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Designing a Model of an Online Business and Writing a Business Plan

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Photo Alphabet Designs

Business Plan
2010

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Executive Summary

Photo Alphabet Designs will be a unique shopping experience built to help customers design their own personal posters. This online retail store will offer a variety of different photographs of letters that the owner, Katherine Swick, has taken herself and made available on the website. These letters are to be chosen from by the customers to design a poster of their name of a word they have chosen. They are able to choose from a background of white or black and the poster will be of glossy print. These posters are a great addition to any home, room, dormitory, and even make a great gift for friends, family, graduations, etc.

There are currently no stores offering the same exact product as Photo Alphabet Designs, however there are several online stores that are offering very similar products. Photo Alphabet Designs will be able to take advantage of the fact that they are a unique product and market specifically to late high school, college students, and females. Overall for the year 2009, total online retail sales reached $155.2 billion according to the Forrester Forecast. This business intends to make sales of $54,000 in its first year. This is enough to keep the business alive and profitable.

Within the next four years Photo Alphabet Designs will take advantage of several different growth opportunities. Part of the plan will be to add the option of framing the posters, additional background colors, etc. These additions to the business and product will attract more customers and increase sales. Successful marketing and advertising strategies will also be used to create brand awareness, loyalty, and attractiveness. After five years, if the business continues to grow, it will expand internationally by shipping in other countries and increase market size.

Business Description & Vision

2.1 Company Locations and Facilities

Photo Alphabet Designs will be run out of the home of the sole proprietor, Katherine Swick. Her home will be located in downtown New Canaan, CT. A permit is required of her to run the online business. However, since it is an online business, there will be no business traffic actually in her home.

2.2 Mission

Photo Alphabet Design's mission is to offer their customers the best opportunity to design their own poster designs.

2.3 Management Team

Katherine Swick will be the primary manager of Photo Alphabet Designs. She does not intend on hiring any employees to work for the business, as she is capable of running this Online Business herself. There will be no personal contact with customers and little time spent making the posters because they will be produced in a photo lab located in New Canaan. Once orders are made online they will immediately be sent to the lab. The lab will ship the product to Katherine who will make sure that it is correctly made and then ship the product to the customer. Eventually Katherine as the business becomes more profitable, she may want to hire employees to take more photos of letters to put on the website.

2.4 Start-up Summary

There will be little start up costs for Photo Alphabet Designs. This is because it is an online retail store, with one type of product, and is run inside the home of the owner. All start up costs will be paid for by the owner herself with her own money that she has saved for this.

START-UP EXPENSES

1. Advertising Expense	$1,200.00
2. Supplies Expense	$672.63
3. Website Expense	$529.40
4. Permit Expense	$15.00
5. Salary Expense	$4,800.00
6. Sales Tax	$2,160.00
7. Depreciation Expense	$538.26

Description of Products and Services

3.1 Posters

Photo Alphabet Designs is an online poster selling business. Customers are allowed to pick and choose from a variety of letters to create a word on the poster. Posters will be in a glossy print and printed with a background of either black or white depending on what the customer wants. All posters will be 8 inches wide and the length will depend on how many letters the customer chooses. A customer may choose as little as three letters and as many as 15 letters.

3.2 Letters

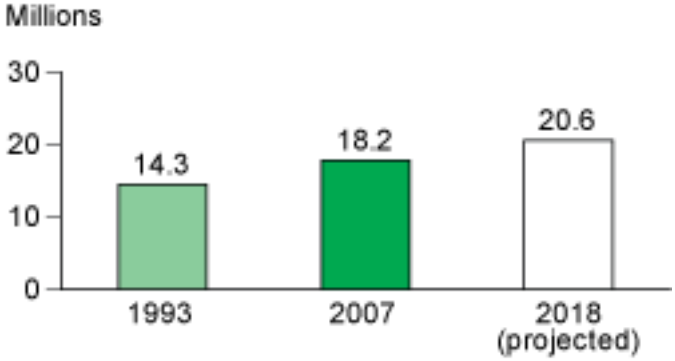
The site will contain photographs of every single letter of the alphabet. Photographs of these letters will be taken from any outdoor sign being either a restaurant, a store, billboard, etc. Photographs will not be taken of copyrighted signs and letters. For each letter of the alphabet there will be at least 50 options to start with. As the business keeps running photos will be added of each letter to keep customers satisfied and wanting more.

Marketing and Sales Strategy

7.1 Market Growth

Photo Alphabet Designs targets mostly college students. According to the U.S. Department of Education, between 2007 and 2018, the college student market is expected to grow 13% from 18.2 million to 20.6 million.

Graph 1.1



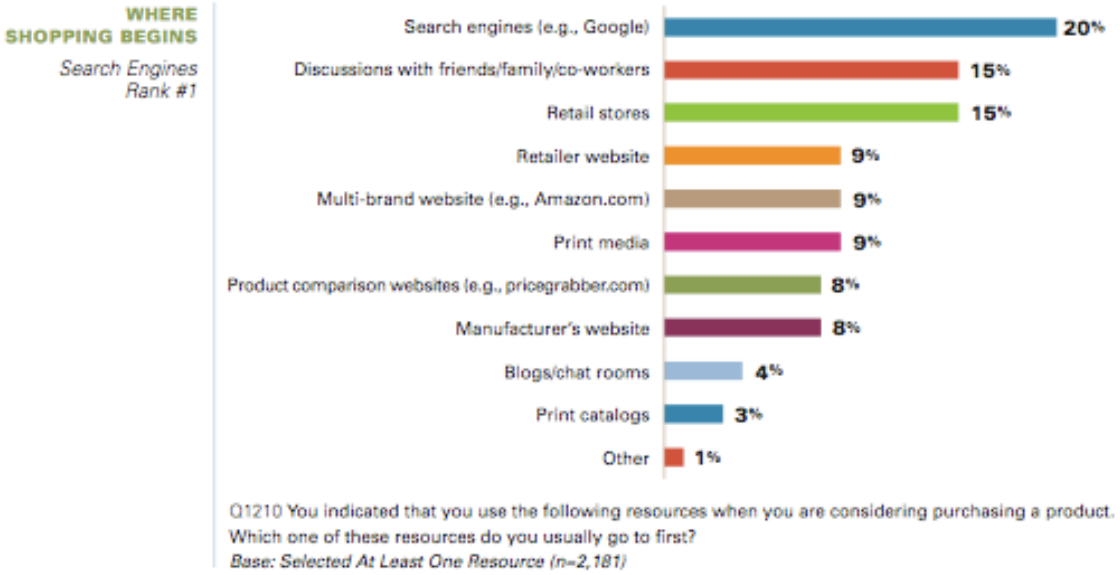
SOURCE: U.S. Dept. of Education, NCES, Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment Survey," various years; and Enrollment in Degree-Granting Institutions Model.

7.2 Market Trends

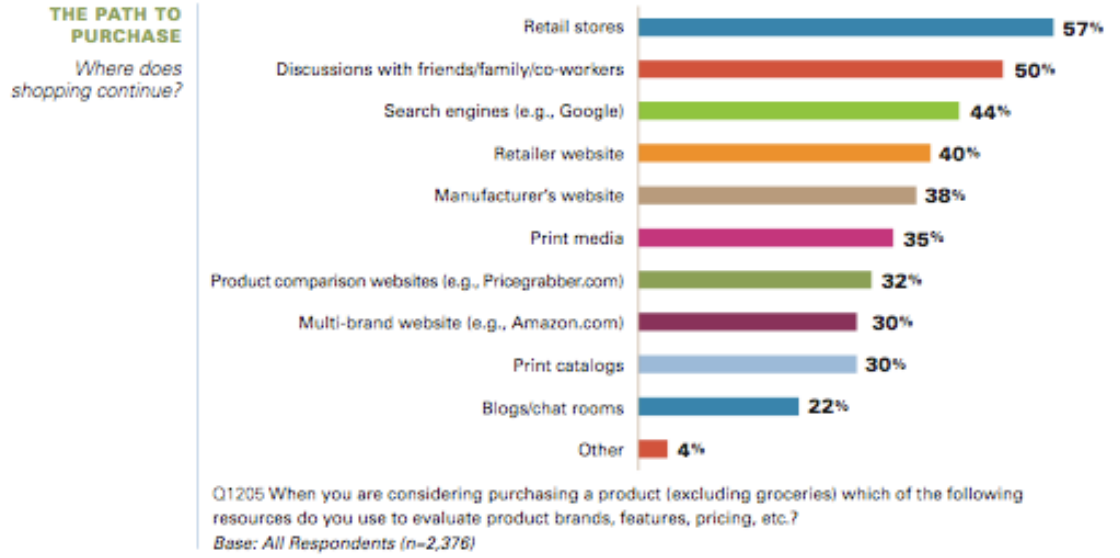
According to the Student Monitor, 88% of students access the Internet daily or more often. Students also spend 19 hours online weekly.

According to a recent study by Harris Interactive on the "Evolving the Protypical Path to Purchase," most consumers begin their shopping through search engines online. 9% of consumers begin their shopping on retail websites. 67% of consumers make their purchase in-stores and 10% of consumers make their purchases on retailer websites. These statistics are depicted in Graph's 1.2-1.4 from the Harris Interactive Study.

Graph 1.2



Graph 1.3

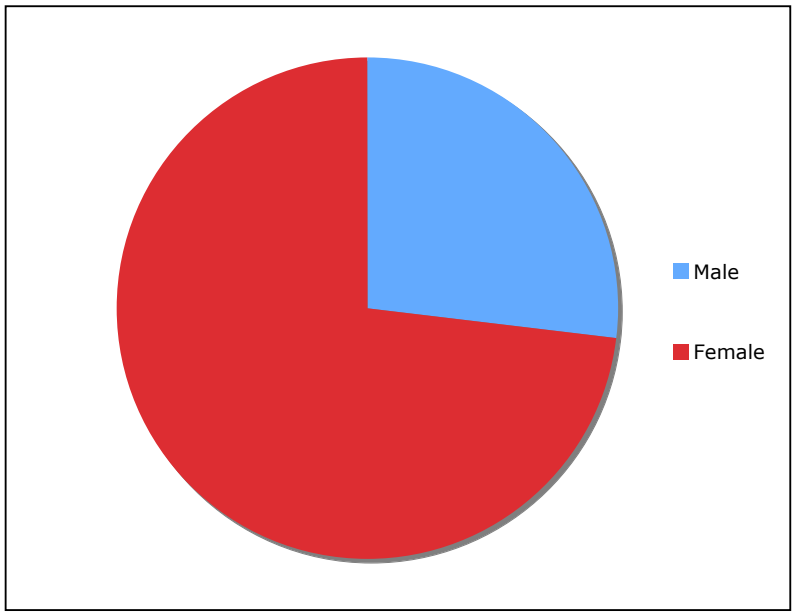


Graph 1.4

7.3 Target Market

- Ages 16-27
- Mostly college students
- Mostly female

Graph 1.5 Amount of female customers vs. male customers



7.4 Competitive Analysis

Photo Alphabet Designs has several online retail competitors. Their most direct competitors are Alphabet Photography, Wordmark Photos, and Sticks and Stones. These websites have a similar idea of taking photographs of letters for customers to design their own posters with. However, these letters are not taken from signs and from any thing that looks like a letter.

There are several other competitors and substitute products that need to be taken into consideration. Substitute products include other online retail stores that offer customers to design their own t-shirts, cards, are different types of posters.

7.6 Marketing Srategy

- Posting flyers in and around campuses
- University and local newspaper advertising and inserts
- Promotional item distribution
- Advertisements at on-campus kiosk

- "Welcome Back to School" registration booths
- Sponsorships of campus or community events
- University and local newspaper advertising
- Indoor/outdoor billboard advertisements at college events
- Banner ads on select related sites with a significant level of traffic
- Links on related web sites
- Traditional media including direct mailings, magazines, radio and TV
- Registration with all the major search engines
- Social Media - Facebook and Twitter pages

Financial Management

8.1 Assets and Depreciation

List of Startup Assets

1. Computer: 13in MacBook Pro 4GB	$1,499.00
2. Printer/fax/copy: HP Photosmart All In One	$399.98
3. Scanner: HP Scanjet G4010 Photo Scanner	$159.99
4. Camera: Sony DSC-HX5V Digital	$349.99
5. Photoshop: Adobe	$85.64
6. Desk: Ikea – Galant Desk Combination Left	$280.00
7. Chair: Ikea – Allak Swivel Chair	$59.99
8. Filing Cabinet: Ikea – Aspivik	$139.00

Depreciation

1. Computer	5 years
2. Printer/fax/copy	5 years
3. Scanner	5 years
4. Camera	5 years
5. Photoshop	10 years
6. Desk	10 years
7. Chair	10 years
8. Filing Cabinet	10 years

Straight Line Depreciation for Assets

1. Computer	1,499.00/5 years	=	$299.80/year
2. Printer/fax/copy	399.98/5 years	=	$80.00/year
3. Scanner	159.99/5 years	=	$32.00/year
4. Camera	349.99/5 years	=	$70.00/year
5. Photoshop	85.64/10 years	=	$8.56/year
6. Desk	280.00/10 years	=	$28.00/year
7. Chair	59.99/10 years	=	$6.00/year
8. Filing Cabinet	139.00/10 years	=	$13.90/year
Total Depreciation			$538.26 for year 1

Straight Line Depreciation Table for the Next 10 Years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
10 yrs	$56.46	$56.46	$56.46	$56.46	$56.46	$56.46	$56.46	$56.46	$56.46	$56.46
5 yrs	$481.80	$481.80	$481.80	$481.80	$481.80					
Total	$538.26	$538.26	$538.26	$538.26	$538.26	$56.46	$56.46	$56.46	$56.46	$56.46

8.2 Income Statement

5 Year Pro Forma Income Statement: Appendix A.1

After reviewing the income statements it seems as though Photo Alphabet Designs will survive in the projected market. Total sales were estimated by taking the prices of the product and multiplying that by the amount of how many were believed to sell in a year. I predicted that each year sales would increase by 10%. Sales will increase due to an increase in awareness after having been on the market. Sales will also increase as the product is expanded and offers of new additions to the products are introduced.

8.3 Start-up Funding

No loans, leases, or investments will be required to start-up Photo Alphabet Designs. All funding will come from Katherine Swick's own money.

8.4 Exit Strategy

Photo Alphabet Designs is projected to do very well financially. However, if the market declines and demand for the product diminishes then Katherine Swick will decide when it is appropriate to stop running the business. When she decides to stop the business from continuing she will hopefully sell off whatever assets are left from the business and exit the entire business while still maintaining possession of her home and other personal assets.

APPENDIX A.1

Pro Forma Income Statement 2010-2015

	Year 1 *2010*	**Year 2** *2011*
Sales	$54,000.00	$59,400.00
Less: Cost of Goods Sold	$26,000.00	$28,601.00
Gross Profit	$28,000.00	$30,799.00
Less: Expenses		
Advertising Expense	$1,200.00	$1,200.00
Supplies Expense	$672.63	$672.63
Website Expense	$529.40	$479.40
Permit Expense	$15.00	$15.00
Salary Expense	$4,800.00	$4,800.00
Sales Tax	$2,160.00	$3,564.00
Depreciation Expense	$538.26	$538.26
Total Expenses	$9,370.89	$11,269.29
Operating Profit	$18,629.11	$19,529.71
Less: Income Taxes (40%)	$7,451.64	$7,811.89
Net Profit after Income Taxes	$11,177.47	$11,717.82

	Year 3 *2012*	**Year 4** *2013*	**Year 5** *2014*
Sales	$65,340.00	$71,874.00	$79,061.40
Less: Cost of Goods Sold	$31,461.21	$34,607.33	$38,068.06
Gross Profit	$33,878.79	$37,266.67	$40,993.34
Less: Expenses			
Advertising Expense	$1,200.00	$1,200.00	$1,200.00
Supplies Expense	$672.63	$672.63	$672.63
Website Expense	$479.40	$479.40	$479.40
Permit Expense	$15.00	$15.00	$15.00
Salary Expense	$4,800.00	$4,800.00	$4,800.00
Sales Tax	$3,920.40	$4,312.44	$4,743.68
Depreciation Expense	$538.26	$538.26	$538.26
Total Expenses	$11,625.69	$12,017.73	$12,448.97
Operating Profit	$22,253.10	$25,248.94	$28,544.37
Less: Income Taxes (40%)	$8,901.24	$10,099.58	$11,417.75
Net Profit after Income Taxes	$13,351.86	$15,149.36	$17,126.62