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# TOPIC 10. BUSINESS PLANNING FOR A TEXTILE AND CLOTHING ENTERPRISE

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Cooperation for innovation and the exchange of good practices [Knowledge Alliance](#)

**ICT IN TEXTILE AND CLOTHING HIGHER EDUCATION AND BUSINESS**

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## AGENDA

- Business planning for T&C entrepreneurs
- Marketing plan
- Operations and production plan
- Management plan
- Financial plan



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## Learning goals and objectives

In this topic the staff trainees will learn what is a business plan, why it is important for their success, how to write a business plan and what are its sections.

## Short summary of content

Business plan definition. Business plan audience. Business plan structure and contents. Marketing plan. Operations and production plan. Management and organizational plan. Financial plan. Business plan recommendations.

## Expected results

Staff trainees will learn the importance of business planning for their business success and the achievement of their goals and desires. To be able to offer a competitive product on the market, to price it and to develop it, to sell it with profit and to be able to attract the necessary funding so to put their ideas into practice.



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## Business plan definition

A **business plan** is a written document, prepared by the entrepreneur that describes all the relevant external and internal elements, involved in starting a new venture. It addresses both short- and long-term decision making.

The business plan is like a road map for the business' development. The Internet also provides outlines for business planning. Entrepreneurs can also hire or offer equity to another person to provide expertise in preparing the business plan.

In developing the business plan the entrepreneur can determine how much money will be needed from new or existing sources.





## The business plan should:

- Provide a strategy to accomplish the company mission.
- Be based on facts and valid assumptions.
- Provide for the use of existing resources.
- Describe an organization to implement the plan.
- Provide for continuity.
- Be simple and short.
- Be flexible.





## Business plan content

A business plan contains mini-plans to address the different aspects of the business:

- **New idea for a product or a service.** Innovative approaches that emphasize speed, flexibility, and the ability to change direction and adapt. Key business concepts such as marketing and finances, and/or be used as a tool to effectively operate the business by organizing company goals and objectives.
- **Sales and marketing analysis** provides specific information regarding the textile and apparel industry in which the business operates.
- **Ownership and management** structure of the business is also a key element of the business plan, detailing the qualifications and duties of the individuals in charge.
- **Financial information** such as accounts payable and receivable, break even projections, and the current financial picture of the business give an accurate depiction of the business' finances.



## Business plan structure

- Introductory page.
- Executive summary.
- Environmental and industry analysis.
- Industry.
- Description of the company.
- Products or services.
- Target market.
- Financial and technical evaluation of the business.





## Business plan structure

- **Introductory page** - the title page provides a brief summary of the business plan's contents, and should include: The name and address of the company; The name of the entrepreneur and a telephone number; A paragraph describing the company and the nature of the business; The amount of financing needed; A statement of the confidentiality of the report.
- **Executive summary** - it should be three to four pages in length and should highlight the key points in the business plan. The summary should highlight in a concise manner the key points in the business plan. Issues that should be addressed include: 1) Brief description of the business concept; 2) Any data that support the opportunity for the venture; 3) Statement of you this opportunity will be pursued; 4) Highlight some key financial results that can be achieved.







## Business plan structure

- **Environmental and industry analysis** - environmental analysis is used to identify trends and change occurring on a national and international level that may impact the new venture. Examples of environmental factors are: Economy; Culture; Technology; Legal concerns. Industry analysis is focused on specific industry trends. Some examples of industry factors include: Industry demand; Competition.
- **Industry:** Here briefly describe your industry; you will go into more detail later. What is your industry? Is your industry growing? What changes do you foresee and how does your company plan to take advantage of these changes? How does your company compare to competitors in your industry?





## Business plan structure

- **Description of the company** - begin with the mission statement or company mission, which describes the nature of the business and what the entrepreneur hopes to accomplish. The new company should be described in detail, including the product, location, personnel, background of entrepreneur. The emphasis placed on location is a function of the type of business.
- **Products or Services:** How is your product or service new and exciting? How are products developed or services provided? Give a brief yet enticing overview of your product or service to include descriptions, pricing explanation, and competitive edge.
- **Target Market:** This section should briefly describe to whom you will market your products. Give a short description of who you think will buy your product and why. To give a frame of reference, include your company's location and whether you anticipate moving in the future.





## Business plan structure

- **Financial and technical evaluation of the business** - it is used to evaluate how long the company could be survival, and its ability to have sustainable profits over a period of time. If a business is viable, it is able to survive for many years, because it continues to make a profit year after year. The longer a company can stay profitable, the better its viability of the business. The financial plan for the business will have at its heart standard features: profit forecast; cash flow forecast; projected balance sheet.





## Marketing plan

Marketing plan will include details about:

- your products and /or services;
- the place in which you sell them and the way that you distribute them;
- the price you charge for them;
- the promotion you undertake.





## Industry and competition

Describe the industry you operate in, as well as the potential or prospects for your business within that industry. When identifying characteristics of your target market you should also determine the size of your potential market. You can determine the size of your market by examining the number of potential customers in a particular area; reviewing the geographic area they live in; analyzing prior annualized sales and considering market growth.

- Who are your competitors in your industry?
- Are there any regulations that apply to your industry?
- What are the trends in your industry, growth, consumer preferences, product development?
- What advantages or disadvantages do you have over you competitors?





## Customers

Identify your target market and profile your customers. Your goal is to find out what people want to buy, not just what you want to sell them.

You should describe your customers' needs, including information about the degree to which those needs are (or are not) currently being met. Specify what needs are you satisfying with your business.

- Who are your current or prospective customers? Describe demographic information like age, gender, income level, etc.
- What do they buy and why? Can they, and will they, buy my product? What price will they pay? Why might your customers prefer your product over the alternatives? Try to describe how each of your major products or services gives value to the customer.
- What market segments or groups are more likely to buy your products?





## Market segment

A market segment or targeted group of customers is a grouping of people sharing one or more characteristics that cause them to have similar product needs. Market segmentation or target marketing is the process of dividing a market into distinct segments that behave the same way or have similar needs. Because each segment is somewhat similar in their needs and attitudes, they will likely respond similarly to a specific marketing strategy.





## Product/service line

Identify and describe all of the products and services your business sells or provides. Explain how the items you sell are priced. Explain how your products and services are competitive. Emphasize your competitiveness.

If you have pictures or brochures describing your products, reference them in this section and include them in an appendix to the business plan.

- What is unique about your product? What are its important features?
- What will it do for the customer? How does it benefit them? Why is it better for the customer when compared to the competition?
- Who are your suppliers?
- In which lifecycle stage is your product or service?
- What research and development activities are you performing or planning?
- What intellectual property rights do you have for your product or service?







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## Marketing strategy

Marketing strategy activities:

- Advertising;
- Community involvement;
- Customer support;
- Distribution;
- Market research;
- Media planning;
- Product pricing;
- Public relations;
- Sales strategy.

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## Marketing mix

- **Place** refers to how the product gets to the customer. Specifically, it refers to the channel by which a product or service is sold or distributed. This is an important piece of information. Are you selling online, in a store, or through sales agents? In your own store or in someone else's? Is that consistent with what your customers want? Is it convenient, comfortable, or ideal for them? How does your distribution channel compare to your competitors? If you have a physical location, how far are you from your competitors?
- **Pricing** refers to the process of setting a price for a product, including discounts. You'll want to discuss how you set prices. How does your price compare with your competition? How sensitive to price are your potential customers? How much of your product do you think you will sell at various price points? Are you going to change your prices often?





## Marketing mix

- The **product** aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants. In this section of your business plan, you can talk briefly about where your product fits in the market.
- **Promotion** includes advertising, sales promotion, and publicity, and refers to the various methods of promoting the product, brand, or company. How do you plan on communicating with customers? What message will you communicate? You'll want to discuss your promotional plans, the budget for this promotion, and how that budget will change through your business's life cycle.





## Sales forecast

- Prepare a month by month projection based on historical sales (if available), industry and market research. You may create more than one projection based on multiple scenarios, particularly if this is a new business or new product. Align forecast assumptions with your market research or historical sales.





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## Garment Manufacturing Process

- Garment Design
- Print + Color Design
- Source and order fabric and trim
- Tech Packs
- Preliminary Costing
- Pattern Development
- Development Sampling
- Pre-Production Process
- Grade Patterns
- Production Samples
- Quality Control Check
- Packing
- Shipping and Logistics



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## Operations and production plan

Methods of production process include:

- **Line production** - just as the name suggests line production is producing goods along a line of production. The goods will be passed along a line containing different stages. At each stage in the line the goods will be altered. Often a person/group of people will be responsible for just one stage in the process. For example, in garment production, until garment components are gathered into a finished garment, they are assembled through a sub-assembly process.





## Operations and production plan

Methods of production process include:

- **Batch production** - this is the method employed when the organization needs to produce a fixed amount of each of the type of goods it produces. In this instance production technique and resources will be adapted, to produce the product required and to produce just the amount required.





## Operations and production plan

Methods of production process include:

- **Continuous flow production (CFP)** - this is simply adopting line production 24 hours day/seven days a week, using automatic equipment. The automatic equipment will operate in the same manner day in day out. The ability to work in this manner is another advantage robots/machinery have over humans. CFP does not involve humans so it is not used in the service industry unlike line production.

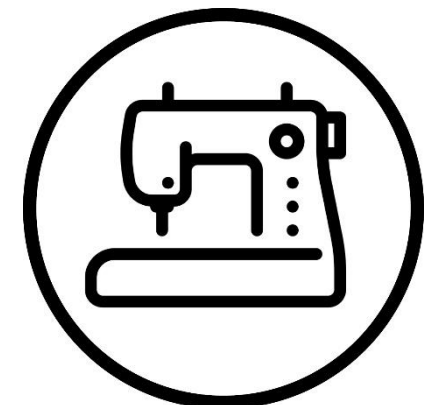




## Operations and production plan

Methods of production process include:

- **Just In Time Production (JIT)** - this method of production generates goods/services “just in time” for them to be sold rather than preparing them months or weeks in advance. To save storage costs, the parts needed to make the end product will arrive just before they are used to manufacture the product. This means that the production process is carefully planned and organised. Production must be efficient and speedy otherwise the goods will not be manufactured “in time” for the customer. Conversely if there are no/few orders then production will slow down or stop altogether.





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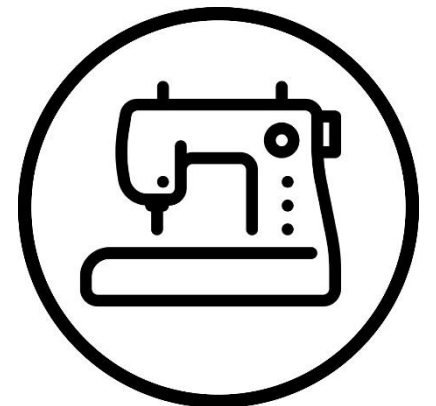
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## Operations and production plan. Assignment 1

Read the article: [What is “Just In Time” Manufacturing?](#)

What are the advantages of the method in the T&C business? List other applications of the method that you know in the textile business.



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## Management plan

- **Mission statement:** The mission statement is a brief statement about who the company is and what it stands for. Some companies use the mission statement as a marketing slogan. However, the true intent of a mission statement should be to describe the purpose of the business - a futuristic expression of hope inspiration.
- **Business Goals and Objectives:** Your business goals and objectives should be specific and attainable. Remember, goals that are not specific will probably not be achieved. An example could be that your business meets a specific level of customer satisfaction or reaches an annual sales target.





## Management plan

- **Legal structure:** What is the legal structure of your business? Here describe what legal requirements your business faces, such as licenses and/or permits your company operates with or needs. It is also an opportunity to highlight special operating achievements or certifications your company has. For instance, your business may have specific security clearances, hold patents, or be quality certified as an ISO 9000 firm. This section should also describe how the company is organized. Specifically, it should explain the legal form of ownership such as the business model. That is, are you organized as a proprietorship, partnership, or corporation and why.





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## Management plan

- **Management structure:** This section should describe the processes that support what your company does. For instance, how is your company's management organized? Who makes decisions? What are the values that drive your company? How many employees do you have, what do they do, and how are they paid? Do you anticipate this changing?

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## Management plan

- **People in the company.** Having the right people with the right skills is vital to every business. A successful business will recognize that, to be competitive in the 21st Century, it must be proactive in training and developing its employees and it must have in place a strategy for achieving this. People planning can be crucial in achieving longer term objectives by equipping employees with the right skills - and it is on those skills that the business will be competitive in its marketplaces. The plan will also cover broad statements on recruitment, employment, induction, training and a range of other related business functions.





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## Recruitment

The process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner. The recruitment process includes analyzing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organization.

The recruitment and selection is the major function of the human resource department and recruitment process is the first step towards creating the competitive strength and the strategic advantage for the organizations. Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews and requires many resources and time.





## Recruitment process

1. Identify Vacancy and Evaluate Need.
2. Develop Position Description.
3. Develop Recruitment Plan
4. Select Search Committee
5. Post Position and Implement Recruitment Plan
6. Review Applicants and Develop Short List
7. Conduct Interview
8. Select Hire
9. Finalize Recruitment







## Financial plan

Finance is one of the important prerequisite to start an enterprise or capital is work as lubricant in a production process. The success of new venture is very much depending on availability of finance or capital.

Not having enough capital is the cause of many small business failures. Adequate capital is needed to start up the business, operate through hard times, and provide a good chance to become a profitable enterprise.

- How much capital will I need?
- How much of my own capital can I put in the business?
- How much capital can I get from someone else?
- How can I convince someone to provide me with capital?





## Assignment 2

Identify exact amounts of funding you will need to start your business and make sure it ties specifically to your financial projections.

What are your current and future (3-5 years) funding requirement. Include time period that each request will cover, type of funding you would like to have (e.g., equity, debt), and the terms that you would like to have applied.

How you intend to use the funds you receive: Is the funding request for capital expenditures? Working capital? Debt retirement? Acquisitions? Whatever it is, be sure to list it in this section.

Any strategic financial situational plans for the future, such as: a buyout, being acquired, debt repayment plan, or selling your business. These areas are extremely important to a future creditor, since they will directly impact your ability to repay your loan(s).





## Financial elements

- **The Projected Balance Sheet** represents the basic accounting equation: assets minus liabilities, equals net worth. It is made up of assets (items of value), liabilities (debts) and net worth (equity or the difference between a company's assets and liabilities). It provides a measure of a business's value at a particular point in time.
- **The Cash Flow Projection** is a valuable tool that monitors and projects the amount of incoming and outgoing cash during a given period (usually monthly) to gauge financial performance. It helps you determine how much cash your business has on hand at any point in time. If your business has a negative cash position, it means that you have more money going out than coming in and may find paying your bills somewhat challenging. It shows you if your working capital is adequate and helps you determine how much and when you may need to borrow money. Don't forget to account for things like selling or buying on credit or irregular expenses.





## Financial elements

- **The Profit and Loss Projection** is a measure of how a business's income has performed over a specific period of time, usually six months or one year. It measures all income less all expenses to arrive at the amount of profit or loss generated by the business for the period. It is also called an income statement or an income and expense statement.





## Important assumptions for financial plan

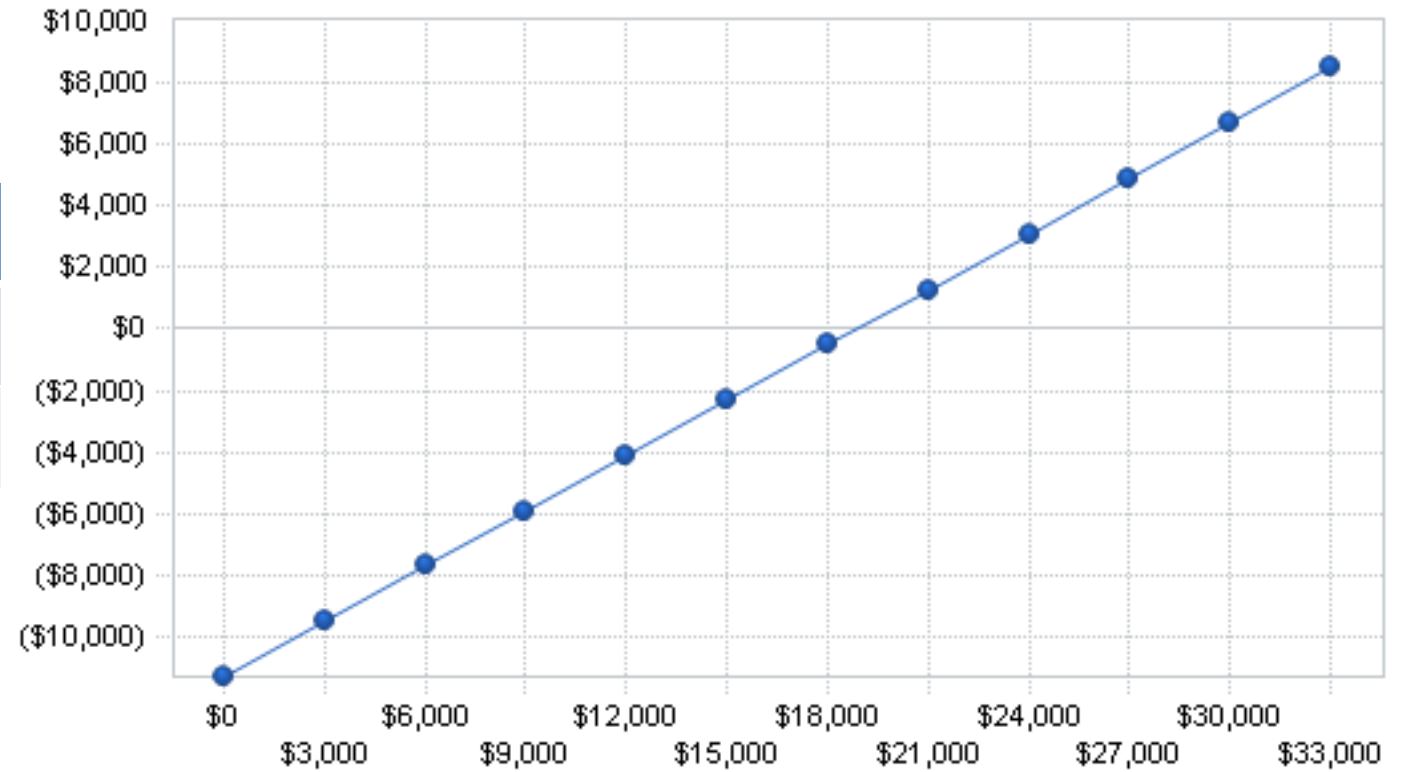
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0



# Financial results. Break-Even Analysis

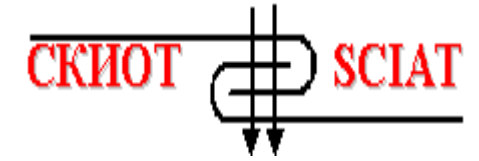
<b>Monthly Revenue Break-even</b>	<b>\$18,844</b>
<b>Average Percent Variable Cost</b>	<b>40%</b>
<b>Estimated Monthly Fixed Cost</b>	<b>\$11,307</b>

Break-even Analysis



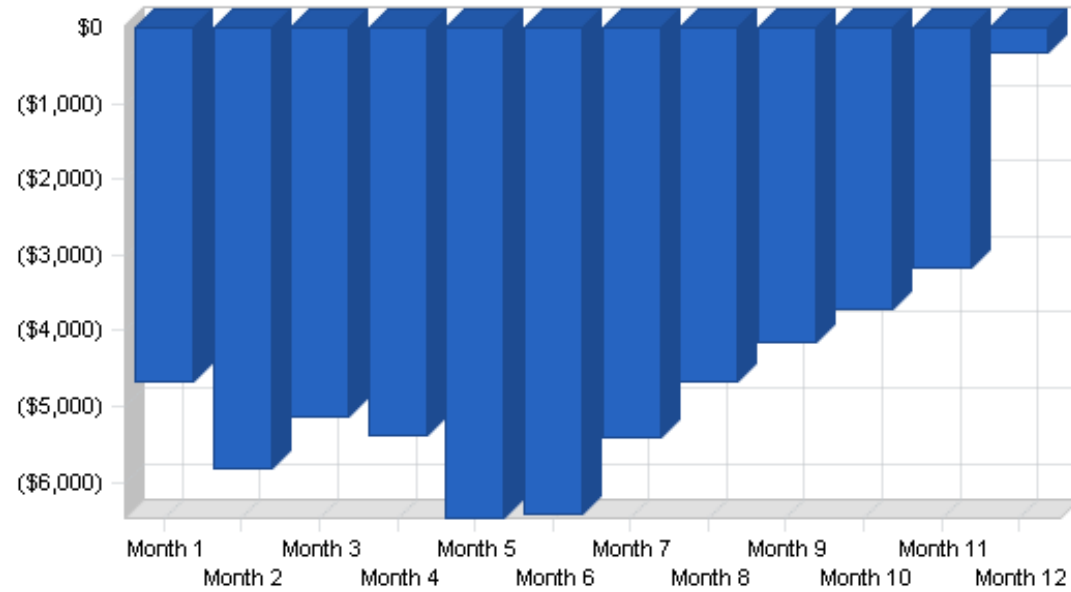


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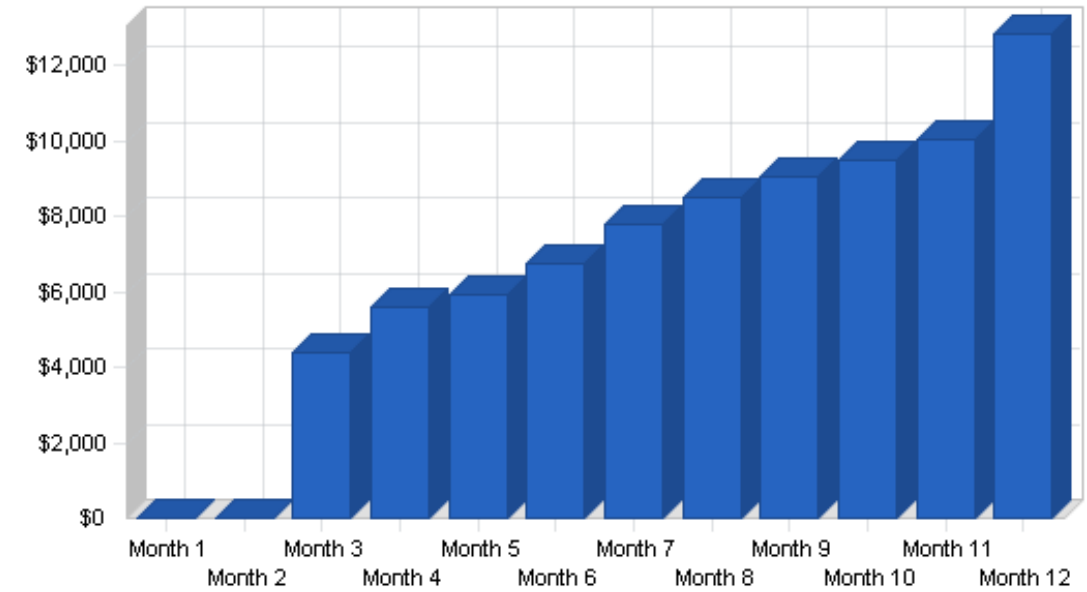


## Financial results. Projected Profit and Lost

Profit Monthly



Gross Margin Monthly





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## Pro forma profit and loss

Sales	\$133,893	\$322,005	\$470,831
Direct Cost of Sales	\$53,557	\$128,802	\$188,332
Other Costs of Goods	\$0	\$0	\$0
Total Cost of Sales	\$53,557	\$128,802	\$188,332
Gross Margin	\$80,336	\$193,203	\$282,498
Gross Margin %	60.00%	60.00%	60.00%
Profit Before Interest and Taxes	(\$55,344)	\$30,503	\$103,698
EBITDA	(\$53,544)	\$32,303	\$105,498
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$0	\$9,151	\$31,110
Net Profit	(\$55,344)	\$21,352	\$72,589
Net Profit/Sales	-41.33%	6.63%	15.42%

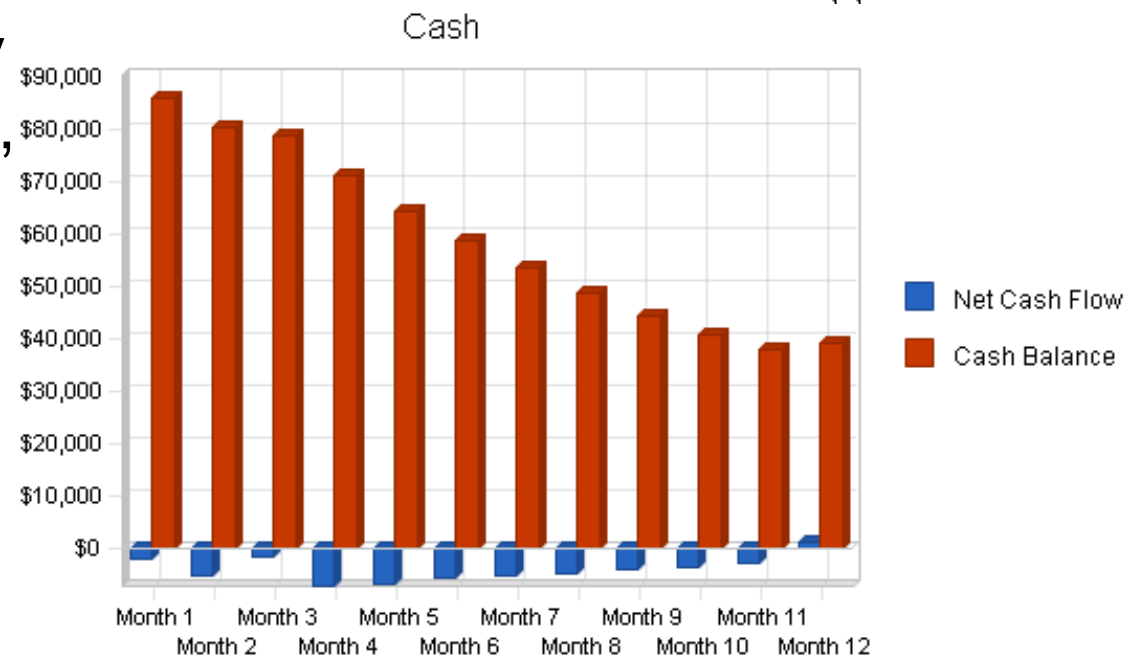
Expenses			
Payroll	\$93,200	\$116,000	\$130,000
Sales and Marketing and Other Expenses	\$6,000	\$6,000	\$6,000
Depreciation	\$1,800	\$1,800	\$1,800
Rent	\$10,800	\$11,000	\$11,000
Utilities	\$3,600	\$3,600	\$3,600
Insurance	\$3,900	\$4,500	\$4,500
Payroll Taxes	\$13,980	\$17,400	\$19,500
Other	\$2,400	\$2,400	\$2,400
Total Operating Expenses	\$135,680	\$162,700	\$178,800





## Financial results. Projected Cash Flow

- Cash flows refer to the movements of money into and out of a business, typically categorized as cash flows from operations, investing, and financing.
- Operating cash flow includes all cash generated by a company's main business activities.
- Investing cash flow includes all purchases of capital assets and investments in other business ventures.
- Financing cash flow includes all proceeds gained from issuing debt and equity as well as payments made by the company.





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## Projected balance sheet

Assets			
<b>Current Assets</b>			
Cash	\$38,932	\$51,165	\$121,724
Inventory	\$9,422	\$22,660	\$33,133
Other Current Assets	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$48,354</b>	<b>\$73,825</b>	<b>\$154,857</b>
<b>Long-term Assets</b>			
Long-term Assets	\$9,000	\$9,000	\$9,000
Accumulated Depreciation	\$1,800	\$3,600	\$5,400
<b>Total Long-term Assets</b>	<b>\$7,200</b>	<b>\$5,400</b>	<b>\$3,600</b>
<b>Total Assets</b>	<b>\$55,554</b>	<b>\$79,225</b>	<b>\$158,457</b>

Liabilities and Capital	Year 1	Year 2	Year 3
<b>Current Liabilities</b>			
Accounts Payable	\$13,798	\$16,117	\$22,760
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$13,798</b>	<b>\$16,117</b>	<b>\$22,760</b>
<b>Long-term Liabilities</b>			
Long-term Liabilities	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$13,798</b>	<b>\$16,117</b>	<b>\$22,760</b>
<b>Paid-in Capital</b>	<b>\$115,000</b>	<b>\$115,000</b>	<b>\$115,000</b>
<b>Retained Earnings</b>	<b>(\$17,900)</b>	<b>(\$73,244)</b>	<b>(\$51,892)</b>
<b>Earnings</b>	<b>(\$55,344)</b>	<b>\$21,352</b>	<b>\$72,589</b>
<b>Total Capital</b>	<b>\$41,756</b>	<b>\$63,108</b>	<b>\$135,697</b>
<b>Total Liabilities and Capital</b>	<b>\$55,554</b>	<b>\$79,225</b>	<b>\$158,457</b>



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## Business ratios

Ratios	Year 1	Year 2	Year 3	Average	Activity Ratios	Year 1	Year 2	Year 3	Average
Current	3.50	4.58	6.80	2.10	Inventory Turnover	10.91	8.03	6.75	n.a
Quick	2.82	3.17	5.35	0.86	Accounts Payable Turnover	7.51	12.17	12.17	n.a
Total Debt to Total Assets	24.84%	20.34%	14.36%	57.27%	Payment Days	27	28	26	n.a
Pre-tax Return on Net Worth	-132.54%	48.33%	76.42%	4.00%	Total Asset Turnover	2.41	4.06	2.97	n.a
Pre-tax Return on Assets	-99.62%	38.50%	65.44%	9.36%	Debt Ratios	Year 1	Year 2	Year 3	Average
Net Profit Margin	-41.33%	6.63%	15.42%	n.a	Debt to Net Worth	0.33	0.26	0.17	n.a
Return on Equity	-132.54%	33.83%	53.49%	n.a	Current Liab. to Liab.	1.00	1.00	1.00	n.a
					Liquidity Ratios	Year 1	Year 2	Year 3	Average
					Net Working Capital	\$34,556	\$57,708	\$132,097	n.a



## Financial plan recommendations

- Organize your financial records.
- Calculate your net worth.
- Establish a spending plan.
- Build an emergency fund.
- Reduce or minimize consumer debt.
- Obtain adequate insurance.





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## Assignment 3

Choose one of the businesses in the [Your Textile and Clothing Business Ideas Document](#) and describe what will be the estimated expenses that you will have. What will be the expected initial costs of your own T&C business idea?





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## Optional appendix of the business plan

- Brochures and advertising materials;
- Blueprints or plans;
- Maps;
- Copies of leases or contracts;
- Any press coverage of business;
- Industry or marketing studies;
- Any other materials needed to support what you claim in the business plan.





## How to write a business plan in fashion design

**Analyze Your Niche.** For example, are you passionate about designing affordable and stylish clothing from organic textiles? Is your clothing inspired by a journey you took or a specific era you've always loved? Really get to the heart of why you started your clothing brand – it's this story that should resonate throughout your business plan.

**Start with Market Analysis.** Once you've introduced yourself and your clothing brand, your plan should immediately launch into a brief examination of your market, including the competitive landscape your business may be facing.

**Demonstrate Customer Knowledge.** It's always worth outlining customer demographics, but consider taking this plan section to the next level by providing customer testimonials. The business plan should include more than just how to make a single sale, but how to create a community around the brand.



## How to write a business plan in fashion design

**Highlight Key Pieces.** Got a few designs that really speak to the heart of your collection?

**Name Your Brand Partners.** Whether you're working with a business owner who's providing you with materials or teaming up with a shipping service, call out your brand's partners in your business plan.

**Share Your Marketing Strategy.** Make sure you mention all the acquisition channels you'll use to bring customers through your doors, like email, social media, digital ads, websites, search engine optimization and blog posts.

**Do a Financial Projection.** Your financial forecast should include a sales forecast, an expenses budget, income projections and a timeline of when you'll break even with your business.





# Business planning for textile and apparel

- **How to Write a Business Plan in Fashion Design**

- **Highlight Key Pieces**

- Got a few designs that really speak to the heart of your collection?

- **Name Your Brand Partners**

- Whether you're working with a business owner who's providing you with materials or teaming up with a shipping service, call out your brand's partners in your business plan.

- **Share Your Marketing Strategy**

- Make sure you mention all the acquisition channels you'll use to bring customers through your doors, like email, social media, digital ads, websites, search engine optimization and blog posts.

- **Do a Financial Projection**

- Your financial forecast should include a sales forecast, an expenses budget, income projections and a timeline of when you'll break even with your business



# Business planning for textile and apparel

- **How to Write a Business Plan in Fashion Design**

- **Go Heavy on Visuals**

- As an owner of a clothing brand, you've likely got an eye for detail and design. Show your talents by including plenty of visuals in your business plan.

- **Emphasize Readability, not Length**

- Business plans have to walk that fine line between being chock-full of important information, while being interesting enough that the reader won't be put to sleep.

- **Put the Story in a Nutshell**

- Even if you think you have a good understanding of your business at the outset, it's still a good practice to write this last; it will likely feel more organized and pull in more information once you have the rest of your business plan nailed down.



## Questions for discussion and tasks

- What is a business plan?
- What are the sections of a business plan?
- What questions do you need to consider early in the process of developing a business plan?
- How would the alteration service business plan for a one-person service operation run from a home differ from that of a sewing manufacturing business requiring 100 employees, equipment and a building?
- Use the business plan templates after the topic and compare what are the differences and similarities between them.



## Questions for discussion and tasks

- What product or service does your business provide and what need does it fill?
- Who are the potential customers for your product or service and why will they purchase it from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start or grow your business?
- What do you need to operate your business?
- What do you think is the best way to present your business plan?
- Do a competitive analysis to show how you stack up against your direct competitors on things like price, your products, service, etc.

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ICT IN TEXTILE AND CLOTHING  
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