentiated design or positioning that appeals to a large consumer base, a unique customer service model that helps retain customers, and a superior ability in managing production and inventory.

### **2.4 Industry Trend**

#### **Expansion and Intensified Competition**

The women's active wear market is still growing fast. Major players in the apparel industry have accelerated their expansion into this respective market in recent years. GAP planned to have 50 Athleta stores by the end of 2013, tracking the store expansion of the

market leader Lululemon.<sup>5</sup> The expansion consists of new brick-and-mortar stores as well as direct online shops which are estimated to be a major growth driver. Even though the total market size is expected to increase further with more population adopting an active lifestyle, the competition will intensify and may lead to lower industry profitability. It should also be noted that active wear consumers seem to be indifferent about the distribution channels, utilizing any channel available and convenient.<sup>6</sup> Increasing sale through e-commerce platforms such as Amazon.com should also be taken into account.

### **Differentiation and Niche-targeting**

The United States active wear industry continues to be under price pressure from cheap import and fierce competition. Many of the industry participants have moved their production completely offshore. For retailers who still manufacture in the United States, the high cost of domestic production is a major disadvantage. In order to remain profitable, these companies can only survive in the high-end premium segment with differentiated products often targeted to a niche demand.

### **Aging Demographic**

The 55-64 years old group is the fastest growing population in the United States, growing from 29 million in 2004 to 40 million over a 10 year period.<sup>7</sup> These people are most conscious and have both the financial capability and will to invest on health-related products. This demographic trend could signal various changes in active wear industry regarding the design, style, marketing message and distribution channels tailored for a

---

<sup>5</sup> <http://www.bloomberg.com/news/2012-07-17/gap-s-athleta-stalks-lululemon-one-yoga-store-at-a-time.html>

<sup>6</sup> Standard & Poor's, Industry Surveys - Apparel & Footwear: Retailers & Brands, 2012

<sup>7</sup> <http://www.cdc.gov/nchs/data/hus/hus05.pdf>

more mature consumer base.

### **International Growth**

The apparel industry of the United States has been rapidly growing their businesses in Asia and South America. The same goes for the active wear industry. The rising disposable income, huge consumer base, and the increasing awareness of healthy lifestyle in urban areas such as Shanghai or Rio de Janeiro (where the 2016 Olympics will be held), attracts many active wear companies to expand their reach into these countries. Many well-known United States active wear companies utilize their strong brand name to expand overseas and gain loyal customers quickly.

### 3. COMPETITIVE ANALYSIS

A total of 19 companies were analyzed to better understand the characteristics of Mott 50's competitors (see **Exhibit 1**).

#### 3.1 Five Forces Analysis

##### Competitive Rivalry

Mott 50 prides its products as the only fashionable everyday apparel line of sun protective clothing. However, there are strong pressures from competitors that have similar target markets. The major outdoor retailers such as Nike, Athletica, REI, and Quiksilver are starting to enter the sun protective clothing market by targeting active men and women age 18-35. They possess the capital to market their brands by using inspiring athletes and disbursing multiple TV advertisements during professional and college sports events, etc. Smaller companies such as Sunuva, CabanaLife, and Parasol target women and children who are active beachgoers or swimmers. Companies like Coolibar, Sun Precautions, and Sunday Afternoons pose the most competitive threat due to their similar target markets as Mott 50. Sun Precautions targets health-minded consumers seeking to have medically accepted sun protective clothing, sunscreen, and accessories. Even though Sun Precautions provides clothes at almost the same price range as Mott 50, its style is geared towards active wear. Coolibar sells protective clothing, sun hats, swim wear, sunglasses, umbrellas, sunscreens and sun-blockers for men women and kids in the United States. Sun Afternoons targets the entire family by offering sun protective clothing and

hats for women, men, and children. Overall, there are many companies competing in the same industry and targeting the same audience. Thus, rivalry within the industry is intense.

## **Buyers**

Since there are a number of competitors in the marketplace for sun protective clothing and the average purchase tends to be relatively low, buyers have a lot of influence on the business model. Currently, Mott 50 has neither the advantage of brand recognition nor the loyalty. Since Mott 50 does most of its marketing through internet campaigns, the price sensitive consumers, which are always looking for a “bargain” or good deal, may decide to abandon their shopping journey at their website and turn towards one that has a better offer.

Other than selling its products directly to the consumers, Mott 50 also distributes its products for sale through a handful of boutiques across the country, thus, putting a great deal of power in their hands.

## **Suppliers of Labor, Location, & Equipment**

Given the fact that the cost of manufacturing is the Mott 50’s biggest expense, the influence posed by suppliers is moderate to high. Mott 50 suppliers were initially based out of China but recently switched to a manufacturer in United States for the ease of logistics and attractive feature of being “Made in the United States”.

## **Potential New Entrants**

Since heavy hitting retailers such as Nike, J Crew, Gap, and REI have not entered the market completely, the potential for new entrants is high. These companies have the capital,

economies of scale and brand images to envelope Mott 50. International companies could also imitate Mott 50 products easily and produce similar products with lower price, thus, putting Mott 50 at a losing end.

## **Substitutes**

Mott 50 is trying to improve on the average T-shirt that offers only Ultraviolet Protection Factor (UPF) 5 in comparison to its clothing products that offers UPF 50+. However, since the use of sun hats, sunglasses, umbrellas, and sunscreens to prevent harmful ultraviolet (UV) rays from penetrating the skin have been prevalent in the United States, the threat of substitutes is rather high. These substitutes are relatively cheaper and are easily accessible, making Mott 50 premium products seem like an unnecessary purchase as their sun protective features can be easily replaced by using these substitutes.

## **Conclusion**

Mott 50 is positioned and compared to the fashion companies. However, Mott 50 does not have the wide variety of products that typical fashion companies have, such as Gap and J Crew. Furthermore, its design variety is limited compared to higher-end fashion companies such as Tory Burch and Soshanna. Instead of these fashion companies, Mott 50's real competitors are believed to be the active wear companies which specialize in sun protective clothing, such as Coolibar, Sun Precautions and Sunday Afternoons. Compared to these companies, Mott 50 appears to be of equal standing in terms of design and use better fabrics for its clothes due to its utilization of bamboo in production.

Any company with sizable capital assets can penetrate the market. This includes Mott 50's buyers (the boutiques), suppliers and manufacturers. Therefore, Mott 50 has to

move quickly to establish its brand and gain market share. Fortunately, the sun protective clothing market has yet to gain high attention and popularity in the apparel industry, therefore not many players want to play big in the this field. Popular fashion companies such as Gap and J Crew have not entered the market. Also, none of the active wear companies that specialize in sun protective clothing such as Coolibar and Sun Precautions have dominated the sun protective apparel industry. Thus, Mott 50 still has a “first mover” advantage in reaching new buyers looking for fashionable sun protective clothing.

People have been aware of the harmful effects of UV rays for a long time and have used various Mott 50’s products substitute such as umbrellas, to protect themselves against the harmful UV rays. To Mott 50’s advantage, the awareness of sun protective clothing is still low. All Mott 50 have to do is to educate the market about the existence of Mott 50 that produce fashionable sun protective clothing with the highest legally acceptable UPF rating of UPF 50+.

## **3.2 SWOT Analysis**

### **Strengths**

Mott 50’s products are made from bamboo-based natural fabrics which results in clothes that are more comfortable and durable than those of its competitors. Bamboo fabrics have the ability to accept bright colored dyes and thus, allow Mott 50 to produce softer and more stylish colorful clothes.<sup>8</sup> The fact that the apparel is made in the United States makes Mott 50 stand out from most of its competitors. American consumers will be

---

<sup>8</sup> <http://www.wisegeek.com/what-is-bamboo-fabric.htm>

more interested to buy clothes which are made domestically, rather than those manufactured overseas.

## **Weaknesses**

Mott 50 has relatively limited product lines and items compared to other large active wear companies such as Nike. This means that the health conscious consumers who do not want to be exposed to the harmful UV lights have a limited choice when they shop at Mott 50. UV light apparels are relatively expensive and this limits the market access.<sup>9</sup> Mott 50 needs to expand its product selection and lines. However, as a relatively young company, Mott 50 does not have funding yet to ramp up its production effectively.

Also, Mott 50 has low brand awareness, no physical distribution channels and a very small market share which altogether causes it to be an easy target for any competitor that can afford a giant marketing campaign.

## **Opportunities**

Since there is an increased awareness in the harmful effects of global warming and UV rays, people are more willing to buy sun protective apparel to protect themselves. Aggressive usage of technology or social media such as Facebook, Twitter, and online blogs can boost sales and create awareness. There is also a great opportunity in countries which have tropical and desert climate. Consumers in such regions typically are more aware of the skin problems caused by the harmful UV rays. Thus, international markets such as Asian and Middle East could be a great expansion opportunity. Individuals who are

---

<sup>9</sup> Mott 50: <http://www.Mott50.com/about>

exposed to the sun for long hours such as construction workers, state workers, army personnel, sports player and fans can also be potential customers.

## **Threats**

Even though Mott 50 products are more fashionable than other competitors', the products can be easily imitated by newcomers once they obtain the know-how. Moreover, some competitors point out that their apparels offer UPF 100 protection even though UPF 50+ is the highest rating permitted by any national standard in the world. Since consumers are not knowledgeable of this regulation, they would buy rather competitors' clothes than Mott 50's as UPF 100 is perceived to be better than UPF 50+. Finally, as mentioned earlier, any companies with enough capital and know-how could enter the market and be a threat to Mott 50.

## **Conclusion**

Mott 50 has also many weaknesses and faces many threats. To be able to grow and be successful in this unique intersection of a very competitive fashion and active wear industry, Mott 50 needs to increase brand awareness and compete with the existing competitors that are well-established in the sun protective clothing market. Mott 50 needs to make sure that they are the first to promote sun protective clothing in a massive scale such that when consumers think of sun protective clothing, they think of Mott 50.

Fortunately, consumers have become more aware of the harmful effects of UV rays these days and have started searching for sun protective apparel. However, they still want to look chic and feel comfortable even in their sun protective clothing. The market for

stylish and comfortable sun protective clothing has not been saturated yet. Hence, with the right strategy, Mott 50 should be able to penetrate this niche market.

## 4. MARKETING PLAN

### 4.1 Target Market

Mott 50's primary target market is affluent women, age 30-65+, living an active lifestyle and focused on health and wellness. For this category, the consumers are likely to be more mature women who care about their skin as they age and younger women who are into the latest innovation in fashion especially clothing that enable them to protect their skin while still looking stylish. They are technology savvy and are active social media users such as Facebook, Twitter, online blog, etc.

Mott 50's secondary target market is individuals who are exposed to the harmful UV rays for long hours like construction workers, state workers, army personnel, sports players and fans. It is the best interest of companies that employ such workers to provide sun protective clothing to cut down on overall health insurance cost.

### 4.2 Mission and Objectives

Mott 50's mission is to offer a stylish, easy-to-wear approach to sun protection. Preliminary research has shown that Mott 50's has to address its biggest challenge that most consumers are not aware of sun protective clothing. Even if they are aware of sun protective clothing, not all of them are willing to buy (see **Exhibit 2**). Thus, it is restricting Mott 50 from growing. By using an appropriate marketing plan and business strategy, Mott 50 hopes to grow its revenue to approximately \$3 million over the next five years (see **Exhibit 3-1**).

Mott 50's 4Ps (Product, Place, Promotion and Price) producer-oriented marketing model will serve as the basis for an aggressive marketing strategy that is specifically

designed to increase public's awareness of sun protective clothing, increase public's awareness of Mott 50 brand, attract new consumers within the target market and retain existing customers. Thereby, increasing revenue, gaining market share and achieving its objectives mentioned in the above paragraph.

While the primary target market seems to be more lucrative, it is more difficult to break into as there are many giant fashions and active wear companies aiming for rather similar target markets. Hence, Mott 50 will also work on its secondary target market to obtain more sales and profit that Mott 50 can use to fund stronger marketing campaign aiming at the primary target market.

### **4.3 Marketing Mix**

#### **Product**

Mott 50 wants to exploit an unmet need with its fashionable sun protective clothing line. The company provides a line of clothing that offers UPF 50+ in each garment. Its products are certified with UPF 50+ by the International UV Testing Laboratory (IUVTL).

Motto 50 products have been categorized into 4 groups which include women, men, hat & accessories, and swim surf products. In the category of women products, there are other sub-categories of products such as basics, polo shirt, tunics, dresses, pants & skirts, jackets and swim & surf. The basics sub-category has 30 different products. Under the sub-category of polo shirt there are 8 different products that have been designed such as Megan-Short Sleeved Polo and Sharon Long Sleeved Polo. The pants & skirts sub-category has 11 different products while tunic sub-category has 12 different products. Under the category for men's wear, there are 2 major sub-categories which include basics and polo

shirt. Under the polo shirt sub-category, there are 8 different products while under the basics sub-category, there are 8 different designs of T-shirts. There also 6 different designs of swim and surf products. There are 8 designs of scarves and 11 designs of hats.<sup>10</sup>

Apparels of Mott 50 have been differentiated from the other fashion apparels. The products have been designed to meet a new growing demand of health conscious consumers who wants to be protected against harmful UV rays. Mott 50's products use natural Bamboo fabrics that have been certified by the IUVTL<sup>11</sup> in accordance with American Association of Textile Chemists and Colorists (AATCC) standards to create stylish and comfortable garments. Mott 50's products can be easily customized for any purpose or function.

Mott 50 plans to keep on expanding by extending its product line based on the latest trend and its customer feedback. An after-purchase survey completed by its loyal customers shows that they would like to see Mott 50 produce women's tennis and athletic wear and hats (see **Exhibit 2**).

## Place

Mott 50 has generated \$82,000 in revenue from e-commerce and \$84,000 from trunk shows in its fiscal year 2012. Mott 50 will continue with these efforts to improve its brand presence. Even with technology advancement all around us, people still love to shop in a physical store (see **Exhibit 2**). Therefore, Mott 50 will open a shop in Los Angeles in spring of 2013 even if it will cost more (see **Exhibit 3-9**).

---

<sup>10</sup> Mott 50. (2012a). About: The Clothes. Retrieved on October 16, 2012. [www.Mott50.com/the-clothes](http://www.Mott50.com/the-clothes)

<sup>11</sup> Mott 50, <http://www.Mott50.com>

Additionally, Mott 50 will attack beach resort companies such as Loews which own beach resorts in St Petersburg Beach, Miami, Santa Monica, and Tucson, and cruise companies such as the Disney cruise line. Mott 50 will benefit from advertising and selling on their websites and in their gift shops as there is typically a strong demand for sun protective wear in beach resorts and cruise ships.

Mott 50 will also start to reach its secondary target market such as construction workers, state workers and army personnel. Mott 50 will reach out to companies such uniform companies that produce or rent uniforms for workers and employ a temporary advisor or facilitator who would screen and submit proposals to secure government contracts.

Construction workers, state workers and army personnel had to spend a considerable amount of time under the sun and they would be active consumers, regardless of the time of the year. For example, soldiers have spent long periods in oppressive sunlight during training and in the Middle East over the last 11 years during Operation Iraqi Freedom and Operation Enduring Freedom. A study by the Department of Defense Automated Central Tumor Registry<sup>12</sup> showed that the Melanoma incidence increased from year 1990-1994 and year 2000-2004 among military personnel with the



---

<sup>12</sup>Cancer Epidemiol Biomarkers Prev. 2011 Feb;20(2):318-23. Epub 2010 Dec 8. Melanoma incidence rates among whites in the U.S. Military. Written by Zhou J, Enewold L, Zahm SH, Devesa SS, Anderson WF, Potter JF, McGlynn KA, Zhu K. Source United States Military Cancer Institute, Washington, District of Columbia 20307, USA. <http://www.ncbi.nlm.nih.gov/pubmed/21148122>

most rapid increase (40%) among younger men in the military. Mott 50 can easily incorporate its fabric into the any type of uniform. This requires a great deal of initial capital up front to produce mass quantities but it can be achieved through venture capital investment. This will give Mott 50 the exposure and brand reliability it needs, as well as the extra revenue to expand its current clothing lines for the primary target market and to market its brand.

Mott 50 will also partner with local sporting teams to provide T-shirts for their sports players as well as to set up information booths outside their events to promote its line of clothing. Spectators spend long periods of time outside and sports teams or event coordinators could express their appreciation for their attendance by offering sun protective clothing to their fan base. This effort could eventually be extended from outside sales booth to selling sun protective clothing inside the fan shop and website with official team logos, etc.

## Promotion

Mott 50 has been very highly engaged in the promotion of its products to the domestic market. It utilizes various online social media such as Facebook to promote its products, communicate its products' features, interact with customers and educate consumers on sun protection. It also places advertisement on various magazines. Mott 50 will continue to invest in these social media and magazines as they are the two most effective channels in affecting consumers' clothing purchase decision (see **Exhibit 2**). Online videos and blogs can be used to tell a story behind Mott 50 and its mission, products and belief. Additionally, Mott 50 will continue to promote its products through charitable

programs such as Stand UpTo Cancer<sup>13</sup>, as it also adds credibility to Mott 50 as a company who really strives to make a difference with its sun protective clothing products.

Despite its success last year, there is a need to make a few changes in the promotion and marketing strategies in order to have a sustainable competitive advantage over its competitors. Sun protective clothes industry is a seasonal industry.<sup>14</sup> Therefore, Mott 50 will have to adopt a strategy to target more specific consumers, such as consumers with skin problems that need all year round protection against UV rays. Mott 50 plans on joining the American Academy of Dermatologists as a Bronze Corporate Partner, spending \$25,000 in 2013. The American Academy of Dermatology was founded in 1938. It is the largest, most influential and most representative dermatology group in the United States. With a membership of more than 17,000, it represents virtually all practicing dermatologists in the United States, as well as a growing number of international dermatologists. Mott 50 will also spend \$25,000 to hold a two hour Promotional Informational Program during the annual meeting in Miami, FL from March 1-5, 2013 to spread the word on their products. Mott 50 will increase spending on online advertisement placements (see **Exhibit 3-7-1**) such as Facebook Ads and Twitter Ads to ensure visibility.<sup>15</sup> Mott 50 will also offer various promotional offers to attract people to try out its products as it is proven that promotional discount is the biggest incentive that will encourage new consumers to try out a new brand (see **Exhibit 3-8**).

---

<sup>13</sup> Mott 50. (2012b). Press: News. Retrieved on October 16, 2012. [www.Mott50.com/blog/category/press/](http://www.Mott50.com/blog/category/press/)

<sup>14</sup> Learning Seed. (2009). *Marketing's 4 Ps: the Consumer Angle*.  
[http://www.learningseed.com/\\_guides/1237\\_marketings\\_4\\_ps\\_guide.pdf](http://www.learningseed.com/_guides/1237_marketings_4_ps_guide.pdf)

<sup>15</sup> Learning Seed. (2009). *Marketing's 4 Ps: the Consumer Angle*.  
[http://www.learningseed.com/\\_guides/1237\\_marketings\\_4\\_ps\\_guide.pdf](http://www.learningseed.com/_guides/1237_marketings_4_ps_guide.pdf)

As for the secondary target market, personal selling works best. Mott 50 will send its sales personnel to reach out to companies who are in the construction business and who manage sports teams. Mott 50 will also hire a temporary advisor or facilitator who would screen and submit proposals to secure government contracts. This will be an additional cost (see **Exhibit 3-10**) to Mott 50 but it will increase the chance of Mott 50 securing government contracts.

### Price

Mott 50's products are priced from \$60 for basics to \$165 for jackets. Mott 50 will need to adjust its price to attract consumers to buy and increase revenue. Currently, Mott 50 sells a basic long sleeve t-shirt for \$65, however consumers perceive the value of a basic long sleeve t-shirt with UPF 50+ to be only about an average of \$40 (see **Exhibit 2**). Mott 50 will have to increase consumers' value perception of Mott 50's products with intense marketing so they will be willing to pay premium price.

In addition to its retail pricing, Mott 50 will have different price points for different distribution channels. For sale to boutiques, beach resorts and cruise lines, Mott 50 will charge a wholesale price which is lower than retail price by 50% in 2012 and 55% going forward (see **Exhibit 3-7-1**). Mott 50 will also have to lower its price points in order to secure the government contracts. However, the cost impact caused by the lower price points can be offset by increased economies of scale.

## 5. Operational Plan

### 5.1 Overview

Mott 50 has created a process that presented the proven ability to assist in business management to ensure that inventory management, client appointment, employee tracking, and all other operational functions are efficiently handled.

### 5.2 Information Technology (IT)

The use of technology has come to dominate the retail fashion industry as measured by sales, profitability, and growth. Excess inventory in the retail apparel industry is detrimental to a business's long term sustainability. Long manufacturing lead times require executives to guess far in advance what customers will want. Guessing wrong can be disastrous, lowering margins through markdowns and write-offs.<sup>16</sup> Mott 50 has put systems and processes in place to harness these typical problems. While typically used to track inventory and make appointments, Mott 50 will make use of advance technology in all aspects of firm management, including operations, marketing, and finance. IT system will produce streamlined processes for employees, thereby increasing efficiency while promoting organization within the company. Mott 50 will be able to monitor and use the information that is collected through the IT system to manage firmer operations, track progresses, and target marketing efforts accurately.

#### Hardware

Mott 50 has laptop computers assigned to interns and regular employees allowing for mobility. The computers will be loaded with the necessary company software to allow

---

<sup>16</sup> [http://catalog.flatworldknowledge.com/bookhub/9?e=gallaugh-er-ch01\\_s01](http://catalog.flatworldknowledge.com/bookhub/9?e=gallaugh-er-ch01_s01)

employees to operate effectively and have access to the Internet through a landline and/or Wireless network. The company database and software gives Mott 50's company information be accessed and shared quickly and easily between computers, and without cables.

## Software

Mott 50 will use Adobe Creative Suite, Light Room, and InDesign for creative projects. Adobe Creative Suite is a leading toolkit for professional design and web development. This software allows Mott 50 to craft compelling graphics and images and lay out high-impact print pages. Adobe Light Room allows the company to create high quality images, share them easily, and efficiently manage their entire photo library for the Mott 50 website. Adobe® InDesign® CS6 software is a versatile desktop publishing application that gives Mott 50 pixel-perfect control over design and typography to efficiently promote their website. The new Adaptive Design Tools of the software allows the firm to easily repurpose layouts for a variety of pages sizes, orientations, or devices.

For everyday business operational needs, the company uses Quickbook Pros, Magento and their Mott 50 Domain email. Quickbook Pro software allows Mott 50 to organize all of their financial issues in one place. Please see the finance section below for more information. The company uses Magento for their e-commerce platform. Magento provides "feature-rich e-commerce platforms that offer merchants complete flexibility and control over the presentation, content, and functionality of their online channel".<sup>17</sup> This software platform gives Mott 50 a centralized system to track site management, customer analytics, shipping, search engine optimization, catalog management, order management

---

<sup>17</sup> <http://www.magentocommerce.com/product/features>

and customer service. Please see Inventory management and Marketing sections for more info.

### **5.3 Inventory management**

Mott 50 uses Magento's Unleashed for their inventory management needs. Unleashed is an online inventory management solution for businesses that need an integrated inventory control solution. The combo provides Mott 50 with fully auditable stock control and visibility into their stock movements from purchasing through to sales and margin analysis.<sup>18</sup> This program also provides integration of data through the Magento e-commerce system and stock status reports with alerts for purchasing. As mentioned earlier, the Magento e-commerce platform also allows Mott 50 to track order management, payment, and customer accounts as well.

### **5.4 Work flow management**

As the company grows and looks towards expanding its workforce, Mott 50's executives plan on implementing process automation software in the next year that will allow it to submit, process and conduct real time tracking of requests, projects, and orders. Mott 50 is currently conducting a Request for Proposal process and is looking for software that allows it to access process activity updates at any time that will provide flow diagrams that will accurately show which tasks are completed, pending or in progress. Current potential suitors include Integrify<sup>19</sup> and Process Maker<sup>20</sup>.

---

<sup>18</sup> <http://www.magentocommerce.com/magento-connect/the-complete-online-inventory-management-solution.html>

<sup>19</sup> <http://www.integrify.com/Overview/Features.aspx>

<sup>20</sup> <http://www.processmaker.com/>

## 5.5 Appointment Calendar & Queue

Mott 50 currently uses Office Tracker<sup>21</sup> to track appointments and meetings for service calls, clients, resources, staff and projects. This software saves time, reduces errors and schedules more effectively. The software provides easy and automated appointment scheduling across the company, and the ability to staff to see and share schedule information based on shared settings.

## 5.6 Marketing

The Magento e-commerce platform gives Mott 50 significant customer analytics to find and retain new customers through search engine optimization, customer segmentation, targeted promotions, merchandising, custom coupons, product suggestion tools, and rating and reviews.

## 5.7 Finance

As mentioned before, Mott 50 uses Quickbook Pro for their financial needs. Quickbook Pro software organizes tasks by group, like Vendors, Customers, and Banking and Workflow arrows show the firm how tasks relate to each other, helping Mott 50 to decide what to do next. The database and website allows employees to find and track information quickly including sales receipts, payroll, bills, and expenses. QuickBooks allows Mott 50 to handle more complex financial operations and accounts, including Profit & Loss, General Ledger, Accounts Receivable, and Accounts Payable. Mott 50 has the ability to see at a glance year-over-year income and expense trends, along with details, and top customers and can adequately prepare inventory levels for future business cycles. Mott 50

---

<sup>21</sup> <http://www.officetracker.com/html/smallbusinessscheduling.html>

also has the ability to prepare for tax season with one-click tax reports through the software. Mott 50 can also export information to Microsoft Office Professional programs like Excel easily.

Additionally, Mott 50 employs a Certified Public Accountant (CPA) to satisfy recordkeeping and report filing requirements and assist in solving business problems, tax planning; to enable Mott 50 achieve the maximum profit for the business venture.

## **5.8 Privacy and Security**

Mott 50 respects the confidentiality and security of its employees and clients' information. As such, it uses Authorize.Net Payment Gateway<sup>22</sup>, which provides the complex infrastructure and security necessary to ensure secure, fast and reliable transactions. The Authorize.Net Payment Gateway is available 24/7 for processing transactions. It also offers a number of value-adding services to assist merchants in managing their businesses and protecting themselves from fraud including the Authorize.Net Verified Merchant Seal that has been added to the Mott 50 website to build customer confidence.

On the Mott 50 business side, security will be executed by assigned logon ID's and passwords for each employee to access the company network. In addition, data transmitted from the server will be encrypted. Firewall protection from the router will also keep unauthorized users from accessing the database. Financial information from QuickBooks will be stored off the network and accessible only by executives.

---

<sup>22</sup> <http://www.authorize.net/>

## **6. Organizational Plan**

### **6.1 Form of Ownership**

Mott 50 has been setup as a Limited Liability Company (LLC). This form of ownership fits Mott 50 because it provides the flexibility that a start-up company needs, the limited liability that protects the members from detrimental accountability and the tax benefit of a partnership.

Mott 50 has basic product liability insurance that protects Mott 50 from claims related to the manufacture or sale of its products and covers Mott 50 from liability for losses or injuries to consumers caused by the product. However, LLC gives an additional protection against personal assets of the members. As an LLC, Mott 50 is able to evade double taxation issue that affects corporate profits. The company profit is treated as personal income and taxed as personal income tax return.

### **6.2 Management Team**

Mott 50 was founded by Monique Moore and Anne Botica. Both of them are the members and leaders of the company. They have contributed funds required to start and run the business and also, assume strategic positions to lead the firm. They share the profits and losses and voting rights for all relevant business decisions. As the company grows, Monique and Anne will be overstretched trying to manage the extra workload that comes with growth. Therefore, an additional team of highly skilled and experienced individuals will be hired.

Mott 50 management team will consist of Chief Executive Officer (CEO), Chief Marketing Officer (CMO), Chief of Operations (COO) and Vice Presidents (VP) of Finance.

Monthly executive meetings will be held to review the company's and its executives' performance by evaluating a series of Key Performance Indicators (KPI) such as customer satisfaction, financial forecasts accuracy and Return of Investment (ROI) on marketing efforts. Annual performance evaluations will be executed and each VP officer will be held accountable for his or her field of work. He or she who meets or exceeds his or her expected level of performance and contributes to the company's success will be awarded with additional compensation. Meanwhile, he or she who fails badly in meeting the expected level of performance may have reduced compensation or dismissal from the company.

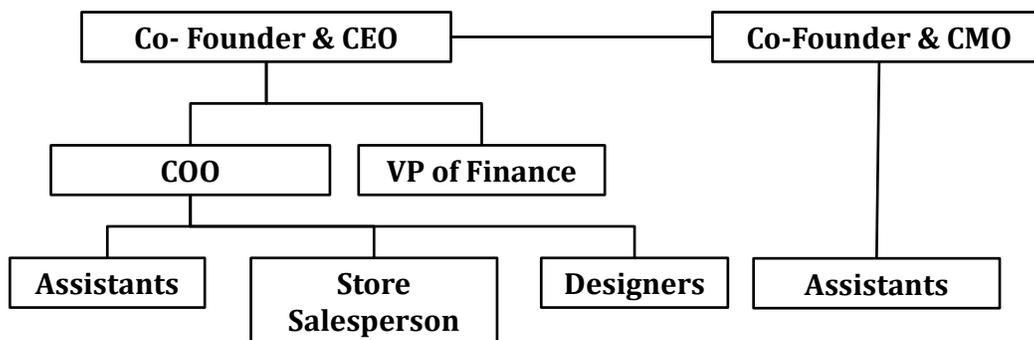


Figure 1. Organizational Chart

### Co-Founder and CEO

Monique Moore, a graduate of Boston College, will serve as the CEO of Mott 50. With a comprehensive background in business, brand marketing, analysis, business development and her strong interest in conceiving a successful fashionable sun protective apparel line through e-commerce, she is well-versed to lead Mott 50 down the path of

success. She has clearly demonstrated her leadership skills for the past few years in starting up and running Mott 50 to date.

As CEO of Mott 50, Monique will be responsible for overseeing and coordinating any activities and communication between everyone in the company. She will also ensure that Mott 50 stays true to its original mission, objectives and target market and continues to produce a high-quality product for its consumers.

### **Co-Founder and CMO**

Anne Botica, a graduate of Boston College, will serve as the CMO of Mott 50. With an extensive on the job experience in internet marketing, advertising, commerce, fashion and lifestyle, she is very well-suited to lead Mott 50's marketing initiatives. As a co-founder of Mott 50, she is very familiar and well-informed about the products.

As the CMO, Anne will be responsible for all of Mott 50's marketing efforts. This includes planning and overseeing all the advertisements and campaigns related to Mott 50. She will also be responsible into shaping the image of Mott 50 to fit its original mission and objectives. She has to ensure that each marketing efforts achieved a certain target of ROI. Anne may hire assistants on a need-basis to assist her marketing efforts or outsource some marketing efforts to marketing firms.

### **COO**

Mott 50 will look and hire a highly experienced individual to serve as COO. He or she will have at least a degree in business management and have an extensive professional background related to business management, operations and technology.

As the VP of IT and Operations, he or she will oversee every aspect of Mott 50's technology and its day to day operations. He or she will be able to make use of technology effectively to streamline processes, resolve operational bottleneck, attain accurate information related to the company and its customers and use it to improve operations of the company. He or she will also be responsible for recruiting designers to fabricate new designs, hiring assistants to run day-to-day activities such as collecting orders, packing, quality control, etc., hiring store salespersons and hiring contract manufacturers to produce the products. KPI will include ROI for both operations and technology expenditures and achieving high level of customer satisfaction.

### **VP of Finance**

Mott 50 will look and hire a bright individual to serve as the VP of Finance. He or she will at least have a degree in business administration or finance and have extensive exposure to finances and accounting work.

As the VP of Finance, he or she will be responsible for all of the company's financial aspect. He or she will provide financial forecast, determine areas for cost reduction and prepare financial statements for management review. He or she will ensure that Mott 50 has enough capital to support the company's operations and growth and control the budgets and funds for all Mott 50's expenses. KPI will include keeping the costs down as much as possible without interfering with the company's mission and vision.

### **Board of Advisors**

Mott 50 will setup a Board of Advisors to provide sound business advices and help with decision making and strategy. Board of Advisors has no legal status and hence is not

subject to many strict regulations. The management team and the Board of Advisors will meet quarterly to review business goals, strategy and decisions, as well as to provide important reality check for the owners of the company. Presently, two members of Board of Advisors have been identified:

***Jim McGowan – Owner, McGowan Associates***

McGowan currently runs McGowan Associates, a boutique investment and interim management consulting firm. His clients have included Madison Dearborn Partners, The Thomas H. Lee Company, the TJX Companies, Gordon Brothers and Arthur Andersen. McGowan has extensive experience and background in retail and finance industry and has kindly offered to provide his valuable perspective and guidance in growing and turning Mott 50 into a successful company.

***Ryan Winmill – Partner, The Winmill Group***

Winmill currently leads The Winmill Group, a successful consulting company that offers its expertise to both national and overseas clients. Winmill has over 10 years of consulting experience and after a distinguished career in public service, he started The Winmill Group. His distinguished consulting expertise will help Mott 50 in making important decision.

Additionally, three possible candidates of Board of Advisors have been identified:

***Errol Glasser – Co-founder and Partner, Triangle Capital***

Glasser co-found and manages Triable Capital, a privately-held financial advisory firm founded in New York in 2003 with clients from a variety of industries but with more focus on the consumer, retail and technology sectors. Glasser has well-established footprint in

the finance and investment industry. His notable experience in finance and investment will benefit Mott 50 when it needs expert advice for finance planning.

***Bob Crowley – Principal, Crowley Capital Strategies***

Crowley has launched Crowley Capital Strategies, a consulting company that works with early stage companies, helping them to develop their business models and financial strategies. Previously, Crowley was President of Massachusetts Technology Development Corporation (MTDC). Before his role as President, he was MTDC's Executive Vice President and Chief Investment Officer(CIO). Crowley has guided many companies to success as a member of their Board of Directors. His experience, expertise, and knowledge make him very helpful as a mentor and coach of early stage companies seeking growth.

***Sam Simmons – President, Regent Sports Corporation***

Simmons is a former president of Jordan Marsh and senior vice president of merchandising at Federated Department Stores. He has plenty of experience in the fashion retail industry and will be an asset to Mott 50.

## 7. Financial Plan

**Exhibit 3-1** to **Exhibit 3-3** shows the 5-year forecast of Mott 50's Income Statement, Balance Sheet, and Cash Flow Statement.

### Capitalization

Mott 50 currently has \$775,000 in equity capital from the two founders. It will need additional \$600,000 from the investors in cash to pay for the store opening and associated marketing expenses in the first 6 six months, and further raise \$200,000 in year 2 and \$200,000 in year 3. Mott 50 will not have debt financing over the forecast period.

### Key Financial Assumptions

#### Revenue

Mott 50's sales will be generated through both retail and wholesale channels. (See **Exhibit 3-7-1, 3-7-2**)

On the retail side, Mott 50 has started to operate its online e-commerce website in 2011 and has already seen a sales growth of over 30% in the past 10 months. For the forecast period, the e-commerce sale is expected to continue its growth at a CAGR of 18%, matching the industry average of online apparel retail<sup>23</sup>.

Besides e-commerce, the first Mott 50 physical store is planned to open in spring 2013. The 1500 sq. ft. store will be located in the downtown area of Los Angeles city, where the dense population of affluent educated urban women will serve well as a vast and highly potential market for Mott 50. By the end of year 5, Mott 50 is expected to own 5% share of

---

<sup>23</sup> <http://www.internetretailer.com/2012/04/05/online-shoppers-will-boost-spending-15-year>

the women's active/casual wear market in the region, producing a sales per square foot of \$806 which is slightly above the average for small sized boutiques.<sup>24</sup>

For the wholesale channels, Mott 50 will seek to establish a strategic distribution agreement with the major players in the travel & vacation industry, where Mott 50's sun-protective casual wear will appear attractive targets for impulse purchase to vacationers. The preliminary candidate will be the Disney group with both its cruise line business and resort parks.

As one of the fastest growing segments in the travel industry, the cruising business has a perfect match with Mott 50 in terms of target customer profile and brand image<sup>25</sup>. The conversion ratio is expected to be much higher in cruising passengers and since this niche market will appear too small for the larger competitors, by the end of year 5, Mott 50 will be able to gain a 10% share of onboard merchandise spending<sup>26</sup> on selected cruise lines.

The Disney parks& resorts in both Florida and California are among the most visited vacation destinations in the United States. Though the percentage of target demographics is less desirable, the channel remains highly attractive considering the enormous traffic<sup>27</sup> and positive marketing effects it brings. Mott 50 is expected to gain a 0.2% share by the end of forecast period.

The wholesale price for the two channels will be set at a 55% markdown on corresponding retail price, as against the current 50%; it is necessary to offer a bigger

---

<sup>24</sup> <http://www.bvmarketdata.com/pdf/RetailSalesPerSquareFoot.pdf>

<sup>25</sup> <http://www.f-cca.com/downloads/2011-overview-book-Cruise%20Industry%20Overview%20and%20Statistics.pdf>

<sup>26</sup> <http://www.cruisemarketwatch.com/home/financial-breakdown-of-typical-cruiser/>

<sup>27</sup> [http://en.wikipedia.org/wiki/List\\_of\\_amusement\\_park\\_attendance\\_figures](http://en.wikipedia.org/wiki/List_of_amusement_park_attendance_figures)

discount considering the strategic importance of the collaboration and the relative market positions of the two parties.

### *Seasonality / Monthly Forecast*

The demand for Mott 50's products is supported strongly by warm weather and outdoor activities. Retail sales will have its peak season from April to July and start to diminish in August; two-thirds of the retail revenue will be generated through these five months. End of year promotions and holiday shopping season will also bring a higher level of sales in November and December. The wholesale side however, will largely help to mitigate the seasonality effect on total revenue as the sales on cruise ships visiting warm weather destinations boom from December to March. **Exhibit 3-4** to **Exhibit 3-6** shows the monthly financials forecasted for the first year. Retail sales trends are based on existing financials while the wholesale pattern takes into account public data regarding seasonal cruise passengers<sup>28</sup> and park visitors<sup>29</sup>.

### *Cost of Goods Sold (COGS)*

According to current production and sales data, the majority of our product mix has a gross margin of 70%. The relation is expected to maintain for the first three years assuming no fundamental changes in product mix and raw material cost; starting from year 4, the COGS level will be slightly driven down as a much larger quantity generates economies of scale.

---

<sup>28</sup> <http://www.itbonline.org/statistics/annual%20travel/annual%20travel%20statistics%202010.pdf>

<sup>29</sup> [http://goflorida.about.com/library/bls/WDW\\_AttendanceCalendar2012.pdf](http://goflorida.about.com/library/bls/WDW_AttendanceCalendar2012.pdf)

## *Operating Expenses*

Over 70% of Mott 50's projected SG&A are incurred in marketing, payroll and lease associated expenses. The other 30% expenditures in warehouse & logistics, outside professionals, website maintenance, and office miscellaneous are set at the current fixed level to revenue.

### *Marketing*

As it is concluded that a strong well-known brand serves crucial to the competitive apparel industry, Mott 50 plans to heavily invest in various marketing efforts during the first three years. The first year total marketing budget is set at \$400,000 which is based on estimate of costs covering printed advertisements on selected magazines, social media, Google AdWords, sponsoring skin health events and seasonal promotions. (See **Exhibit 3-8**) The second and third year marketing budget are set at 35% and 25% of total revenue accordingly, and will maintain at a steadier level of 20% from year 4.

### *Rent, Insurance & Utilities*

Mott 50 will lease 1500 sq. ft. retail space for the LA store at an estimated monthly rate of \$2/sq. ft.; the estimated unit rates of utilities, insurance, leasehold improvements are listed in the **Exhibit 3-9**. Combined with the existing rent and other expenses for the office, the first year cash expenses associated with the leased properties will add up to \$85,570 and increase at an annual rate of 5% for the forecast period.

## Depreciation

The \$150,000 investment to customize the LA store and another \$4,500 to purchase store fixtures will be capitalized and depreciated on a straight line basis over the assumed lease term of 5 years, incurring an annual depreciation expense of \$30,900.

## Payroll

Mott 50 currently depends on the two founders and part-time staff for daily operation. Along with the store opening and sales volume growth, Mott 50 will need 2 store salespersons for the 1st and 2nd year, and an additional since year 3. It will also need additional management personnel, an in-house designer and office assistants since year 1 to build a fully-functioning operation. The estimated salary level, headcount and total payroll for each position over the 5 year forecast period are listed in **Exhibit 3-10**. The two founders will not draw salary during the forecast period.

## *Income Tax*

Mott 50 is not expected to generate sufficient taxable income that will be able to cover previous year losses over the forecast period.

## *Balance Sheet Accounts*

### Accounts Receivable

Mott 50 generally will not offer credit sale to its retail customers. For the wholesale channel customers, Mott 50 is expected to have an average collection period of 60 days for the first two years and gradually reduce to 55 days by the end of forecast period.

## Inventory

The average inventory turnover days of Mott 50 is estimated to match industry average<sup>30</sup> by the end of growth period as it gains more experience and becomes more efficient, starting at 110 days in first year and reduced to 100 days by the end of forecast period.

## Accounts Payable

Mott 50's average payment period is set at 30 days.

## Fixed Assets

Mott 50 will have an opening balance of \$154,500 in fixed assets, including the leasehold improvements and store fixtures.

## Sensitivity & Scenario Analysis

Uncertainties exist if Mott 50 is to achieve the forecasted financial prospects: insufficient demand, rising raw material cost, unsuccessful control on expenses, etc. Changes in key assumptions including revenue, COGS, operating expenses and the resulting effects on Mott 50's overall performance and financial position are depicted in **Exhibit 3-11**.

The current forecast (base case scenario) is considered the best estimate of Mott 50's future prospects. In the worst case scenario (80% revenue, 105% COGS, 103% operating expenses), Mott 50 will still be able to start obtaining positive cash flow and net income by the end of year 5. In the best case scenario (120% revenue, 95% COGS, 97% operating expenses), Mott 50 will be able to recover all previous year losses by year 4 and

---

<sup>30</sup> <http://smallbusiness.chron.com/average-merchandise-turnover-clothing-stores-18292.html>

have over 2 million cash at the end of forecast period to either expand its business or distribute to shareholders. (See **Exhibit 3-12**)

## 8. Risk Assessment

### Ineffective Marketing Plan

Even though Mott 50's marketing plan is based on the survey conducted, there might be a survey bias due to non-response and/or small sample size. Thus, pointing to inaccurate conclusion. Therefore, the marketing plan may not produce the results as expected.

Mott 50 will allocate the resources in various areas to mitigate such a risk – such as opening a new store in LA, providing its products to Cruise ship stores and the government, and planning on joining the American Academy of Dermatologists. Therefore, Mott50 will conduct regular quarterly base surveys in order to meet the consumers' needs and reduce the risk.

### Economic Downturn

Given the fact that Mott 50 is more highly priced than normal apparel, it is possible that Mott 50 might be affected by economy downturn. There are many cheaper substitutes that can threat Mott 50 during an economic downturn. Price is one of the most sensitive factors when people purchase products (see **Exhibit 2**). In a poor economic situation, people would rather purchase inexpensive products - such as sun screen, umbrellas, etc. in an effort to reduce the risk of harmful UV rays.

Fortunately, Mott 50's target customers are affluent women from 30 to 65, who will be less affected by economic recession compared to the ordinary people. Mott 50 can also put more emphasis on the importance of health issues in its marketing campaign because

people are willing to spend more for their well-being. Thus, Mott50 would not experience such a huge decline in revenue and will survive even during economy downturn.

### **The Risk of Imitators**

Imitators are prevalent in the retail clothing competitive landscape. It is possible that some large companies such as J Crew or Gap will try to come into the sun protective clothing markets with immense marketing budget. In addition, smaller, developing companies or foreign firms may compete with Mott 50 by stealing their "first mover" concept.

To mitigate this risk, Mott 50 will speak with an Intellectual Property (IP) lawyer who has experiences in the retail clothing industry, particularly with both securing IP right protection in copyright and trademark law, and in pursuing infringers and counterfeiters. Upon attaining advice, Mott 50 plans on registering copyrights in fabric, lace and other components of their design. The company is also looking into registering trademarks (including logos), as they can be recorded with customs to help stop shipments of infringing goods at the border. **Exhibit 4** contains more details regarding this issue.

### **Consumer's Lack of Apprehension of Harmful UV rays**

According to the survey conducted, most of the respondents were aware of the various negative side effects of UV rays and 62% of the respondents agreed that they would buy sun protective clothing even though 58% of the respondents had not heard of sun protective clothing (see **Exhibit 2**). However, there is always a possibility that consumers would postpone buying sun protective clothing as they do not apprehend the side effects caused by harmful UV rays.

Part of the marketing plan was to educate consumers on many adverse effects of UV rays and how Mott 50 could help these consumers avoid the harmful effects of UV rays with its fashionable sun protective clothing line. However, consumers may not react to the message immediately. While prevention is always better than cure, consumers tend to react faster to cure rather than prevention, especially without the immediate noticeable detrimental effects of UV rays. Consumers may also stick to their current regimes to protect their skin from harmful UV rays such as applying sunscreen and wear a pair of sunglasses, instead of wearing sun protective clothing.

### **Revenue Shortfalls**

Based on the financial model, Mott 50 must sell about 1,000 items per month in order to meet the revenue projection (see **Exhibit 3-1**). Mott 50 will also be adequately staffed to be able to meet this demand. However, there is possibility that due to the various reasons stated above such as ineffective marketing plan, consumer's lack of apprehension of harmful UV rays etc., Mott 50 find that its revenue is less than anticipated.

Mott 50 will regularly review their supply chain and processes to determine and solve the cause of such a revenue shortfall. Mott 50 will also swiftly find out areas in which additional revenue can be obtained to boost revenue.

### **Regulatory Issues in Sun-Protective Clothing**

Mott 50's products are advertised as certified with UPF 50+ by the IUVTI in accordance with AATCC standards. Such an advertising claim must be true and not misleading.

Otherwise, the company exposes itself to potential legal action from the Federal Trade Commission (FTC) and potential class action suites based on economic injury, which can be costly. Mott 50 can mitigate such risks by implementing best practices which not only will favor its business and prevent risk of sanctions but also will be an asset to anticipate potential future regulatory requirements. Mott 50 will comply voluntarily with the current industry standard. Mott 50 will also be alert and anticipate potential future standards and prevention against economic injury or false advertisement claims. **Exhibit 4** contains details regarding this risk and how it can be prevented.

## EXHIBIT 1: List of Competitors and Their Detailed Information

### Nike ([www.nike.com](http://www.nike.com))

#### Target Market

Young active males and females between 18-35 years old who love sports and high quality stylish sports goods

#### Sun Protective Clothing

Yes but only 25 items. Minimum UPF 30. Mostly active wear.

#### Marketing Strategy

Sponsor inspiring athletes. Television advertisement during professional and college sports events, various print media, social media, blog, newsletters. Involved in many community outreach program.

#### Approximate Price Point for Male Products

Short sleeve top: \$12-\$100

Long sleeve top: \$15-\$100

#### Approximate Price Point for Female Products

Short sleeve top: \$15-\$70

Long sleeve top: \$32-\$90

#### Approximate Price Point for Children Products

\$9-\$160

#### Made in the USA?

No

#### Famous Sponsor?

Yes. Tiger Woods, Michael Jordan, Lebron James, Maria Sharapova, and many more.

Revenue  $\approx$  \$24 billion

### Athletica ([www.athletica.net](http://www.athletica.net))

#### Target Market

Young active females who love sports

#### Sun Protective Clothing

Yes but only 1 item. UPF 65+. Mostly active wear.

#### Marketing Strategy

Social media, blogs, newsletters

#### Approximate Price Point for Male Products

N/A

#### Approximate Price Point for Female Products

Short sleeve top: \$29

Long sleeve top: \$21-\$36

Dress: \$60-\$120

Bottom: \$25-\$80

**Approximate Price Point for Children Products**

N/A

**Made in the USA?**

Yes

**Famous Sponsor?**

No

**Revenue** N/A

**Quiksilver ([www.quiksilver.com](http://www.quiksilver.com))****Target Market**

Young active fashionable male and female who love mainly water sports such as surfing

**Sun Protective Clothing**

Yes but only 8 items. UPF 40+ and UPF 50+. Mostly active wear.

**Marketing Strategy**

Typically sponsor inspiring young water athletes. Advertise using various print media, social media, blogs, newsletters

**Approximate Price Point for Male Products**

Short sleeve top: \$10-\$100

Long sleeve top: \$21-\$60

**Approximate Price Point for Female Products**

Short sleeve top: \$12-48

Long sleeve top: \$17-\$46

Dress: \$17-\$124

Bottom: \$23-\$8

**Approximate Price Point for Children Products**

\$10-\$100

**Made in the USA?**

No

**Famous Sponsor?**

Yes. Kelly Slater, Travis Rice, Tony Hawk, and many more.

**Revenue** ≈ \$2 billion

**Athleta ([www.athleta.com](http://www.athleta.com))****Target Market**

Young affluent active female who love sports

**Sun Protective Clothing**

Yes but only a few items. UPF 50+. Mostly active wear.

**Marketing Strategy**

Fitness magazines, sports events, social media, national campaign "Power to the She"

**Approximate Price Point for Male Products**

N/A

**Approximate Price Point for Female Products**

Short sleeve top: \$49-\$59

Long sleeve top: \$44-\$59

Tunic: \$59-\$79

Dress: \$49-\$118

Bottom: \$24-\$89

**Approximate Price Point for Children Products**

N/A

**Made in the USA?**

No

**Famous Sponsor?**

Yes, woman athletes only. Amie Breeze, Caitlin Gregg, Kathleen Harding, and many more.

**Revenue** N/A Subsidiary of Gap

**Parasol ([www.parasol.com](http://www.parasol.com))**

**Target Market**

Women and girls who are active beachgoers or swimmers

**Sun Protective Clothing**

Yes. UPF 50+. Made from the finest Italian Lycra that is specially constructed to provide ultimate sun protection free of chemical coatings. Fabric is light-weight, breathable and quick drying. Mostly resort wear.

**Marketing Strategy**

Various print media, social media, blogs, newsletters

**Approximate Price Point for Male Products**

N/A

**Approximate Price Point for Female Products**

Short sleeve top: \$95

Long sleeve top: \$165

Dress: \$275-\$350

Bottom: \$50-\$195

**Approximate Price Point for Children Products**

\$40-\$65

**Made in the USA?**

Yes

**Famous Sponsor?**

No

**Revenue** N/A

**Cabana Life ([www.cabanalife.com](http://www.cabanalife.com))**

**Target Market**

Women and kids who are active beachgoers or swimmers

**Sun Protective Clothing**

Yes. UPF 50+. Fabric is comfortable, lightweight and durable. Mostly beachwear.

**Marketing Strategy**

Various print media, social media, blogs, newsletters, trunk shows, online promotional videos

**Approximate Price Point for Male Products**

N/A

**Approximate Price Point for Female Products**

Short sleeve top: \$44

Long sleeve top: \$50

Tunic: \$84

Dress: \$86

Bottom: \$36

**Approximate Price Point for Children Products**

\$45-\$58

**Made in the USA?**

Yes

**Famous Sponsor?**

Yes. Celebrities such as Madonna, Gwyneth Paltrow, Marcia Gay Harden, Jack Black, and Lisa Kudrow

**Revenue** N/A

**Sunuva ([www.sunuva.com](http://www.sunuva.com))****Target Market**

Kids who are active beachgoers or swimmers

**Sun Protective Clothing**

Yes. UPF 50+. Mostly swimwear and beachwear. Based in UK.

**Marketing Strategy**

Various print media, social media, blogs, newsletters

**Approximate Price Point for Male Products**

N/A

**Approximate Price Point for Female Products**

Short sleeve top: \$105 (£65)

Dress: \$80 (£50)

**Approximate Price Point for Children Products**

\$55-\$76 (£34-£47)

**Made in the USA?**

No

**Famous Sponsor?**

No

Revenue N/A

**Sungrubbies ([www.Sungrubbies.com](http://www.Sungrubbies.com))****Target Market**

Women and kids who love to go out

**Sun Protective Clothing**

Yes. UPF 40-50. Mostly casual and swimwear.

**Marketing Strategy**

Social media, newsletters, e-coupons

**Approximate Price Point for Male Products**

Short sleeve top: \$25-\$110

Long sleeve top: \$25-\$79

**Approximate Price Point for Female Products**

Short sleeve top: \$29-\$69

Long sleeve top: \$25-\$115

Tunic: \$45

Bottom: \$35-\$85

**Approximate Price Point for Children Products**

\$17-\$54

**Made in the USA?**

Yes

**Famous Sponsor?**

No

Revenue N/A

**Coolibar ([www.coolibar.com](http://www.coolibar.com))****Target Market**

Males and females age 18- 64+ who want to enjoy life under the sun but want to protect their skin against harmful UV rays

**Sun Protective Clothing**

Yes. UPF 50+.Sells everything with sun protection.

**Marketing Strategy**

Social media, newsletters, e-coupons

**Approximate Price Point for Male Products**

Short sleeve top: \$39-69

Long sleeve top: \$45-69

**Approximate Price Point for Female Products**

Short sleeve top: \$39-55

Long sleeve top: \$39-79

Tunic: \$79

Dress: \$75-79

Bottom: \$49-70

**Approximate Price Point for Children Products**

\$19-\$40

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** N/A

**Sun Precautions** ([www.sunprecautions.com](http://www.sunprecautions.com))

**Target Market**

Health conscious consumers and patients seeking to have medically accepted sun protective clothing, sunscreen, and accessories

**Sun Protective Clothing**

Yes. SPF 100+ by Solumbra. Sells everything with sun protection. Durable fabric. Mostly active wear.

**Marketing Strategy**

Catalog, social media, blogs, newsletters, medical professionals

**Approximate Price Point for Male Products**

Long sleeve top: \$50-99

Bottom: \$65-83

**Approximate Price Point for Female Products**

Short sleeve top: \$59

Long sleeve top: \$70-99

Tunic: \$80-90

Bottom: \$68-90

**Approximate Price Point for Children Products**

\$32-\$52

**Made in the USA?**

Yes

**Famous Sponsor?**

No

**Revenue** N/A

**Sunday Afternoons** ([www.sundayafternoons.com](http://www.sundayafternoons.com))

**Target Market**

Family who wants to enjoy sunshine and still be protection against harmful UV rays

**Sun Protective Clothing**

Yes. Minimum UPF 40+. Casual and swim wear.

**Marketing Strategy**

Catalogs, social media, blogs, newsletters, medical professionals

**Approximate Price Point for Male Products**

Short sleeve top: \$29-38

Long sleeve top: \$29-62

**Approximate Price Point for Female Products**

Short sleeve top: \$35-36

Long sleeve top: \$35-58

Bottom: \$60-65

**Approximate Price Point for Children Products**

\$12-\$32

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** N/A

**REI ([www.rei.com](http://www.rei.com))**

**Target Market**

Adults that love outdoor activities, active and community-involved

**Sun Protective Clothing**

Yes. UPF 50+. Private label casual and sporty sun protective clothing for everyone.

**Marketing Strategy**

Catalogs, social media, blogs, newsletters, outdoor schools, REI travel, eco-conscious initiatives

**Approximate Price Point for Male Products**

Short sleeve top: \$25-\$30

Long sleeve top: \$30-\$40

**Approximate Price Point for Female Products**

Short sleeve top: <\$25

Long sleeve top: \$30-\$40

Bottom: \$30-\$45

**Approximate Price Point for Children Products**

\$25 - \$40

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** ≈ \$1.8 billion

**Columbia** ([www.columbia.com](http://www.columbia.com))

**Target Market**

Active adults who love outdoor sports

**Sun Protective Clothing**

Yes. Omni-Shade technology. Casual, sporty wear.

**Marketing Strategy**

Various print media, social media, blogs, newsletters

**Approximate Price Point for Male Products**

Short sleeve top: \$30-\$70

Long sleeve top: \$45-\$75

**Approximate Price Point for Female Products**

Short sleeve top: \$30-\$50

Long sleeve top: \$40-\$50

Dress/Bottom: \$50-\$75

**Approximate Price Point for Children Products**

\$20 - \$45

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** ≈ \$1.7 billion

**ExOfficio** ([www.exofficio.com](http://www.exofficio.com))

**Target Market**

Active adults who loves outdoor activities especially fishing and hiking

**Sun Protective Clothing**

Yes. Sol Cool technology. UPF 30-50. Mostly casual sporty wear.

**Marketing Strategy**

Catalogs, social media, blogs, newsletters, sponsor partners, travel partners

**Approximate Price Point for Male Products**

Short sleeve top: \$40-\$60

Long sleeve top: \$45-\$90

**Approximate Price Point for Female Products**

Short sleeve top: \$30-\$45

Long sleeve top: \$55-\$65

Dress/Bottom: \$45-\$70

**Approximate Price Point for Children Products**

N/A

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** N/A

**Gap ([www.gap.com](http://www.gap.com))**

**Target Market**

Middle class, young twenty-something to thirty-something males and females who loves basic colorful casual wear that can be mixed and matched.

**Sun Protective Clothing**

No

**Marketing Strategy**

Various print media, television advertisement, social media, blogs, newsletters

**Approximate Price Point for Male Products**

Short sleeve top: \$10-\$40

Long sleeve top: \$19-\$30

**Approximate Price Point for Female Products**

Short sleeve top: \$7-\$20

Long sleeve top: \$9-\$20

Dress: \$59 - \$70

Bottom: \$39-\$60

**Approximate Price Point for Children Products**

\$16.95-\$39.95

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** ≈ \$14.5 billion

**Jcrew ([www.jcrew.com](http://www.jcrew.com))**

**Target Market**

Young, affluent, educated, stylish males and females

**Sun Protective Clothing**

No

**Marketing Strategy**

Various print media, television advertisement, social media, blogs, newsletters

**Approximate Price Point for Male Products**

Short sleeve top: \$24-\$50

Long sleeve top: \$24-\$50

**Approximate Price Point for Female Products**

Short sleeve top: \$19-\$40

Long sleeve top: \$19-\$40

Dress: \$178-\$198

Bottom: \$98-\$158

**Approximate Price Point for Children Products**

\$20-\$50

**Made in the USA?**

No

**Famous Sponsor?**

No

**Revenue** ≈ \$1.6 billion

**Tory Burch ([www.toryburch.com](http://www.toryburch.com))**

**Target Market**

Very fashionable, affluent young women who loves to appear stylish all the time

**Sun Protective Clothing**

No

**Marketing Strategy**

Sponsor celebrities. Various print media, fashion shows, social media, blogs, newsletters and online promotional clips. Involved in breast cancer charity program.

**Approximate Price Point for Male Products**

N/A

**Approximate Price Point for Female Products**

Short sleeve top: \$45-\$95

Long sleeve top: \$125

Tunic: \$177-\$295

Dress: \$177-\$295

Bottom: \$117-\$275

**Approximate Price Point for Children Products**

N/A

**Made in the USA?**

Not mentioned

**Famous Sponsor?**

No but celebrities wear their products.

**Revenue** N/A

**Shoshanna ([www.shoshanna.com](http://www.shoshanna.com))**

**Target Market**

Very fashionable, affluent young women who loves to appear stylish all the time

**Sun Protective Clothing**

No

**Marketing Strategy**

Sponsor celebrities and television program wardrobe, various print media, social media, blogs, newsletters.

**Approximate Price Point for Male Products**

N/A

**Approximate Price Point for Female Products**

Short sleeve top: \$215

Long sleeve top: \$198

Dress: \$330-\$350

Bottom: \$285

**Approximate Price Point for Children Products**

N/A

**Made in the USA?**

N/A

**Famous Sponsor?**

No, but celebrities such as Taylor Swift and Paris Hilton were seen using their products

**Revenue** N/A

**James Perse ([www.jamesperse.com](http://www.jamesperse.com))****Target Market**

Young casual men and women who loves to wear simple and basic wardrobe

**Sun Protective Clothing**

No

**Marketing Strategy**

Sponsor celebrities. Various print media, social media, blogs, newsletters

**Approximate Price Point for Male Products**

Short sleeve top: \$44-\$115

Long sleeve top: \$55-\$125

**Approximate Price Point for Female Products**

Short sleeve top: \$50-\$95

Long sleeve top: \$55-\$115

Dress: \$175-\$245

Bottom: \$68-\$335

**Approximate Price Point for Children Products**

N/A

**Made in the USA?**

N/A

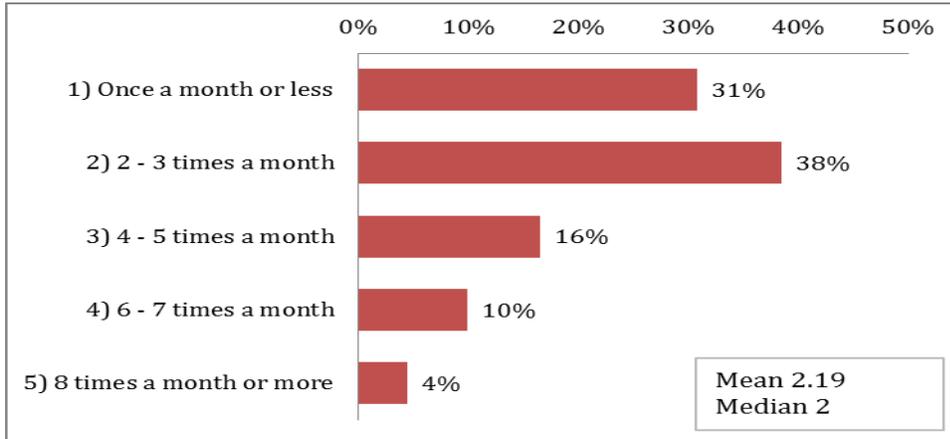
**Famous Sponsor?**

No, but celebrities such as Jennifer Aniston and Jennifer Love Hewitt were seen using their products

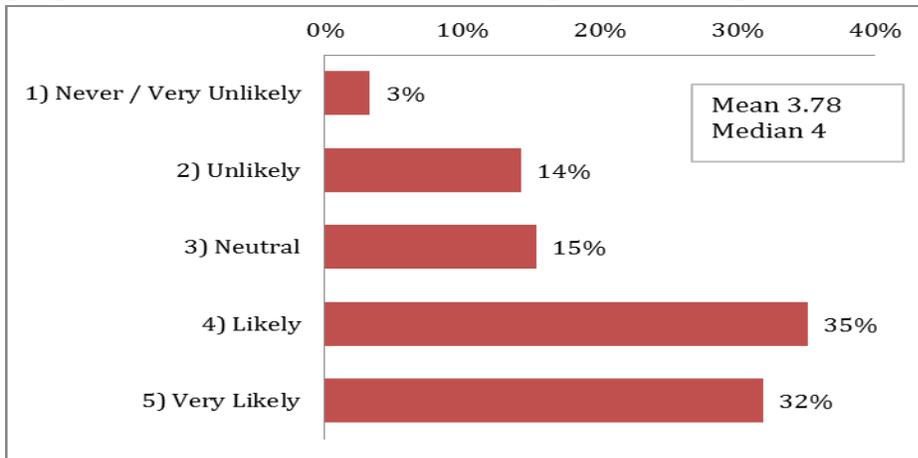
**Revenue** N/A

## EXHIBIT 2: Survey Result Summary

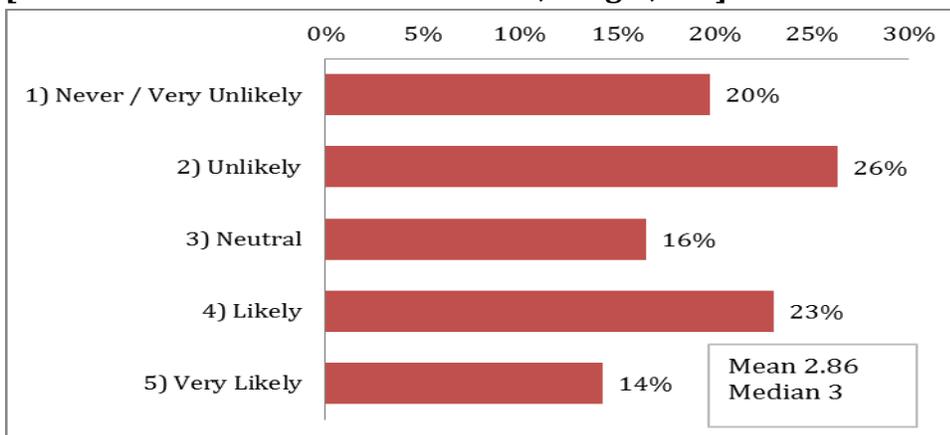
### 1. How often do you go shopping for clothes?



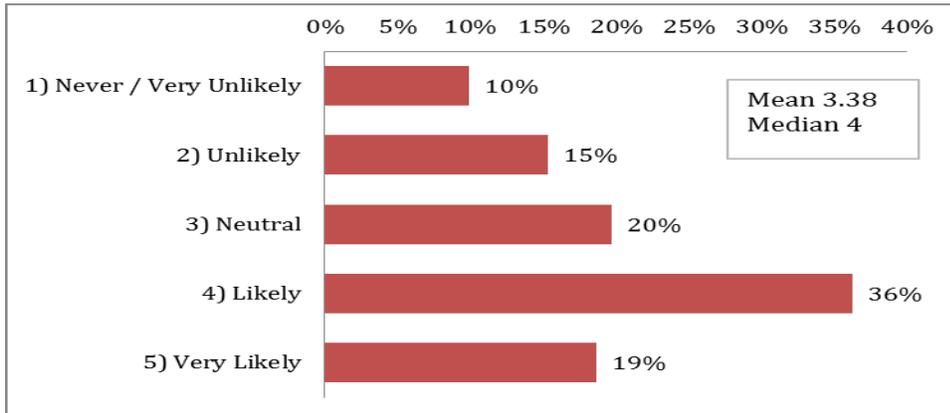
### 2-1. Please indicate how likely it is for you to shop for clothes at the following: [Popular retail chain store such as Gap, JCrew, etc.]



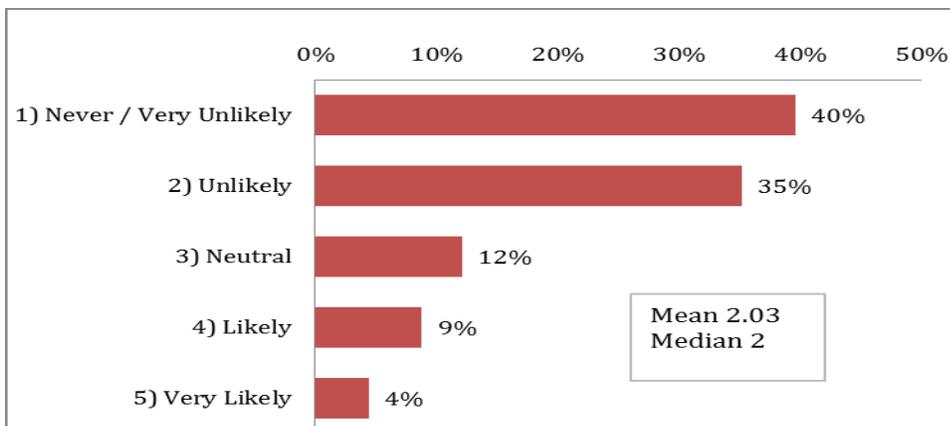
### 2-2 Please indicate how likely it is for you to shop for clothes at the following: [Discount retailers such as Wal-Mart, Target, etc.]



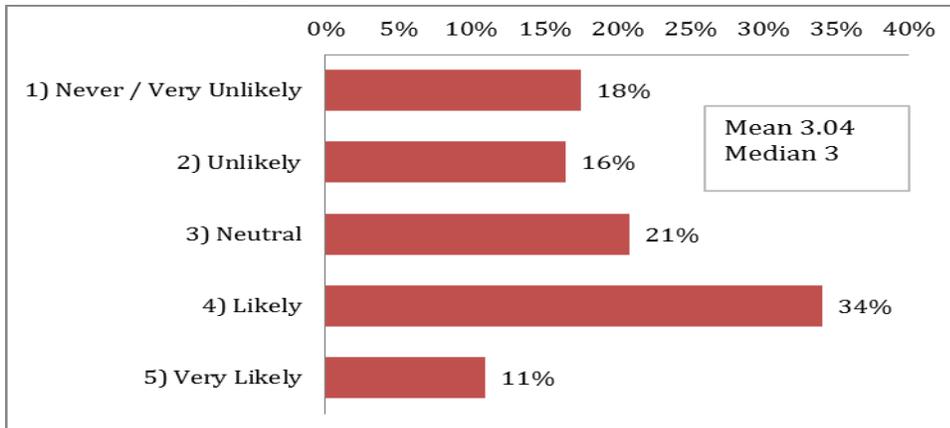
**2-3. Please indicate how likely it is for you to shop for clothes at the following:  
[Department stores such as Macy's, Neiman Marcus, etc.]**



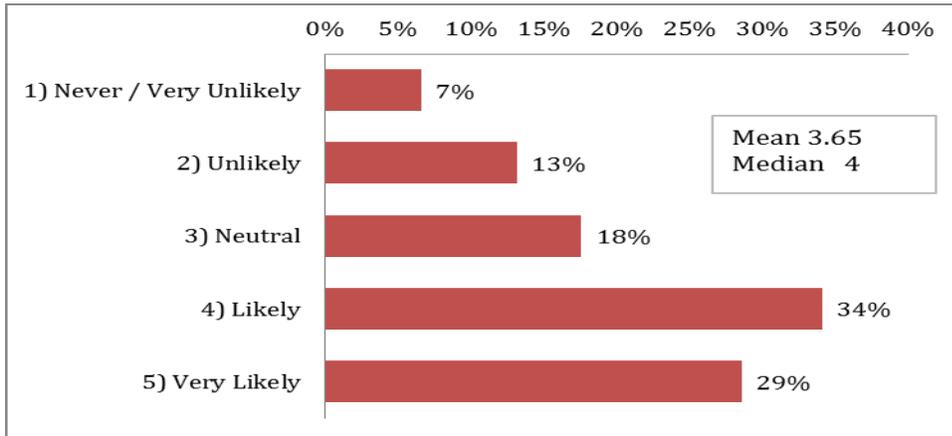
**2-4. Please indicate how likely it is for you to shop for clothes at the following:  
[Wholesaler such as Costco, Sam's Club, etc.]**



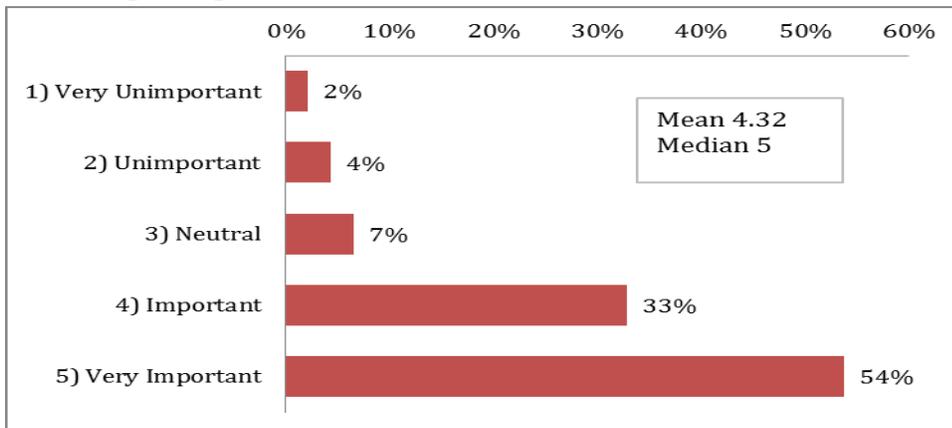
**2-5. Please indicate how likely it is for you to shop for clothes at the following:  
[Factory outlets]**



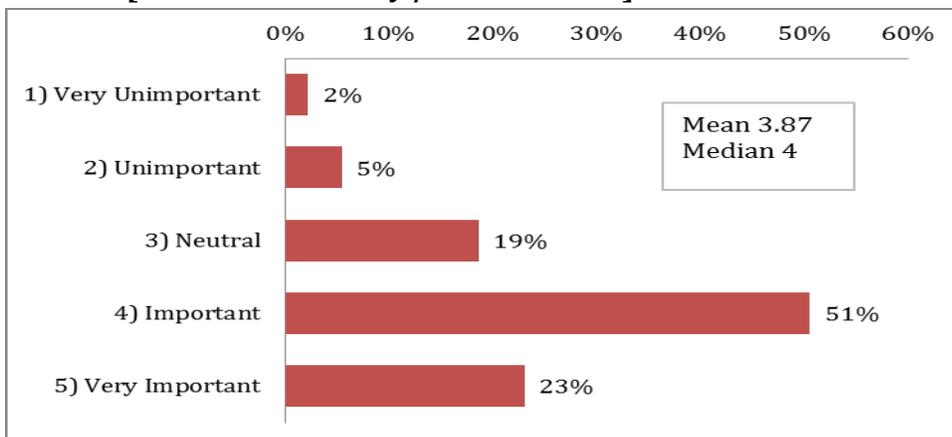
**2-6. Please indicate how likely it is for you to shop for clothes at the following:  
[Online Store]**



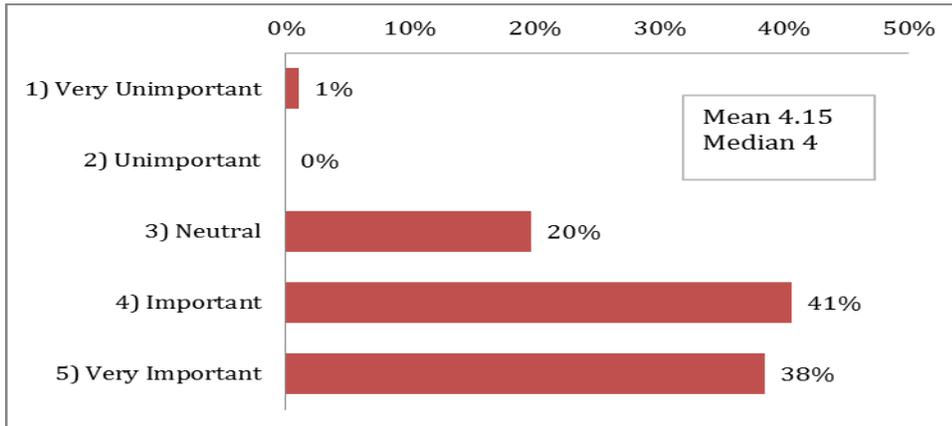
**3-1. Please rate how important the following attributes are to you when you shop for clothes: [Price]**



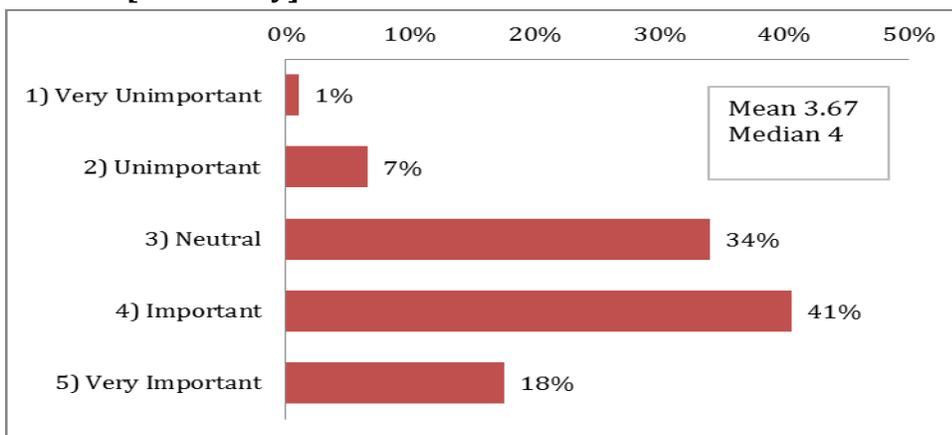
**3-2 Please rate how important the following attributes are to you when you shop for clothes: [Store Accessibility / Convenience]**



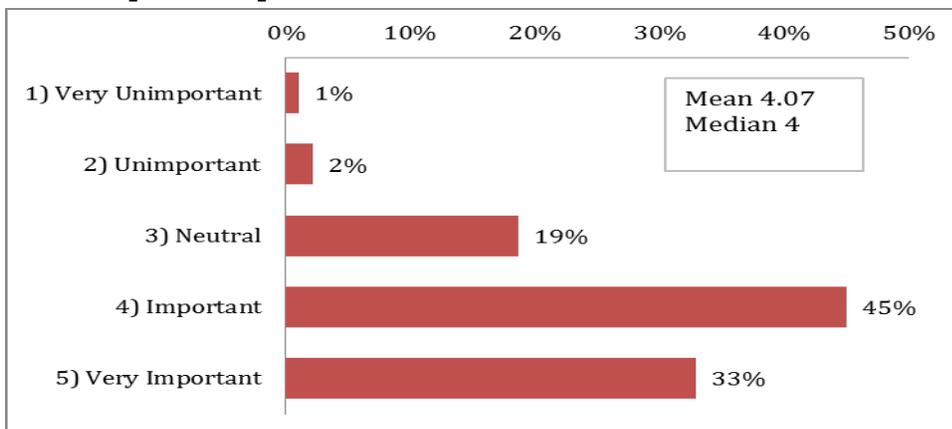
**3-3 Please rate how important the following attributes are to you when you shop for clothes: [Style / Fashion]**



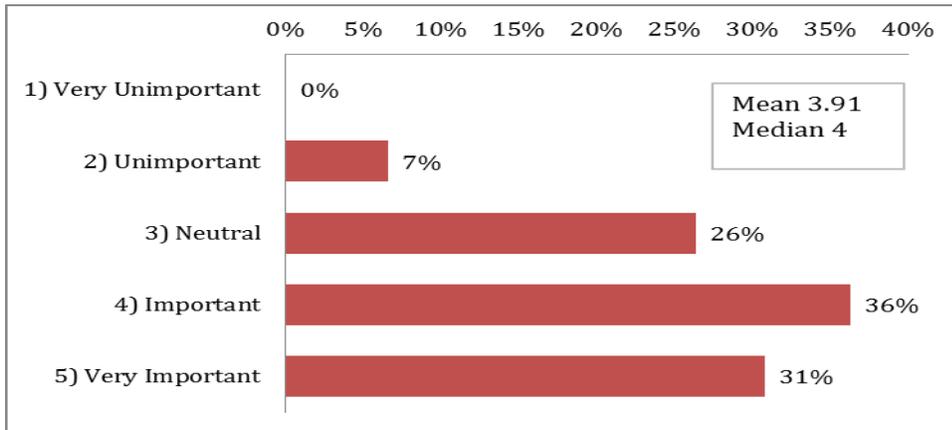
**3-4 Please rate how important the following attributes are to you when you shop for clothes: [Durability]**



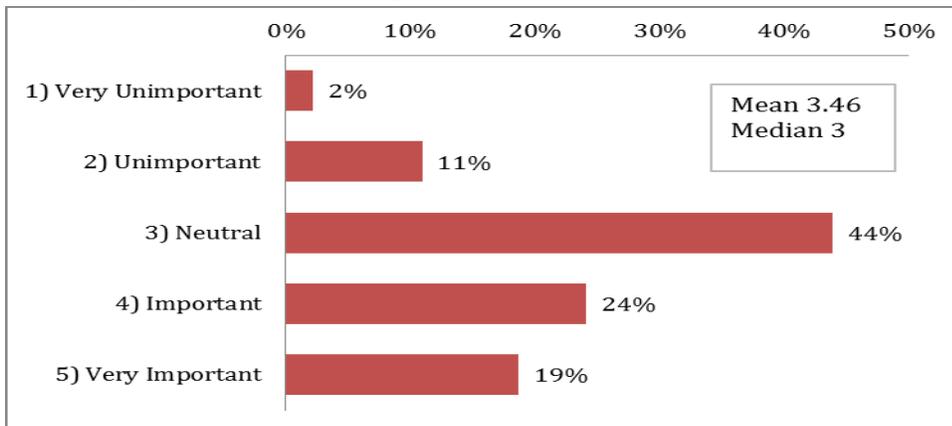
**3-5 Please rate how important the following attributes are to you when you shop for clothes: [Comfort]**



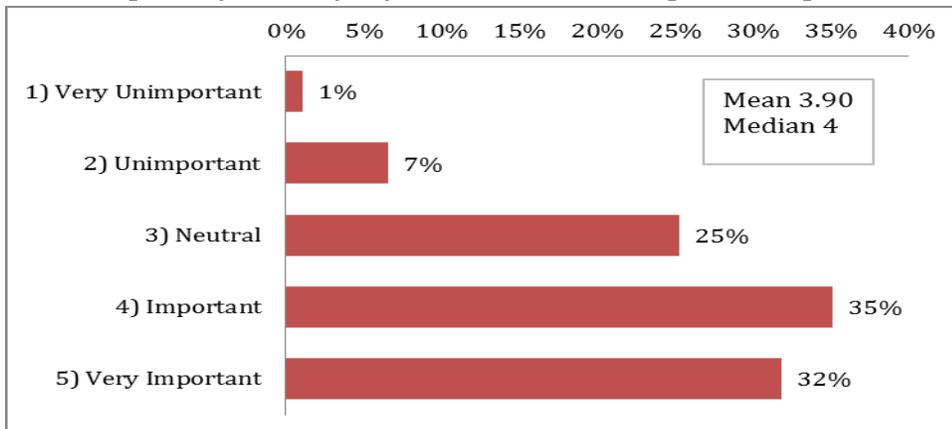
**3-6 Please rate how important the following attributes are to you when you shop for clothes: [Variety]**



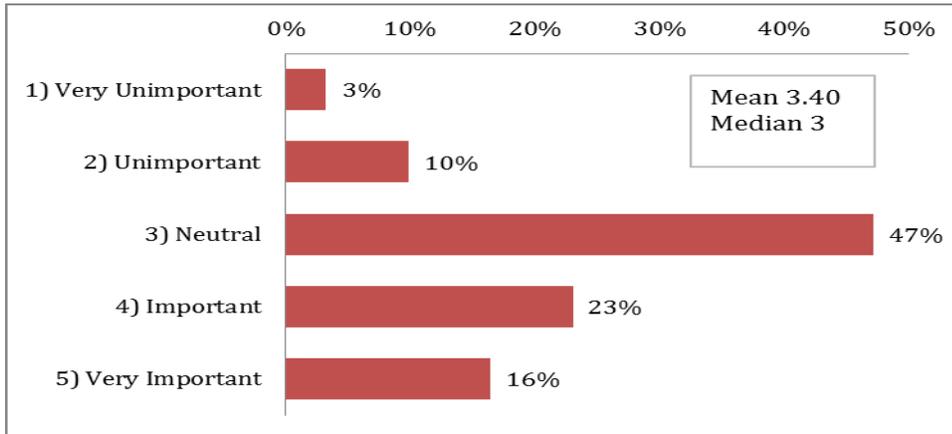
**3-7 Please rate how important the following attributes are to you when you shop for clothes: [Customer service]**



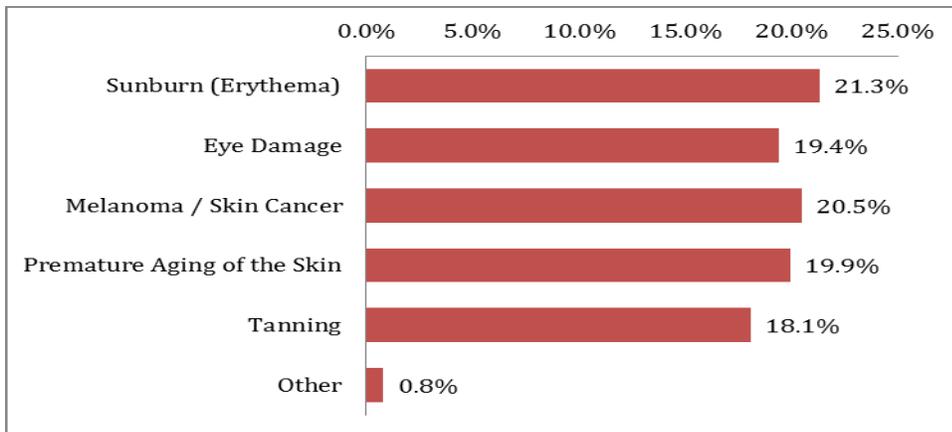
**3-8 Please rate how important the following attributes are to you when you shop for clothes: [Ability to see / try on clothes before purchase]**



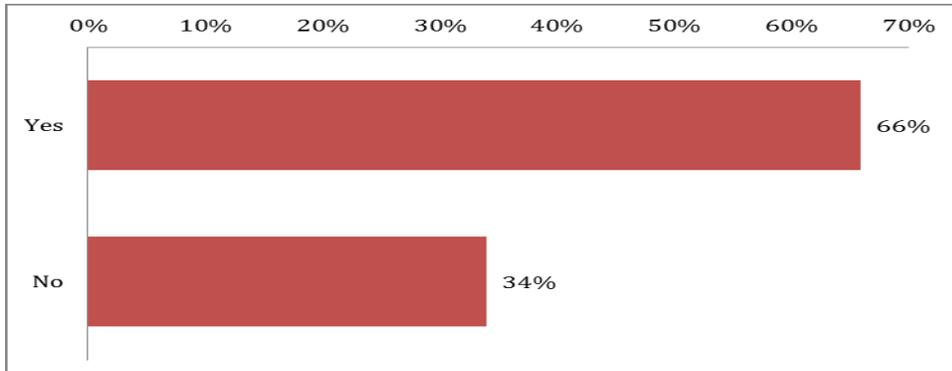
**3-9 Please rate how important the following attributes are to you when you shop for clothes: [Functionality]**



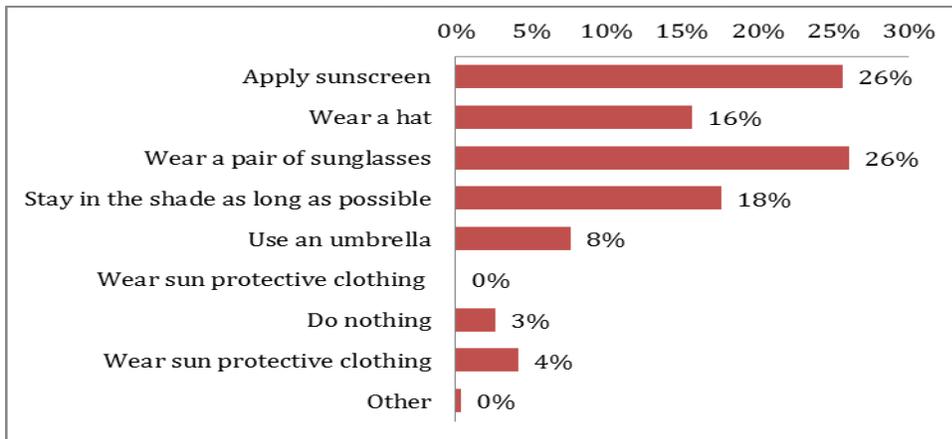
**4. Which of the following harmful effects caused by Ultraviolet (UV) rays are you aware of?**



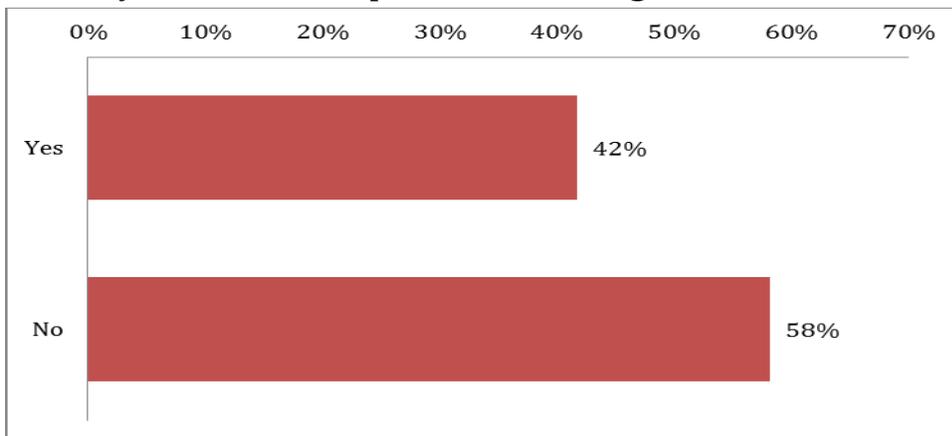
**5. Have you or anyone you know experienced skin problems after being exposed to UV rays for a long time?**



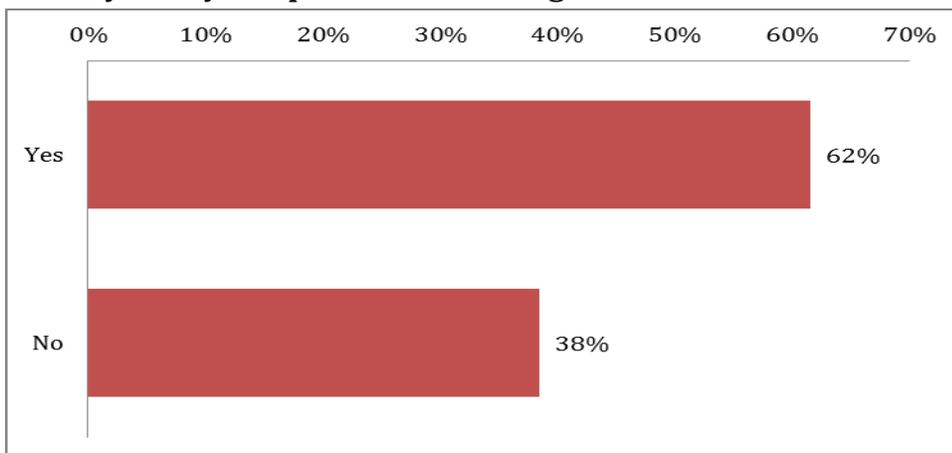
### 6. How do you typically try to protect your skin against the UV rays?



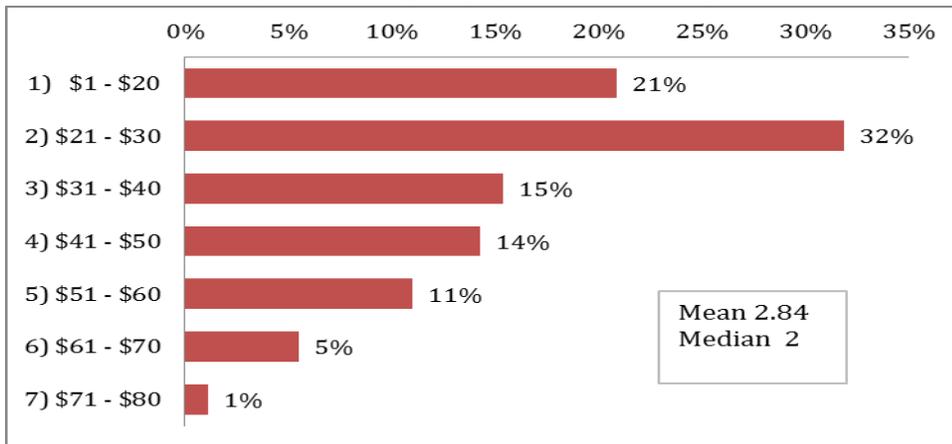
### 7. Have you heard of sun protective clothing?



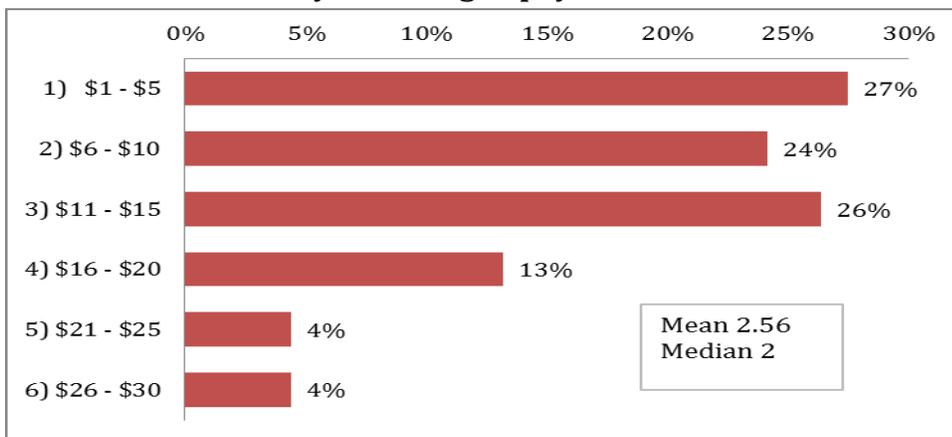
### 8. Will you buy sun protective clothing?



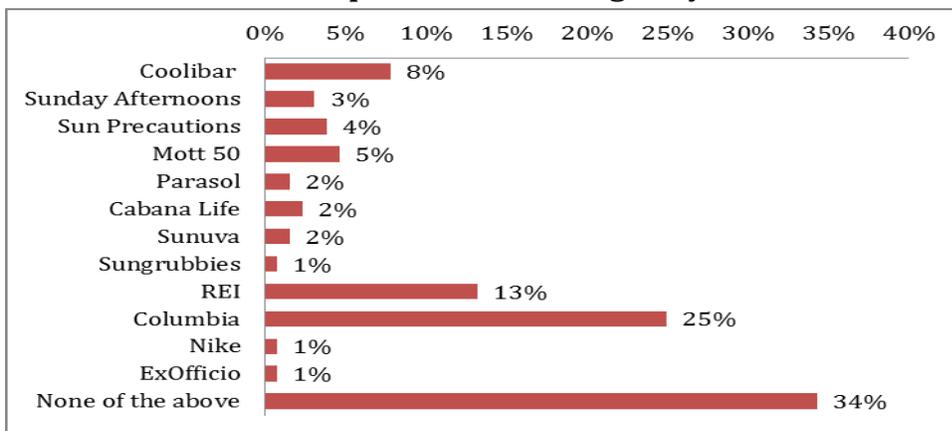
**9. How much are you willing to pay for basic long sleeved t-shirt?**



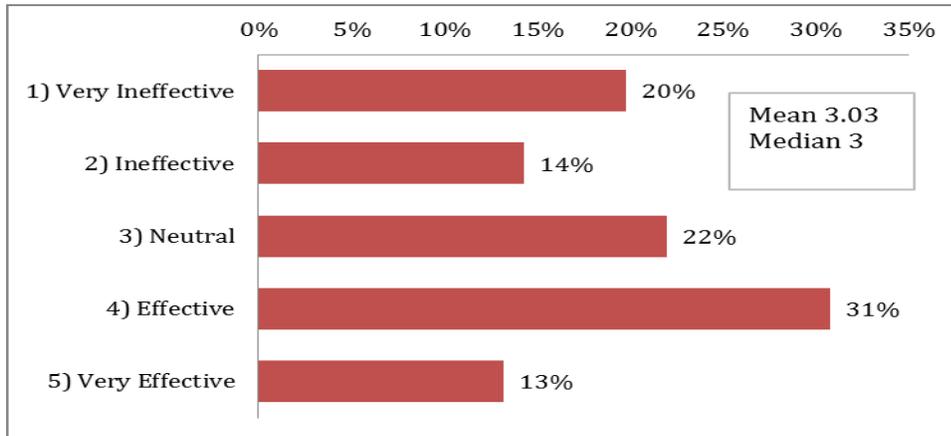
**10. For the same basic long sleeved t-shirt with sun protective feature (UPF 50+), how much MORE are you willing to pay?**



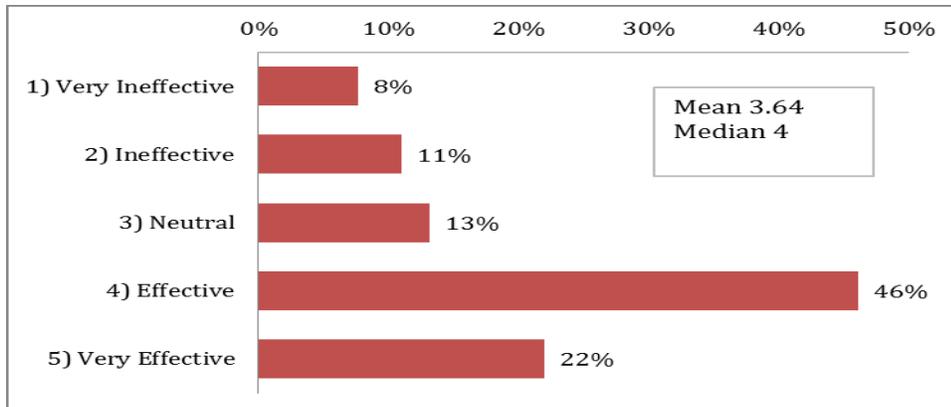
**11. Which brand of sun protective clothing are you familiar with?**



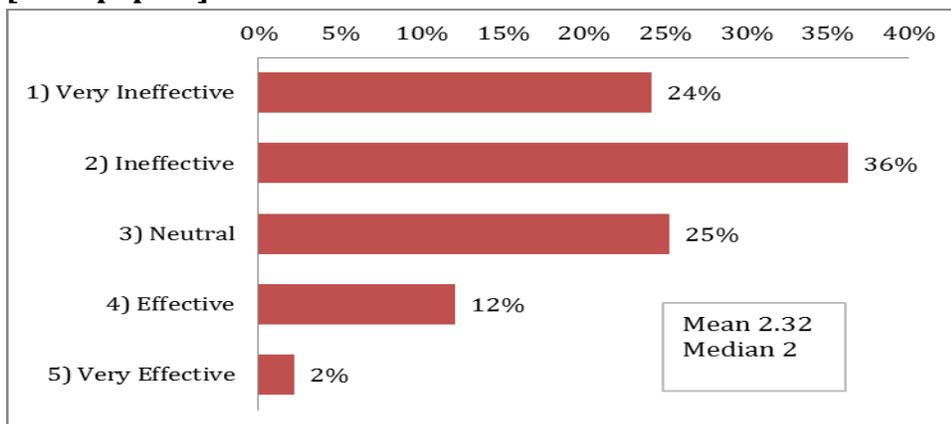
**12-1. Please rate how effective these media affect your clothing purchase:  
[Television]**



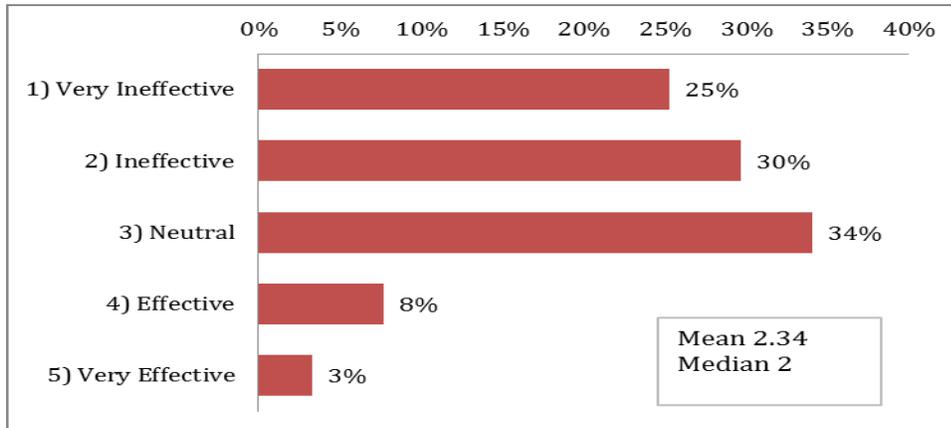
**12-2. Please rate how effective these media affect your clothing purchase:  
[Magazines]**



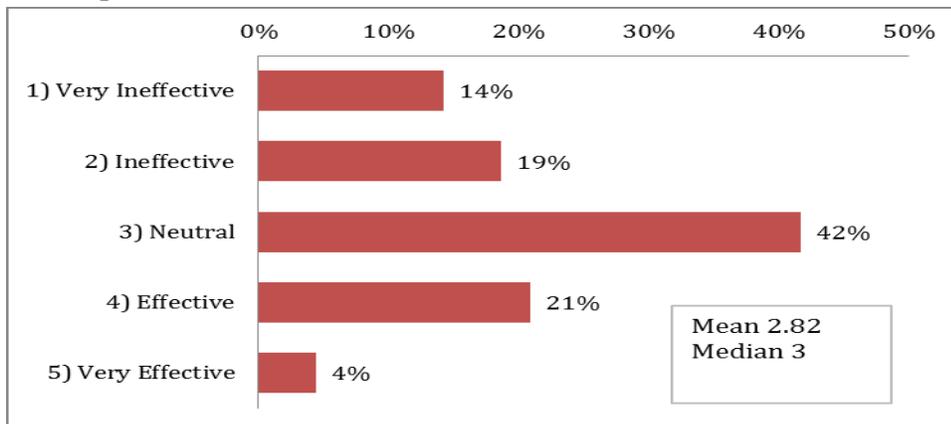
**12-3. Please rate how effective these media affect your clothing purchase:  
[Newspapers]**



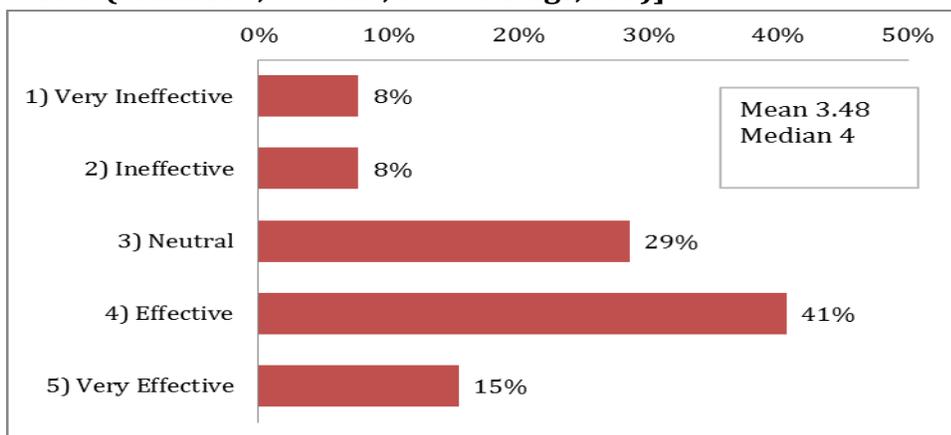
**12-4. Please rate how effective these media affect your clothing purchase: [Billboards]**



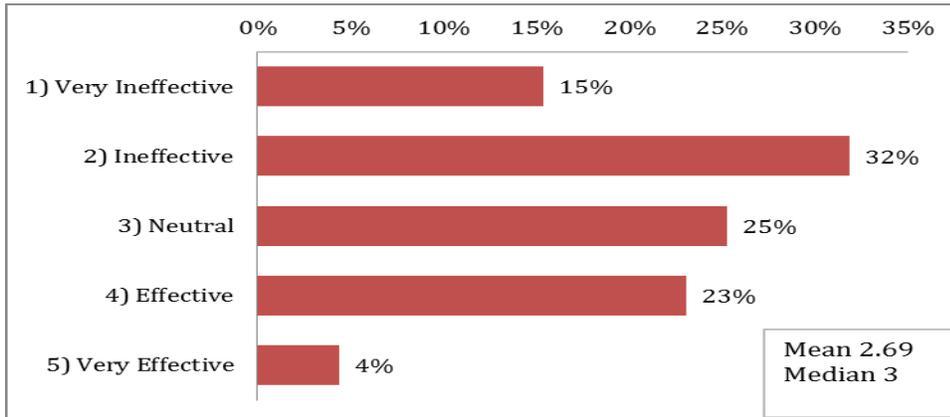
**12-5. Please rate how effective these media affect your clothing purchase: [Fashion Shows]**



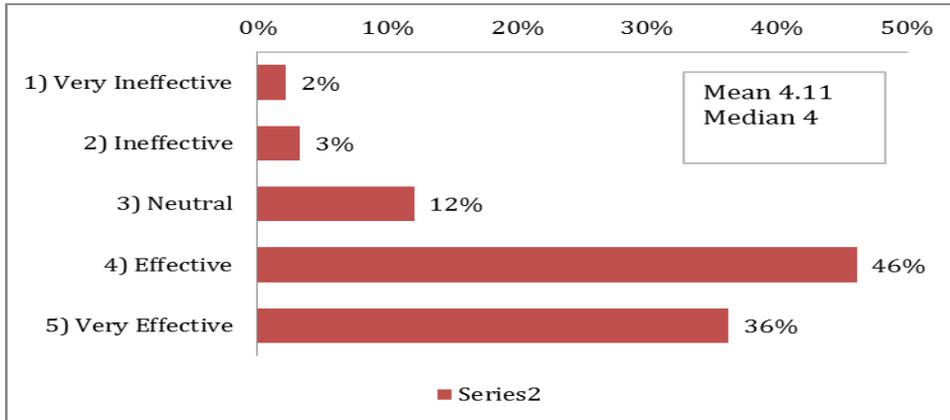
**12-6. Please rate how effective these media affect your clothing purchase: [Social media (Facebook, Twitter, online blogs, etc.)]**



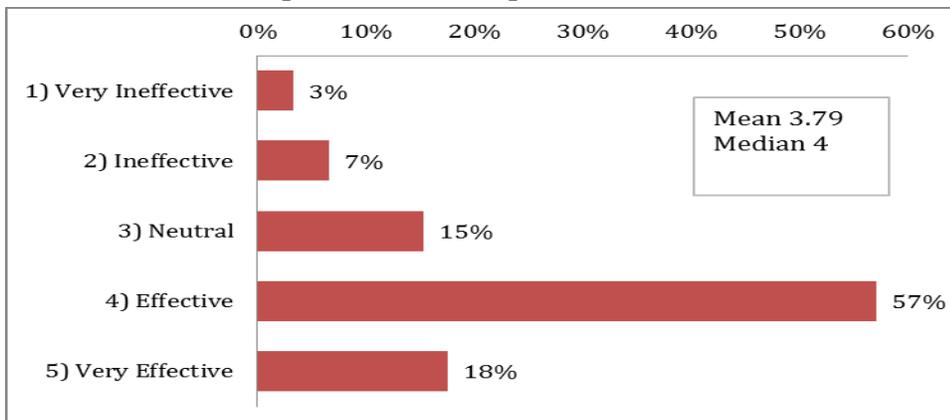
**12-7. Please rate how effective these media affect your clothing purchase: [Email or Newsletter]**



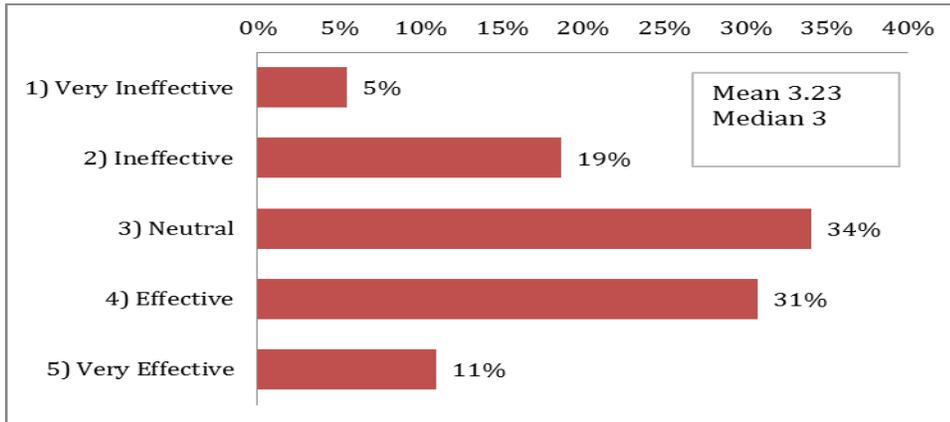
**12-8. Please rate how effective these media affect your clothing purchase: [Word of mouth (friends, family, colleagues, etc.)]**



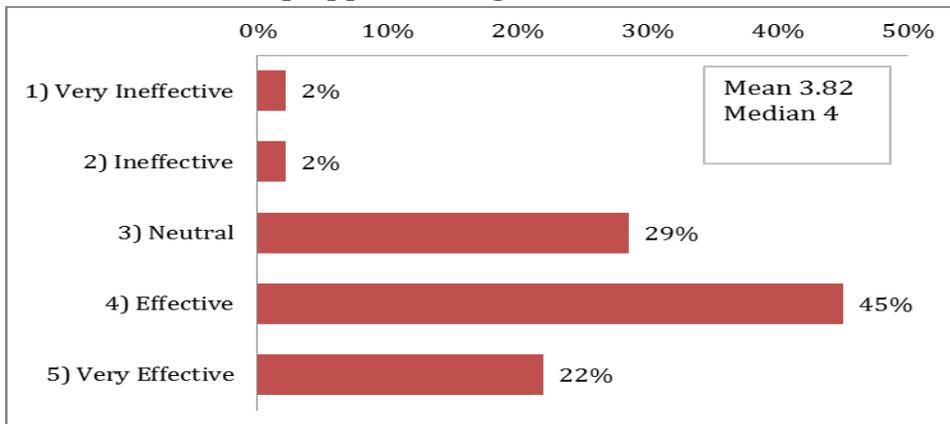
**13-1. Please rate how effective these factors are in encouraging you to buy clothes from a new brand. [Advertisement]**



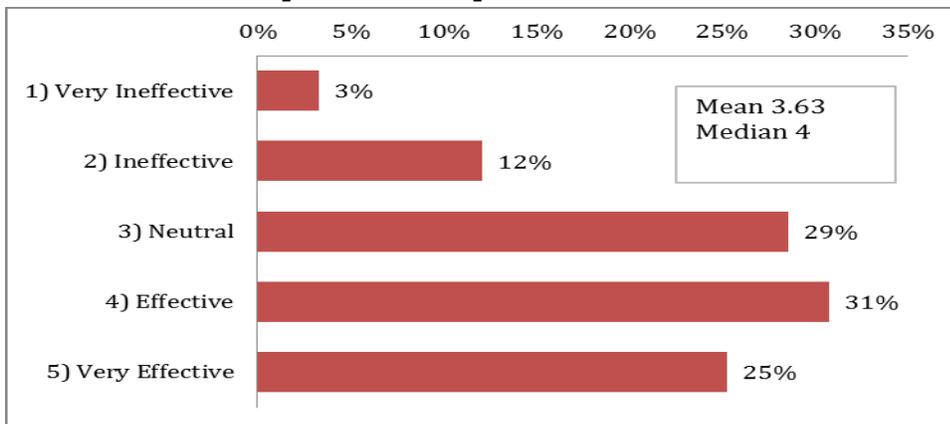
**13-2. Please rate how effective these factors are in encouraging you to buy clothes from a new brand. [Celebrity or renowned organization endorsement]**



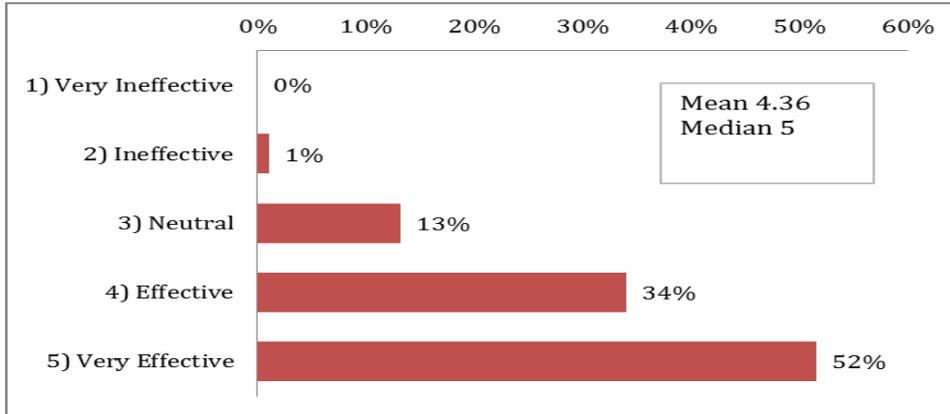
**13-3. Please rate how effective these factors are in encouraging you to buy clothes from a new brand. [Support for a good cause, such as the cancer society]**



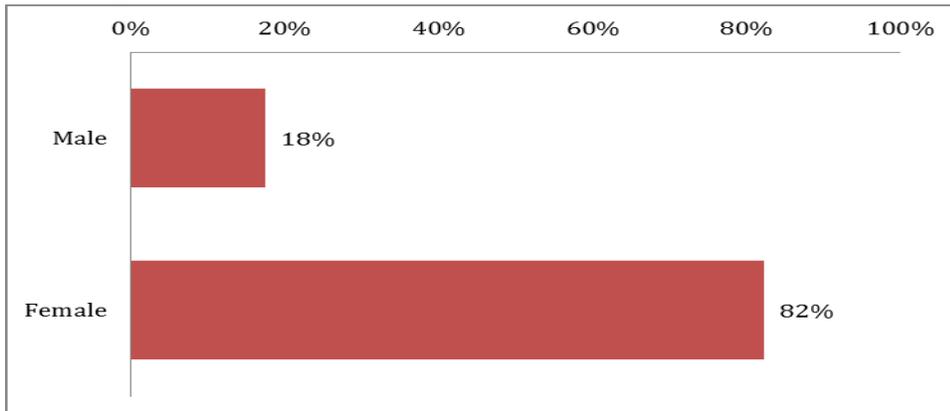
**13-4. Please rate how effective these factors are in encouraging you to buy clothes from a new brand. [Made in USA]**



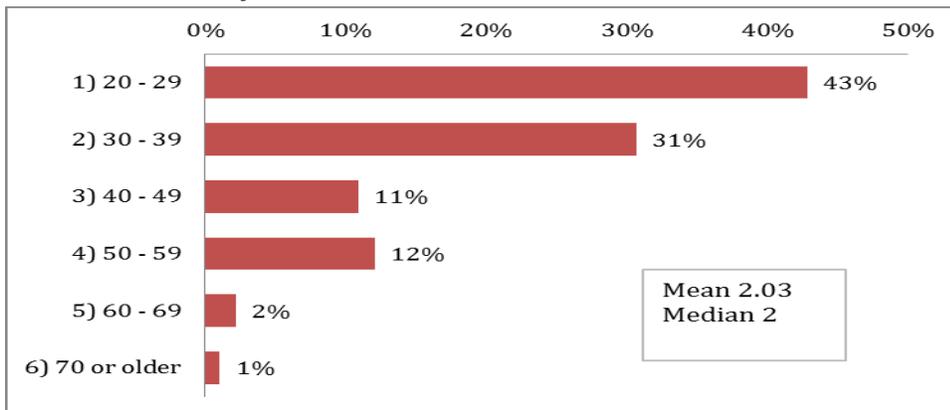
**13-5. Please rate how effective these factors are in encouraging you to buy clothes from a new brand. [Promotional discount]**



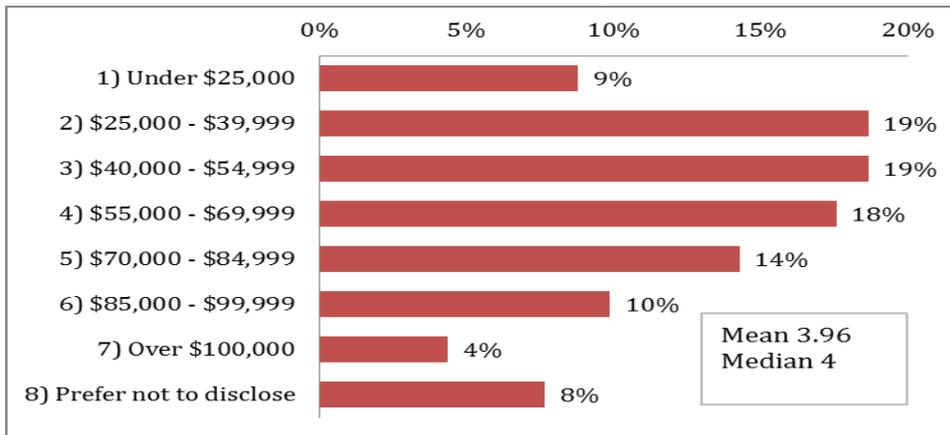
**14. Are you:**



**15. How old are you?**



### 16. What is your approximate total yearly income?



## EXHIBIT 3 Financial Data

### EXHIBIT 3-1: 5-YEAR PRO FORMA INCOME STATEMENT

	2012 YTD	2013E	2014E	2015E	2016E	2017E	CAGR
<b>REVENUE</b>							
E-commerce		324,916	406,145	495,497	594,597	701,624	16.6%
Store Sale		214,618	442,199	911,107	1,173,278	1,208,711	41.3%
Retail		539,534	848,344	1,406,604	1,767,874	1,910,335	28.8%
Cruiseships		250,637	360,454	481,358	555,447	576,767	18.1%
Parks & Resorts		199,270	302,347	407,975	454,257	459,809	18.2%
Wholesale		449,907	662,801	889,333	1,009,704	1,036,577	18.2%
<b>Total Revenue</b>	<b>216,611</b>	<b>989,441</b>	<b>1,511,145</b>	<b>2,295,937</b>	<b>2,777,579</b>	<b>2,946,911</b>	<b>24.4%</b>
<b>COST OF GOODS SOLD</b>	64,772	296,832	453,344	688,781	805,498	854,604	
Gross Profits	151,839.27	692,609	1,057,802	1,607,156	1,972,081	2,092,307	24.7%
<b>OPERATING EXPENSES</b>							
Rent, Insurance & Utilities		85,570	94,941	99,688	104,672	109,906	
Payroll		215,000	237,660	279,868	387,341	395,088	
Marketing		400,000	528,901	573,984	555,516	589,382	
Depreciation		28,325	30,900	30,900	30,900	30,900	
Warehouse & Logistics		128,627	196,449	298,472	361,085	383,098	
Professional Fees		19,789	45,334	68,878	83,327	88,407	
E-commerce Maintenance		29,683	45,334	68,878	83,327	88,407	
R&D		19,789	30,223	45,919	55,552	58,938	
Miscellaneous		29,683	45,334	68,878	83,327	88,407	
Total SG&A	135,881	956,466	1,255,077	1,535,465	1,745,048	1,832,535	
<b>OPERATING INCOME</b>	15,958	(263,858)	(197,275)	71,691	227,033	259,772	
<b>INCOME TAXES</b>	-	-	-	-	-	-	
<b>NET INCOME</b>	<b>15,958</b>	<b>(263,858)</b>	<b>(197,275)</b>	<b>71,691</b>	<b>227,033</b>	<b>259,772</b>	

### EXHIBIT 3-2: 5-YEAR PRO FORMA BALANCE SHEET

	31-Oct-2012 *	31-Dec-2013E	31-Dec-2014E	31-Dec-2015E	31-Dec-2016E	31-Dec-2017E
<b>ASSETS</b>						
Cash & Cash Equivalents	117,215	303,968	172,729	473,921	654,541	1,008,097
Accounts Receivables	-	66,587	151,320	141,064	190,894	149,898
Inventory	98,944	79,969	185,827	210,458	244,152	224,124
Other Current Assets	-	-	-	-	-	-
Total Current Assets	216,160	450,524	509,877	825,442	1,089,587	1,382,120
Fixed Assets	-	154,500	154,500	154,500	154,500	154,500
Less Accumulated Depreciation	-	(28,325)	(59,225)	(90,125)	(121,025)	(151,925)
Other Long-term Assets	700	700	700	700	700	700
Total Non-current Assets	700	126,875	95,975	65,075	34,175	3,275
<b>Total Assets</b>	<b>216,860</b>	<b>577,399</b>	<b>605,852</b>	<b>890,517</b>	<b>1,123,762</b>	<b>1,385,395</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
Accounts Payable	-	24,397	50,125	63,099	69,311.36	71,172
Other Current Liabilities	-	-	-	-	-	-
Total Current Liabilities	-	24,397	50,125	63,099	69,311	71,172
Total Long-term Liabilities	-	-	-	-	-	-
Total Liabilities	-	24,397	50,125	63,099	69,311	71,172
Capital Contribution - Founders	775,000	775,000	775,000	775,000	775,000	775,000
Capital Contribution - Investors	-	600,000	800,000	1,000,000	1,000,000	1,000,000
Retained Earnings - startup loss	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)
Retained Earnings	(17,023)	(280,881)	(478,156)	(406,465)	(179,432)	80,341
Total Equity	216,860	553,002	555,727	827,418	1,054,451	1,314,223
<b>Total Liabilities &amp; Equity</b>	<b>216,860</b>	<b>577,399</b>	<b>605,852</b>	<b>890,517</b>	<b>1,123,762</b>	<b>1,385,395</b>

\*adjusted to reflect actual inventory level

### EXHIBIT 3-3: 5-YEAR PRO FORMA CASH FLOW STATEMENT

	2013E	2014E	2015E	2016E	2017E
<b>Cash Flow from Operating Activities</b>					
Net Income	(263,858)	(197,275)	71,691	227,033	259,772
Adjustments: Depreciation	28,325	30,900	30,900	30,900	30,900
Increase in AR	(66,587)	(84,732)	10,256	(49,830)	40,996
Increase in Inventory	18,976	(105,859)	(24,630)	(33,695)	20,028
Increase in AP	24,397	25,728	12,974	6,212	1,860
Total Cash Provided/(Used)	<b>(258,747)</b>	<b>(331,239)</b>	<b>101,191</b>	<b>180,620</b>	<b>353,556</b>
<b>Cash Flow from Investing Activities</b>					
Investment in Fixed Assets	(154,500)	-	-	-	-
Total Cash Used	(154,500)	-	-	-	-
<b>Cash Flow from Financing Activities</b>					
Equity Capital Raised	600,000	200,000	200,000	-	-
Total Cash Provided	600,000	200,000	200,000	-	-
<b>TOTAL CASH FLOW</b>	<b>186,753</b>	<b>(131,239)</b>	<b>301,191</b>	<b>180,620</b>	<b>353,556</b>
Beginning Cash Balance	117,215	303,968	172,729	473,921	654,541
Ending Cash Balance	303,968	172,729	473,921	654,541	1,008,097

**EXHIBIT 3-4: YEAR 2013 PRO FORMA INCOME STATEMENT BY MONTH**

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	2013
<b>REVENUE</b>													
E-commerce	9,747	12,997	12,997	48,737	58,485	68,232	45,488	16,246	6,498	6,498	16,246	22,744	324,916
Store Sale	-	-	-	27,900	38,631	49,362	42,924	21,462	4,292	4,292	10,731	15,023	214,618
Retail	9,747	12,997	12,997	76,638	97,116	117,595	88,412	37,708	10,791	10,791	26,977	37,767	539,534
Cruiseships	29,074	26,066	31,079	25,314	16,041	16,542	16,291	14,286	12,782	16,291	18,547	28,322	250,637
Parks & Resorts	9,964	5,978	19,927	25,905	7,971	29,891	35,869	35,869	5,978	5,978	5,978	9,964	199,270
Wholesale	39,037	32,044	51,006	51,219	24,012	46,433	52,160	50,155	18,761	22,269	24,525	38,285	449,907
<b>Total Revenue</b>	<b>48,785</b>	<b>45,041</b>	<b>64,003</b>	<b>127,857</b>	<b>121,128</b>	<b>164,027</b>	<b>140,572</b>	<b>87,863</b>	<b>29,551</b>	<b>33,060</b>	<b>51,502</b>	<b>76,053</b>	<b>989,441</b>
<b>COST OF GOODS SOLD</b>													
Gross Profits	14,635	13,512	19,201	38,357	36,338	49,208	42,172	26,359	8,865	9,918	15,451	22,816	296,832
	34,149	31,529	44,802	89,500	84,789	114,819	98,400	61,504	20,686	23,142	36,051	53,237	692,609
<b>OPERATING EXPENSES</b>													
Rent Insurance & Utilities	2,685	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	85,570
Payroll	13,417	13,417	13,417	19,417	19,417	19,417	19,417	19,417	19,417	19,417	19,417	19,417	215,000
Marketing	6,947	6,947	6,947	99,501	65,357	65,357	65,357	6,947	6,947	6,947	23,883	38,866	400,000
Depreciation	-	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	28,325
Warehouse & Logistics	6,342	5,855	8,320	16,621	15,747	21,324	18,274	11,422	3,842	4,298	6,695	9,887	128,627
Professional Fees	976	901	1,280	2,557	2,423	3,281	2,811	1,757	591	661	1,030	1,521	19,789
E-commerce Maintenance	1,464	1,351	1,920	3,836	3,634	4,921	4,217	2,636	887	992	1,545	2,282	29,683
R&D	1,649	1,649	1,649	1,649	1,649	1,649	1,649	1,649	1,649	1,649	1,649	1,649	19,789
Miscellaneous	1,464	1,351	1,920	3,836	3,634	4,921	4,217	2,636	887	992	1,545	2,282	29,683
Total SG&A	34,942	41,581	45,563	157,526	121,969	130,978	126,052	56,574	44,328	45,065	65,874	86,013	956,466
<b>OPERATING INCOME</b>	(793)	(10,052)	(761)	(68,026)	(37,180)	(16,159)	(27,652)	4,930	(23,642)	(21,923)	(29,823)	(32,776)	(263,858)
<b>INCOME TAXES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCOME</b>	(793)	(10,052)	(761)	(68,026)	(37,180)	(16,159)	(27,652)	4,930	(23,642)	(21,923)	(29,823)	(32,776)	(263,858)

**EXHIBIT 3-5: YEAR 2013 PRO FORMA BALANCE SHEET BY MONTH**

	31-Jan	28-Feb	31-Mar	30-Apr	31-May	30-Jun	31-Jul	31-Aug	30-Sep	31-Oct	30-Nov	31-Dec
<b>ASSETS</b>												
Cash & Cash Equivalents	290,746	126,750	201,719	215,564	296,887	426,331	408,955	421,724	411,352	405,465	353,648	303,968
Accounts Receivables	-	71,082	83,050	109,889	84,943	82,204	107,434	106,086	69,995	42,109	49,492	66,587
Inventory	39,256	69,070	89,635	102,656	109,656	82,236	42,269	22,540	30,442	45,920	68,638	79,969
Other Current Assets												-
Total Current Assets	330,002	266,902	374,404	428,109	491,485	590,771	558,657	550,350	511,789	493,494	471,778	450,524
Fixed Assets		154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500
Less Accumulated Depr.		(2,575)	(5,150)	(7,725)	(10,300)	(12,875)	(15,450)	(18,025)	(20,600)	(23,175)	(25,750)	(28,325)
Other Long-term Assets	700	700	700	700	700	700	700	700	700	700	700	700
Total Non-current Assets	700	152,625	150,050	147,475	144,900	142,325	139,750	137,175	134,600	132,025	129,450	126,875
<b>Total Assets</b>	<b>330,702</b>	<b>419,527</b>	<b>524,454</b>	<b>575,584</b>	<b>636,385</b>	<b>733,096</b>	<b>698,407</b>	<b>687,525</b>	<b>646,389</b>	<b>625,519</b>	<b>601,228</b>	<b>577,399</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>												
Accounts Payable	14,635	13,512	19,201	38,357	36,338	49,208	42,172	26,359	8,865	9,918	15,451	24,397
Other Current Liabilities												-
Total Current Liabilities	14,635	13,512	19,201	38,357	36,338	49,208	42,172	26,359	8,865	9,918	15,451	24,397
Total Long-term Liabilities												-
Total Liabilities	14,635	13,512	19,201	38,357	36,338	49,208	42,172	26,359	8,865	9,918	15,451	24,397
Invested Capital - Founders	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000
Invested Capital - Investors	100,000	200,000	300,000	400,000	500,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Retained Earnings - before 2013	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)	(541,118)
Retained Earnings	(17,816)	(27,868)	(28,629)	(96,656)	(133,835)	(149,995)	(177,647)	(172,717)	(196,359)	(218,282)	(248,105)	(280,881)
Total Liabilities & Equity	316,067	406,014	505,253	537,227	600,047	683,888	656,236	661,166	637,524	615,601	585,778	553,002
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>330,702</b>	<b>419,527</b>	<b>524,454</b>	<b>575,584</b>	<b>636,385</b>	<b>733,096</b>	<b>698,407</b>	<b>687,525</b>	<b>646,389</b>	<b>625,519</b>	<b>601,228</b>	<b>577,399</b>

## EXHIBIT 3-6: YEAR 2013 PRO FORMA CASH FLOW STATEMENT BY MONTH

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	2013
<b>Cash Flow from Operating Activities</b>													
Net Income	(793)	(10,052)	(761)	(68,026)	(37,180)	(16,159)	(27,652)	4,930	(23,642)	(21,923)	(29,823)	(32,776)	(263,858)
Adjust for Depr.	-	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	28,325
Increase in AR	-	(71,082)	(11,969)	(26,839)	24,947	2,739	(25,230)	1,348	36,091	27,885	(7,383)	(17,095)	(66,587)
Increase in Inventory	59,688	(29,814)	(20,565)	(13,021)	(7,000)	27,419	39,967	19,729	(7,902)	(15,477)	(22,718)	(11,331)	18,976
Increase in AP	14,635	(1,123)	5,688	19,156	(2,019)	12,870	(7,037)	(15,813)	(17,493)	1,053	5,533	8,947	24,397
Total Cash Provided/(Used)	73,531	(109,496)	(25,031)	(86,155)	(18,677)	29,444	(17,377)	12,769	(10,372)	(5,887)	(51,817)	(49,680)	(258,747)
<b>Cash Flow from Investing Activities</b>													
Investin Fixed Assets	-	(154,500)	-	-	-	-	-	-	-	-	-	-	(154,500)
Total Cash Used	-	(154,500)	-	-	-	-	-	-	-	-	-	-	(154,500)
<b>Cash Flow from Financing Activities</b>													
Equity Capital Raised	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-	-	-	-	600,000
Total Cash Provided	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-	-	-	-	600,000
<b>TOTAL CASH FLOW</b>	<b>173,531</b>	<b>(163,996)</b>	<b>74,969</b>	<b>13,845</b>	<b>81,323</b>	<b>129,444</b>	<b>(17,377)</b>	<b>12,769</b>	<b>(10,372)</b>	<b>(5,887)</b>	<b>(51,817)</b>	<b>(49,680)</b>	<b>186,753</b>
Beginning Cash Balance	117,215	290,746	126,750	201,719	215,564	296,887	426,331	408,955	421,724	411,352	405,465	353,648	117,215
Ending Cash Balance	290,746	126,750	201,719	215,564	296,887	426,331	408,955	421,724	411,352	405,465	353,648	303,968	303,968

## EXHIBIT 3-7-1: Revenue Estimate (Retail)

<b>E-Commerce</b>	<b>2012 YTD</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
<b>Mott 50 Webstore Revenue</b>	\$ 259,933	\$ 324,916	\$ 406,145	\$ 495,497	\$ 594,597	\$ 701,624
YOY Growth		25%	25%	22%	20%	18%
<b>Store Sale</b>	<b>2012 YTD</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
LA target population (women, >25, college)	347,211	350,683	354,190	357,732	361,309	364,922
Average annual spending on the category	\$ 60.00	\$ 61.20	\$ 62.42	\$ 63.67	\$ 64.95	\$ 66.24
YOY Growth		2%	2%	2%	2%	2%
Target market share	0.0%	1.0%	2.0%	4.0%	5.0%	5.0%
<b>Retail revenue</b>	\$ -	\$ 214,618	\$ 442,199	\$ 911,107	\$ 1,173,278	\$ 1,208,711
Store square footage		1,500	1,500	1,500	1,500	1,500
Sales per square foot		\$ 143	\$ 295	\$ 607	\$ 782	\$ 806
<b>EXHIBIT 7-7-2: Revenue Estimate (Wholesale)</b>						
<b>Cruiseships</b>	<b>2012 YTD</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
Total global cruise passengers	11,900,000	12,257,000	12,624,710	13,003,451	13,393,555	13,795,361
YOY Growth		3%	3%	3%	3%	3%
Disney Cruise Line market share *	3%	3%	3%	3%	3%	3%
% warm weather operation regions	90%	90%	88%	87%	86%	85%
% target demographic	55%	55%	55%	55%	55%	55%
Average annual spending on the category	\$ 60.00	\$ 61.20	\$ 62.42	\$ 63.67	\$ 64.95	\$ 66.24
YOY Growth		2%	2%	2%	2%	2%
Potential market size	\$ 10,602,900.00	\$ 11,139,406.74	\$ 11,442,992.71	\$ 11,885,394.41	\$ 12,343,268.98	\$ 12,817,049.57
Target market share	0%	5%	7%	9%	10%	10%
Estimate retailer revenue	\$ -	\$ 556,970.34	\$ 801,009.49	\$ 1,069,685.50	\$ 1,234,326.90	\$ 1,281,704.96
Wholesale markdown	50%	55%	55%	55%	55%	55%
<b>Wholesale revenue</b>	\$ -	\$ 250,636.65	\$ 360,454.27	\$ 481,358.47	\$ 555,447.10	\$ 576,767.23
<b>Parks &amp; resorts</b>	<b>2012 YTD</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
Walt Disney World parks in FL	50,000,000	50,500,000	51,005,000	51,515,050	52,030,201	52,550,503
Disneyland parks in CA	23,000,000	23,230,000	23,462,300	23,696,923	23,933,892	24,173,231
YOY Growth		1%	1%	1%	1%	1%
Total visits of two parks	73,000,000	73,730,000	74,467,300	75,211,973	75,964,093	76,723,734
% primary target demographic	10%	10%	10%	10%	10%	10%
Average annual spending on the category	\$ 60.00	\$ 60.06	\$ 60.15	\$ 60.27	\$ 60.40	\$ 60.54
YOY Growth		2%	2%	2%	2%	2%
Potential market size	\$ 438,000,000	\$ 442,822,380	\$ 447,921,480	\$ 453,305,496	\$ 458,845,796	\$ 464,453,809
Target market share	0.0%	0.10%	0.15%	0.20%	0.22%	0.22%
Estimate retailer revenue	\$ -	\$ 442,822	\$ 671,882	\$ 906,611	\$ 1,009,461	\$ 1,021,798
Wholesale markdown	50%	55%	55%	55%	55%	55%
<b>Wholesale revenue</b>	\$ -	\$ 199,270	\$ 302,347	\$ 407,975	\$ 454,257	\$ 459,809

### EXHIBIT 3-8: 1st Year Marketing Costs Estimates

<b>Magazines</b>					
	Size	Rates	Frequency	Cost	
Health	full	\$ 97,554.00	1	\$ 97,554.00	Store opening (Apr.)
Health	1/2	\$ 63,410.00	3	\$ 190,230.00	May - July
Shape	full	\$ 154,720.00	1	\$ 154,720.00	Store opening (Apr.)
Shape	1/2	\$ 98,750.00	3	\$ 296,250.00	May - July
				<u>\$ 287,784.00</u>	(If choose Health)
<b>Google AdWords</b>					
		Daily Budget	Days	Annual budget	Monthly Budget
branded keywords		\$ 4.00	365	\$ 1,460.00	\$ 121.67
general keywords		\$ 60.00	365	\$ 21,900.00	\$ 1,825.00
				<u>\$ 23,360.00</u>	<u>\$ 1,946.67</u>
<b>Campaigns</b>					
Sponsor Skin health/Dermatology events				<u>\$ 30,000.00</u>	
Social Media events				<u>\$ 15,000.00</u>	
<b>Promotion</b>					
		off-season sales	average discount	annual promotion	
Seasonal Promo		318,443.33	15%	<u>47,766.50</u>	
<b>TOTAL ESTIMATED COSTS</b>				<u><b>403,910.50</b></u>	
<b>TOTAL BUDGET ALLOWED</b>				<u><b>400,000.00</b></u>	

### EXHIBIT 3-9: Leased Property Expenses

<b>LA Store</b>									
Retail space lease	1,500	sq.ft							
Lease Start	Feb.2013								
Lease rate	\$ 2.0	per sq.ft per month							
Utilities	\$ 0.4	per sq.ft per month							
Insurance	\$ 10.0	per sq.ft per year							
Leasehold Improve	\$ 100.0	per sq.ft							
Operating Expenses	per month	per year	2013 (11 months)	2014	2015	2016	2017	YoY %	
Rent - store	\$ 3,000	\$ 36,000	\$ 33,000	\$ 37,800	\$ 39,690	\$ 41,675	\$ 43,758	5%	
Utilities -store	\$ 600	\$ 7,200	\$ 6,600	\$ 7,560	\$ 7,938	\$ 8,335	\$ 8,752	2%	
Insurance - store	\$ 1,250	\$ 15,000	\$ 13,750	\$ 15,750	\$ 16,538	\$ 17,364	\$ 18,233	2%	
	<u>\$ 4,850</u>	<u>\$ 58,200</u>	<u>\$ 53,350</u>	<u>\$ 61,110</u>	<u>\$ 64,166</u>	<u>\$ 67,374</u>	<u>\$ 70,742</u>		
Rent - office	\$ 2,500	\$ 30,000	\$ 30,000	\$ 31,500	\$ 33,075	\$ 34,729	\$ 36,465	5%	
Utilities -office	\$ 150	\$ 1,800	\$ 1,800	\$ 1,890	\$ 1,985	\$ 2,084	\$ 2,188	2%	
Insurance - office	\$ 35	\$ 420	\$ 420	\$ 441	\$ 463	\$ 486	\$ 511	2%	
	<u>\$ 2,685</u>	<u>\$ 32,220</u>	<u>\$ 32,220</u>	<u>\$ 33,831</u>	<u>\$ 35,523</u>	<u>\$ 37,299</u>	<u>\$ 39,164</u>		
<b>Total</b>	<u>\$ 7,535</u>	<u>\$ 90,420</u>	<u>\$ 85,570</u>	<u>\$ 94,941</u>	<u>\$ 99,688</u>	<u>\$ 104,672</u>	<u>\$ 109,906</u>		
Fixed Assets	Book Value	Depr. Months	Monthly Depr.	2013 Depr.	Depr. (2014-2017)				
Leasehold Improve	\$ 150,000	60	\$ 2,500	\$ 27,500	\$ 30,000				
Fixtures	\$ 4,500	60	\$ 75	\$ 825	\$ 900				
<b>Total</b>	<u>\$ 154,500</u>		<u>\$ 2,575</u>	<u>\$ 28,325</u>	<u>\$ 30,900</u>				

## EXHIBIT 3-10: Payroll Expenses

	2013	2014	2015	2016	2017	YoY %
<u>Store Salesperson</u>						
Headcount	2	2	3	3	3	
Average monthly salary	\$ 3,000	\$ 3,060	\$ 3,121	\$ 3,184	\$ 3,247	2%
Annual Cost	\$ 54,000	\$ 73,440	\$ 112,363	\$ 114,610	\$ 116,903	
<u>Designer</u>						
Headcount	1	1	1	2	2	
Average monthly salary	\$ 4,000	\$ 4,080	\$ 4,162	\$ 4,245	\$ 4,330	5%
Annual Cost	\$ 48,000	\$ 48,960	\$ 49,939	\$ 101,876	\$ 103,913	
<u>Management</u>						
COO	\$ 65,000	\$ 66,300	\$ 67,626	\$ 68,979	\$ 70,358	5%
Monthly	\$ 5,417	\$ 5,525	\$ 5,636	\$ 5,748	\$ 5,863	
<u>Office Staff</u>						
Headcount	1	1	1	2	2	
Average monthly salary	\$ 4,000	\$ 4,080	\$ 4,162	\$ 4,245	\$ 4,330	2%
Annual Cost	\$ 48,000	\$ 48,960	\$ 49,939	\$ 101,876	\$ 103,913	
<b>TOTAL PAYROLL</b>	<b>\$ 215,000</b>	<b>\$ 237,660</b>	<b>\$ 279,868</b>	<b>\$ 387,341</b>	<b>\$ 395,088</b>	

## EXHIBIT 3-11-1: Sensitivity Analysis (Revenue)

<i>Revenue 10% Less than Expected</i>					
	2013E	2014E	2015E	2016E	2017E
Revenue	890,497	1,360,031	2,066,344	2,499,821	2,652,220
COGS	267,149	408,009	619,903	724,948	769,144
Net Income	(310,361)	(213,898)	23,476	152,038	180,206
Operating Cash Flow	(309,588)	(339,848)	54,142	108,374	271,800
Year End Cash Balance	331,711	191,863	446,006	554,380	826,180
Year End Total Equity	575,188	561,290	784,767	936,805	1,117,011
<i>Revenue 15% Less than Expected</i>					
	2013E	2014E	2015E	2016E	2017E
Revenue	1,137,857	1,737,817	2,640,328	3,194,215	3,388,948
COGS	341,357	521,345	792,098	926,322	982,795
Net Income	(194,102)	(172,341)	144,013	339,525	379,122
Operating Cash Flow	(182,486)	(318,324)	171,765	288,990	476,189
Year End Cash Balance	425,833	307,508	679,273	968,263	1,444,452
Year End Total Equity	683,202	710,861	1,054,874	1,394,399	1,773,521
<i>Revenue 20% Less than Expected</i>					
	2013E	2014E	2015E	2016E	2017E
Revenue	791,553	1,208,916	1,836,750	2,222,063	2,357,529
COGS	237,466	362,675	551,025	644,398	683,683
Net Income	(356,865)	(230,520)	(24,738)	77,044	100,639
Operating Cash Flow	(360,429)	(348,458)	7,093	36,128	190,045
Year End Cash Balance	294,063	145,606	352,699	388,826	578,871
Year End Total Equity	531,983	501,462	676,724	753,768	854,407

## EXHIBIT 3-11-2: Sensitivity Analysis (COGS)

<i>COGS 5% More than Expected</i>					
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	311,674	476,011	723,220	845,773	897,334
Net Income	(278,699)	(219,942)	37,252	186,758	217,042
Operating Cash Flow	(271,420)	(357,912)	66,170	138,971	311,920
Year End Cash Balance	350,091	192,178	458,348	597,319	909,239
Year End Total Equity	601,903	581,961	819,213	1,005,971	1,223,013
<i>COGS 7% More than Expected</i>					
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	317,611	485,078	736,996	861,883	914,427
Net Income	(284,636)	(229,009)	23,476	170,648	199,950
Operating Cash Flow	(276,490)	(368,582)	52,161	122,312	295,266
Year End Cash Balance	342,383	173,801	425,962	548,274	843,539
Year End Total Equity	595,307	566,298	789,774	960,422	1,160,372
<i>COGS 10% More than Expected</i>					
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	326,515	498,678	757,659	886,048	940,065
Net Income	(293,541)	(242,609)	2,813	146,483	174,312
Operating Cash Flow	(284,093)	(384,586)	31,148	97,322	270,284
Year End Cash Balance	330,821	146,235	377,383	474,705	744,990
Year End Total Equity	585,412	542,803	745,616	892,099	1,066,411

## EXHIBIT 3-11-3: Sensitivity Analysis (Operating Expenses)

<i>Operating Expenses 3% More than Expected</i>					
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	296,832	453,344	688,781	805,498	854,604
Net Income	(292,552)	(234,927)	25,627	174,681	204,796
Operating Cash Flow	(287,441)	(368,891)	55,127	128,269	298,580
Year End Cash Balance	340,666	171,775	426,903	555,171	853,751
Year End Total Equity	589,700	554,772	780,400	955,081	1,159,877
<i>Operating Expenses 5% More than Expected</i>					
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	296,832	453,344	688,781	805,498	854,604
Net Income	(311,681)	(260,029)	(5,082)	139,780	168,145
Operating Cash Flow	(306,571)	(393,992)	24,418	93,368	261,929
Year End Cash Balance	321,537	127,544	351,962	445,330	707,259
Year End Total Equity	570,570	510,542	705,459	845,240	1,013,385
<i>Operating Expenses 10% More than Expected</i>					
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	296,832	453,344	688,781	805,498	854,604
Net Income	(359,504)	(322,783)	(81,855)	52,528	76,519
Operating Cash Flow	(354,394)	(456,746)	(52,355)	6,115	170,302
Year End Cash Balance	273,713	16,967	164,612	170,727	341,030
Year End Total Equity	522,747	399,964	518,109	570,637	647,156

## EXHIBIT 3-12: Scenario Analysis

<b><i>Base Case Scenario</i></b>					
Revenue	100%				
COGS	100%				
SG&A	100%				
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	989,441	1,511,145	2,295,937	2,777,579	2,946,911
COGS	296,832	453,344	688,781	805,498	854,604
Net Income	(263,858)	(197,275)	71,691	227,033	259,772
Operating Cash Flow	(258,747)	(331,239)	101,191	180,620	353,556
Year End Cash Balance	369,360	238,121	539,313	719,933	1,073,489
Year End Total Equity	618,394	621,119	892,810	1,119,843	1,379,615
<b><i>Best Case Scenario</i></b>					
Revenue	120%				
COGS	95%				
SG&A	97%				
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	1,187,329	1,813,375	2,755,125	3,333,094	3,536,293
COGS	338,389	516,812	785,211	918,268	974,249
Net Income	(122,981)	(93,827)	262,261	485,036	532,938
Operating Cash Flow	(111,798)	(239,009)	290,130	434,776	629,786
Year End Cash Balance	497,839	458,830	948,960	1,383,736	2,013,522
Year End Total Equity	754,653	860,826	1,323,087	1,808,123	2,341,061
<b><i>Worst Case Scenario</i></b>					
Revenue	80%				
COGS	105%				
SG&A	103%				
	<u>2013E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	791,553	1,208,916	1,836,750	2,222,063	2,357,529
COGS	249,339	380,809	578,576	676,618	717,868
Net Income	(396,067)	(280,957)	(91,603)	(195)	19,259
Operating Cash Flow	(397,896)	(402,099)	(60,238)	(42,210)	109,540
Year End Cash Balance	251,319	49,220	188,982	146,771	256,311
Year End Total Equity	491,461	410,505	518,901	518,706	537,965

## EXHIBIT 4: MEMORANDUM

**TO:** MOTT 50 Team

**FROM:** Mathilde Diana

**RE:** MOTT 50 legal surroundings (Intellectual Property and advertising issues)

**DATE:** November 27th, 20012

This document is an academic work prepared for the class "Advising the Business Planner" at Boston College Law School. It is addressed only to students at the Carroll School of Management as part of a cooperative educational effort between Boston College Law School and the Carroll School of Management, and only for use in conjunction with the students' academic projects. This document is not intended for use beyond these academic projects, nor does it constitute legal advice to any person or entity. Accordingly, it should not be relied upon for any other educational or non-educational purpose. Any person or entity, including those associated with any businesses on which academic projects may be based, should consult an independent lawyer of their own choosing before acting upon any subjects discussed in this document.

The purpose of this memorandum is to identify the major legal concerns surrounding MOTT 50's activities in order to help MOTT 50 to protect and optimize its business. My understanding is that MOTT 50 is an LLC dedicated to the production and sale of sun protective clothes. The products are essentially women's wear, including sundresses, tunics, hats, bamboo basics and swim wear. The target market contemplated by MOTT 50 consists in the health and anti-aging female market. MOTT 50 also considers soldiers and civil servants exposed to sun in a daily basis (DoD & HLS) as secondary market. The sale channels for MOTT 50's products are essentially e-commerce, trunk shows and wholesale sale outlets. MOTT 50's production is based in the US. The two co-founders design most of the design but appeal to an (independent) technical designer for sketches and tech packs. I understand that the production process for sun protective fabrics includes spreading a specific solution on the textiles. I believe MOTT 50 outsources the production to an Independent manufacturer which uses the solution and parameters defined by MOTT 50.

Although MOTT 50's business involves many legal aspects to consider, I suggest addressing in priority the **(I) Intellectual Property protection concerns**. Because the price MOTT 50's customers will be willing to pay for its products partly relies on the non-tangible value it has created (brand value, differentiated design...), the first or one of the first issues faced by MOTT 50 is the protection of this value and thus, the protection of its intellectual property (brand name, logos...). In addition, I feel it is essential for MOTT 50 to be aware of **(II) the regulatory issues in MOTT 50's sun-protective clothing advertising** either current or expected. Indeed, the compliance with the industry best practices not only is an attractive asset for potential investors but also prevent the need to deeply revise your business strategy in case of change in the regulatory requirements.

### **I – Intellectual Property Protection**

As mentioned *supra*, because the price your customers will be willing to pay for your products relies on the non-tangible value MOTT 50 created, the protection of this value and thus, the protection of your intellectual property (IP) is particularly important. That is why I believe MOTT 50 should be aware of **(1)** the multiple forms of legal protection related to the different fashion, apparel products and accessories included in its products. MOTT 50 not only **(2)** should implement strategies to protect its own rights but also to make sure it does not infringe other's rights which could prevent MOTT 50 from conducting its activities as planned.

#### **1. Multiple forms of intellectual property protection (in USA)**

### **(a) Trademarks**

**(i) Definition & concept.** A trademark is a device (word, slogan, logo, design) that enable the distinction between goods or products of different companies. Given the lack of protection for fashion design, fashion companies heavily rely on trademarks. It is the essence of the identity of the company.

**(ii) Protection offered.** Trademarks prevent competitors from using the same or similar mark on the same or similar goods for as long as the trademark is in use by the company. Protection starts as soon as a mark “TM” is placed for common law protection. In this case, the protection is geographically limited to the area where the product is sold.

For a national protection, the company would have to register its trademark in the US Patent and Trademark Office (PTO) and use also the mark ®. **(iii) MOTT 50’s protection.** MOTT 50 has already registered “MOTT 50” trademark. The concerns here would be to verify the scope of the registered trademark (brand, logo...) and systematize the use of TM or (R) notice. Collections and items’ name may also be protected by trademarks.

### **(b) Trade Dress**

**(i) Definition & concept.** Trade dress protects the look or form of a product if the public has recognized such look or form as coming from a particular source.

**(ii) Protection offered.** Trade dress protects the look of an article or its packaging (see for example the shape of Coca-Cola bottles). However, it does not protect functional elements (for instance the rectangular shape of a box). The protection comes from the constant use of the look. Once registered, product should be marked “Trademark design of xxx”. This form of protection is difficult to obtain since it is based on the consumers recognizing the look as pertaining to a specific company. That is why, it usually used only as an alternative to the lack of other form of protection or as a complement.

**(iii) MOTT 50’s protection.** Because of its early stage, MOTT 50 is not in a position to obtain such a protection. Trade dress is nonetheless another distinctive asset that MOTT 50 could develop along its life.

### **(c) Copyright**

**(i) Definition & concept.** Copyright is the exclusive rights to reproduce, prepare derivatives, distribute copies, publicly perform and display the work. **(ii) Protection offered.** The protection is limited to “original works of authorship fixed in any tangible medium of expression”<sup>1</sup>. This means that it only protects the “artistic” aspect of the product. Ideas (e.g.: the idea of printing a drawing) and functional elements (e.g.: a hole for the neck in a shirt) are not protected. Copyright protection starts with the fixation of the work (expression) for a period of 70 years after the author’s death or if an entity, for 95 years from the first publication or 120 years from the creation, whichever expires first. For a more effective enforcement, copyright may be registered at the Copyright Office and marked with ©, even though if missing, it would not prevent from protection. **(iii) MOTT 50’s protection.** Although MOTT 50’s fabrics are usually plain or with stripes (not original in a copyright law perspective), you might seek copyright protection for specific artistic buckle belt or buttons, pattern of a fabric, the drawings printed on a shirt....<sup>1</sup> Section 102 of Copyright Act.

### **(d) Design Patent**

**(i) Definition & concept.** A design patent is a patent of a design giving a new, non-obvious and pleasing appearance to an article of manufacture, whereby its sale is enhanced. It protects the ornamental design of a product or component (e.g.: the Coca-Cola glass bottle). **(ii) Protection offered.** A patent design gives exclusive right to exclude competitors from making, using, selling the patented design. The protection is obtained from the PTO. For the PTO to approve the application,

the design must satisfy three requirements: (1) the design must be “new”, (2) the design must be “non-obvious”, (3) the design must be ornamental and not only functional. It takes around 12 months to obtain a design patent. The protection last for 14 years from the date of issuance. **(iii) MOTT 50’s protection.** Given the time necessary to obtain a design patent, it might not be relevant for MOTT 50 to seek this kind of protection for collections which would not last for more than a season. However, this kind of protection might be interesting for accessories.

#### **(d) Utility Patent**

**(i) Definition & concept.** Utility patent is the right granted to an inventor “to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States” for a limited time in exchange for public disclosure of the invention when the patent is granted. It may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof. **(ii) Protection offered.** The protection is obtained from the PTO. For the PTO to approve the application, the design must satisfy three requirements: (1) it must be useful (utility); (2) it must be new (novelty); and (3) it must not present only a trivial or obvious difference from information previously disclosed to the public (non-obviousness). The application must be filled within one year of the invention public availability. The protection lasts for 20 years from the filling date of the application. **(iii) MOTT 50’s protection (focus on “sun-protective fabric”).** I believe MOTT 50 sun protective fabric does not satisfy the requirements of patentability. Although, MOTT 50’s fabric meets the legal standard for utility, it does not seem to satisfy the legal requirements of non-obviousness and novelty. Indeed, I understand the process used in the production of MOTT 50’s fabric involves the combination of products available in the commerce. If so, it is likely that the product would be considered as available in prior art. In addition, my understanding is that MOTT 50 has been selling its products for more than a year. Therefore, not only, the satisfaction of the novelty requirement is compromised but also the deadline for a patent application expired. However, MOTT 50 can protect the “sun-protective” aspect of its product through trade secrets protection.

#### **(e) Trade Secrets**

**(i) Definition & concept.** Trade secrets are information relative to an industrial process or the conduct of a business, known only to the owner and those of his employees to whom it is necessary to confide if the fact known is to be made of value or, at any rate, not available to the trade generally<sup>2</sup>. **(ii) Protection offered.** Trade secrets protection protects from competitors misappropriation by wrongful means and use of matter by another. Trade secrecy protects business confidential information for as long as the company keeps confidential this information and implements specific internal policies to protect it. In particular, employees and contractors should be required to sign non-disclosure agreements. **(iii) MOTT 50’s protection.** Implementation of trade secrets protection, in particular through systematization of request for non-disclosure agreement to all employees, contractors, suppliers... is essential to protect MOTT 50 business in order to keep its competitive advantage.

## **2. Intellectual Property Protection Strategies**

Intellectual property rights must be seen from two different perspectives: **(a)** the protection of MOTT 50’s own IP which constitutes one of its competitive advantage and **(b)** avoidance of infringement of its competitors’ rights which could jeopardize its business plan.

<sup>2</sup> 28 Am J Rev ed Inj § 72.

### **(a) Strategies to protect MOTT 50’s IP rights**

**(i) Enforcement of MOTT 50 rights.** Intellectual property rights are not

self-enforceable. This means that, once MOTT 50 has determined and obtained the different protections available to its business, it should implement survey in order to detect any infringement and systematically tracking and notifying infringers. Otherwise, MOTT 50 may lose its rights.

**(ii) Securing MOTT 50 contractual relationships.** It is particularly important for a company, especially when its added value is based on IP to ascertain these rights in its contractual relationships with its employees, contractors, manufacturers... Therefore, I would like to highlight two specific MOTT 50's contractual relationships that I think must be secured in particular. **(\*)** Freelancer designer. My understanding is that MOTT 50 appeals to an (independent) technical designer for the design of its sketches and tech packs. Under the work-for-hire doctrine, the Copyright Act may deem the employer to be the author of an employee's works under the circumstances defined in sections 201 (b) and 101. This protection given to employer is strictly limited in the cases where the employee worked within the scope of his or her employment or a work specially ordered or commissioned in certain specified circumstances. Yet, MOTT 50 appeals to an independent contractor. This means that it does benefit from such a protection. It should therefore insert in its contract provisions providing specific written assignment of the rights related to MOTT 50's orders. **(\*\*)** Manufacturer. My understanding is that MOTT 50 outsources the production of its sun-protective fabric. I understood from our discussions the relationship between MOTT 50 and its manufacturer is formalized by purchase orders. A specific discussion on the necessity of a detailed formal umbrella contract with its manufacturer would be of MOTT 50's interest. For the purpose of IP protection and especially MOTT 50 trade secrets, it is essential to include provisions – either in the purchase order or a separate agreement – related to the manufacturer obligations with regards to the information it has been provided with by MOTT 50. For example: “The Manufacturer hereby covenants that any Proprietary Information received from MOTT 50 shall be protected and kept in strict confidence by the Manufacturer which must use the same degree of precaution and safeguards as it uses to protect its own Proprietary Information of like importance, but in no case any less than reasonable care; be only disclosed to and used by those persons within the Manufacturer's organization who have a need to know and solely for the Purpose specified in this Agreement; not be used in whole or in part for any purpose other than the Purpose of this Agreement without the prior written consent of MOTT 50; neither be disclosed nor caused to be disclosed whether directly or indirectly to any third party or persons other than xxx”

### **(b) Strategies not to infringe competitors' rights**

The use, even candid, of a third party's intellectual property without its consent may have unpleasant consequences such as the need to change the company name, the need to negotiate in a unfavorable bargain position the use of the third-party right or the obligation to go through extensive and expensive lawsuits. It is therefore essential to ascertain the availability or right to use patents, trademarks and copyrights by exhaustive searches and legal opinion provided by specialized attorneys.

## **II – Regulatory issues in sun-protective clothing advertising**

MOTT 50's business focuses on the production and sales of sun-protective clothes. There are no federal regulations governing sun protective clothing. The US Food and Drug Administration initially reviewed sun protection clothing under medical device regulations just like it does with sunscreen. It is no longer the case. Since 1992, sun-protective clothing is a self-regulated industry. Most manufacturers and retailers voluntarily follow AATCC3 or ASTM4 standards, testing methods and labeling guidelines. Although the compliance with these standards seems to be voluntary,

**(1)** Advertising claims are monitored by the Federal Trade Commission (FTC) and may lead to economic injury cases. **(2)** MOTT 50 can protect itself by implementing best practices which not

only will favor its business and prevent risk of sanctions but also will be an asset to anticipate potential future regulatory requirements.

### **1. Advertising claims**

MOTT 50's products are advertised as certified with 50 UPF (ultraviolet protection factor) by the IUVTL (International UV Testing Laboratory) in accordance with AATCC (American Association of Textile Chemists and Colorists) standards. Such a statement constitutes a "claim". Advertising claims are statements of fact<sup>3</sup> American Association of Textile Chemists and Colorists. <sup>4</sup> American Society for Testing and Materials about a product or service. They must be true and not misleading. Otherwise, the company **(a)** exposes itself to potential administrative remedy from the FTC and potential **(b)** class actions based on economic injury.

#### **(a) The risk of administrative remedies from the FTC**

FTC regulates deceptive advertisements<sup>5</sup> and monitors advertising claims. An advertisement is deceptive where it contains claims without a reasonable basis for making the claims<sup>6</sup>. FTC scrutinizes, and requires a relatively high level of substantiation for advertisements that make claims about health or safety. It requires "competent and reliable scientific evidence" of the statement. Scientific evidences are defined as "tests, analyses, research, studies, or other evidence based upon the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results"<sup>7</sup>. A company is responsible for all claims, whether express or regardless the company's good. While, individual liability can be found, the usual administrative remedy is a cease and desist order. Depending on how broad the order is draft, the company might have to revise its entire communications strategy. The same specific attention should be given to MOTT 50's "made in USA" and "Bamboo" products claims. <sup>5</sup> 15 U.S.C. § 45. <sup>6</sup> Pfizer, Inc., 81 F.T.C. 23 (1972). This is referred to as the doctrine of "substantiation." <sup>7</sup> Brakeguard Products, Inc., 125 F.T.C. 138 (1998).

#### **(b) The risk of economic injury claims**

An economic injury results from the purchase and not from physical injury or damage resulting from the use of the product. It is based on the assumption that the customers would not have been willing to pay the same price without the misleading advertisement. The false/misleading advertisement is considered as a denial of the customers' benefit of bargain. Economic injury, misleading and false advertisement claims seem to growth in class actions. For instance, a class action was filed in 2006 in the Los Angeles County Superior Court against five sunscreens manufacturers claiming that the formers deceptively advertise that their products provide waterproof and sweat-proof protection. Also, a false advertising suit was filed in 2012 against a sunscreen manufacturer, alleging the products deceptively promised "full defense" against the sun. Plaintiffs relied upon the sunscreen's labeling and advertising, they alleged, seeking trebled damages, restitution, and injunctive relief from the manufacturer, which they said reaped "enormous profits" from the deceptive products.

### **2. Best practices**

**(i) Voluntary compliance with the current standards.** MOTT 50's products are certified with 50 UPF (ultraviolet protection factor) by the IUVTL (International UV Testing Laboratory) in accordance with AATCC (American Association of Textile Chemists and Colorists) standards. I believe it is therefore unlikely that the FTC would consider its claims untrue or misleading. Your compliance with the current industry standards is beneficial. **(ii) Anticipation of potential future standards and prevention against economic injury/false advertisement claims.** In June 2011, the FDA announced new requirements for sunscreens currently sold over-the-counter (OTC) (i.e. non-prescription). For instance claims including: "sunblock," "sweatproof," and "waterproof" would be forbidden and

sunscreens with less than SPF-15 sun protection to carry warnings about the product's shortcomings.. Because the sunscreen concerns are very similar to sun protective clothing ones, I suggest that MOTT 50 stay aware of any guidance relating to sunscreens labeling and advertising policies and comply, if possible and relevant, with their requirements.