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**Aravore Babies 天然高機能服裝：為啟動加州網路
銷售之創業企劃**

**ARAVORE Babies, organic and ethically made clothing: a
Start up Online Business Plan in California**

Student: Rocio Nathalie Perez Jimenez

Advisor: Professor James Liu

中華民國九十九年十一月

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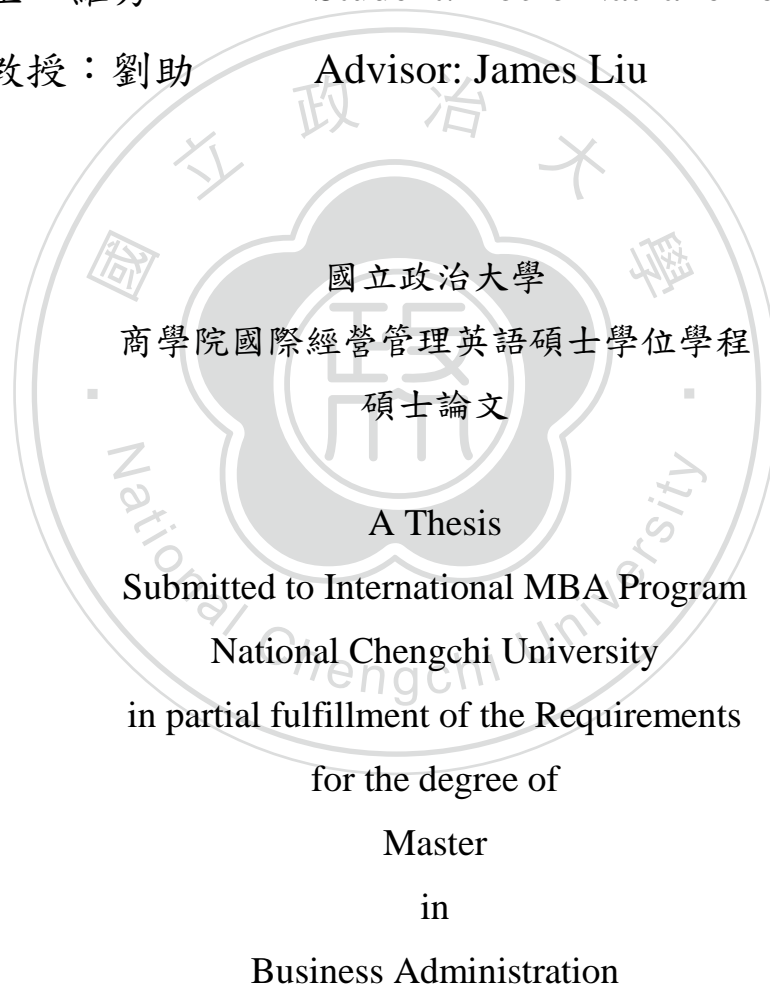
ARAVORE Babies, organic and ethically made clothing: a
Start up Online Business Plan in California

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Table of Content

LIST OF TABLES	iv
EXECUTIVE SUMMARY.....	1
1. BUSINESS BACKGROUND.....	2
1.1 Mission Statement	2
1.2 Vision Statement	2
1.3 The Aravore value and philosophy	2
1.4 Company Goals	3
1.5 Company Summary	4
2 PRODUCTS AND SERVICES	7
2.1 Products Description	7
2.2 Services and Policies	7
3. COMPETITIVE ANALYSIS	12
3.1 The State of the Apparel Industry	12
3.2 Who Buys Children’s Clothing?	16
3.3 Marketing Strategy	16
3.4 Advertising and Promotion	27
3.5 US Moms Online Buying Habits	28
3.6 Media Habits and Social Networking	31
3.7 Marketing and Communication Strategy	33
4. PRICING STRATEGY.....	37
4.1 Why Do Customers Buy Organic Cotton Product?	37
4.2 Why Organic baby cotton is expensive?	38
4.3 Is Organic Cotton Baby Clothing Actually Organic?	38
5. BUSINESS ORGANIZATION AND HUMAN RESOURCES MANAGEMENT.....	39
5.1 Organization Structure	39
5.2 Personnel Plan	40
6. FINANCIALS	40
6.1 Important Assumptions	41
6.2 Sales Forecast	41
6.3 Break Even Analysis	42

6.4 Legal Environment	43
6.5 Cash Flow	44
6.6 Income Statement	45
6.7 Balance Sheet	46
6.8 Business Risk	46
6.9 Long-Term Plan	47
APPENDIX.....	49
REFERENCES.....	53



LIST OF FIGURES

Figure 1. Ordering process	12
Figure 2. SWOT	18
Figure 3. Resources and Capabilities	19
Figure 4. Five Forces Analysis	22
Figure 5. Product Life Cycle Stages	24
Figure 6 Four Ps Model	25
Figure 7. Non price strategies	26
Figure 7 Mothers' purchasing behavior.....	29
Figure 8. Monthly purchases of moms in the USA.....	30
Figure 9. Online holiday shopping behavior of moms in the USA.....	30
Figure 10. The USA adults' purchase online in percentage wise 1995 to 2008.....	31
Figure 11. Most used social networking sites by moms in the USA	32
Figure 12. Organizational structure	39
Figure 13. Breakeven analysis	43
Figure 15. Company products.....	49

LIST OF TABLES

Table 1 Comparison among Competitors	14
Table 2. Sales forecast.....	42
Table 3. Cash flow projection	44
Table 4 Income statement projection	45
Table 5. Balance sheet projection	46
Table 6. Price list of offered products	50
Table 7. Depreciation projection.....	50
Table 8. Operational cost	51
Table 9. Predicted target market size	51

EXECUTIVE SUMMARY

This business plan introduces the company Aravore and represents the idea of a high potential fast growing business. The online retail company Aravore will be operated from a partner home, which is located in Fremont, California, the heart of the Silicon Valley and the Bay Area. The partnership company will sell affordable, beautifully made, and soft baby clothes and bedding, knitted and crocheted in 100% certified organic cotton and organic merino wool. Our target customer, which is a middle-and/or upper-class woman in her 20s, 30s, 40s or 50s with children or grandchildren, ages 0 to 6, environmentally conscious, and with interest in fashion, who can choose and buy the products from our website. The appearance and convenience from our online store, with its pictures, variance, information, and different shipping options, makes shopping easy and pleasurable. The company, Aravore USA, is going to sell online baby clothes and bedding, knitted and crocheted in 100% certified organic cotton and organic merino wool. Since Aravore will only sell and not make the clothes, Aravore USA can be considered a retail business. At the beginning the products are going to be available online only. While browsing through the company webpage, the customer will get a good overview of our products. They then can place their order, which will be processed either the same or on the next business day, depending from the time the order was placed.

Internet gives us a big platform to sell our products to a wide range of customers in the United States of America. We are aware of competition in this business sector, and that customers will compare us with other online stores. However, we are confident that our unique certified product with soft colors, its unique classic and at the same time modern style, thus the service we provide, will be profitable, and fill a niche. It is this uniqueness and variety, what will make this business successful right from the beginning.

1. BUSINESS BACKGROUND

Aravore, (a piece of Heaven/sky) was founded by sisters Yanina and Norah, who were inspired by the natural beauty of their childhood spent in South America. They currently employ over thirty craftswomen in their workshop in Asuncion, Paraguay and five people in London. Yanina and Norah are cousins and we want to expand the family business to be a global brand.

At Aravore, we believe passionately in sustainable fashion and upholding the highest ethical standards along the supply chain. This is why we have a hand in every step of the production process, from the sourcing of the (rain-irrigated) organic cotton and organic merino wool through to the knitting, sewing and finishing that happens at our own workshops in Paraguay. It is very important for us that the growth of the business ensures that everyone involved in this venture enjoys a rewarding job and has a better quality of life as a result.

1.1 Mission Statement

Aravore USA, where organic clothes feel like a piece of heaven, is dedicated to high quality but affordable products, customer satisfaction, a healthy baby skin, and the environment.

1.2 Vision Statement

Be leaders in baby organic clothing. We want to be known on the market, as the number one shopping place for affordable organic cotton baby clothes.

1.3 The Aravore value and philosophy

At Aravore, it is believed that clothes should be for life, not for one season and each and every one of our garments is made with passion and exquisite attention to detail. The Aravore seamstresses & knitters work on each garment by hand, with love – ensuring garments that are not only superbly crafted and comfortable to wear, but can be kept in families for generations to come.

Aravore USA will contribute positively to local communities in Paraguay, where the organic cotton is produced. By selling these fair traded products in the USA, we support employees, suppliers, and local farmers in Paraguay. Besides this, we help create a more sustainable approach to high-quality organic cotton production and to help build stronger local communities. We want to minimize our environmental footprint, to create a great workplace, to satisfy our customer's needs, and to improve diversity. Aravore is currently working on a project to increase the amount of organic cotton that is grown in Paraguay by sponsoring a cooperative of small-scale farmers in their transition from conventional agriculture to organic cotton. This project includes the establishment of a local community fund to carry out improvements in health and education in the local area.

All Aravore items are made from the finest organic materials, having the minimal impact on the planet with maximum durability and softness. Each piece includes a swing tag signed by the seamstress - creating a more direct link between the artisan and the child eventually wearing it and making them into perfect gift items. Each season displays a new collection as well as a small selection of numbered limited edition items. Soft, dreamy colors, simple shapes and extraordinary detailing have become Aravore's trademark, achieving a luxurious look with a vintage feel that is yet modern and very wearable.

1.4 Company Goals

The main goals of Aravore as a retail business is to be practical with high commitment to producing environmentally friendly products and to advocate for mutual trust and benefit for Aravore and its partners, the suppliers. Some of the specific goals are:

To ensure customer satisfaction at all time by providing quality products

To provide ethically and environmentally friendly products

To maintain high profitable business by providing a good range of products

To help local artisans in Paraguay grow by expanding the market share of Aravore

To create and build awareness among consumers the importance of organic products

Their key business objectives over a three-year time frame are as follows:

- ◆ Achieve operational breakeven within the first seven month and make a net profit in year-

one

- ◆ Achieve an annual expected demand growth of 3% in year-two and three
- ◆ To have positive cash flow in the five years projected
- ◆ To maintain a net Income of 30% or higher of total revenues.
- ◆ Beyond year-three, be able to accumulate enough capital for further store expansion

1.5 Company Summary

The word “Organic”, in connection with food or clothes, has become quite popular in recent years. Many people buy these days’ organic products, such as food and baby clothes, to avoid allergic reactions from their children. The aimed business will be primarily merchandise baby clothes and blankets, made from 100% organic cotton. The certified product, whose country of origin is Paraguay, comes from a family owned company named Aravore (meaning “a piece of heaven” in Guarani, the Paraguayan native language). Aravore USA would be the North American sales agent for parent company.

1.5.1 Company Ownership

Aravore team consists of two owners, twin sisters Rocio and Jazmin Perez; two private investors. Jazmin, has lived in US for the last 6 years and has a child age 5. She has a degree in business administration, and is actively involved in woman sport activities with infants; she has a solid understanding of business fundamentals. She will be responsible for the daily business, bills and for filing taxes such as self-employment tax, estimated taxes, and business taxes. I will be responsible for financing the initial capital of the business.

1.5.2 Start-Up Plan

The company, which will be funded with private savings, is going to sell baby clothes and bedding, knitted and crocheted in 100% certified organic cotton and organic merino wool. It can be therefore considered a retail business. At the beginning all sales will be made exclusively online, using a website, which describes why organic cotton, the products, provides pictures, prices, has a secured payment systems, easy checkout, and offers customer

friendly shipping methods. This will enable the business to be opened to the complete North American market from the beginning. The anticipated customers are private persons, such as families with babies, and businesspersons, such as baby store or boutique owners. Besides the online activities, in a second phase growth, it is planned to make the product public to local baby storeowners in the Bay Area, by introducing the product to them and striking deals for carrying the products.

Aravore will find a mentor at the Development Service Center in Fremont, to get some guidance and assistance. We also will take advantage of the free business workshops, sponsored by the City of Fremont, Cal State East Bay SBDC, and Fremont Chamber of Commerce.

1.5.3 Company Locations and Facilities

The business will be located in Fremont, California, U.S.A. Fremont is located in the east of the Bay Area, in the county of Alameda, just a couple of miles from cities like San Jose, Santa Clara, and the big metropolitan San Francisco. At the beginning, the business will take place at home. In this case, we need to obtain a "Home occupation Permit". This permit application is available at the Development Service Center, a governmental office in the City of Fremont.

Aravore USA will be registered in Alameda County. This step needs to be completed before obtaining a Business License from the City of Fremont.

No physical store is needed, since the business will be online, though a later opening of a store cannot be excluded, if the company performs successfully. In order to establish a successful working environment, the company will need one office room for the daily business activities, and one storage room for the products coming from abroad. The office room will be located in an apartment-home, and consists of a desk, chair, a computer with high-speed Internet access, telephone with fax line, and a printer. Office supplies, including pens, eraser, pencils, stapler, scotch tape, post-its, white board, printer paper, and agenda.

The storage-room, which measures 10x30 feet, is located in a public storage place just one mile away from the office, will count with hangers, boxes, and a specific closet for the clothes.

As an online business, the shop will be available 24 hours, 7 days a week, and 365 days a year. The webpage is planned to be online by January 1, 2011, to be able to start with the sales right before the Saint Valentine's Day. This date would be also the first day in business.



2. PRODUCTS AND SERVICES

2.1 Products Description

The company Aravore USA will sell baby clothes, made from fairly traded organic cotton and organic merino wool. Beautifully made and incredibly soft, each item has its own particular charm and identity. The products, which are blankets, ponchos, cardigans, jackets, dresses, coats, pants, mittens, booties, hats, and scarves can be bought online store from the Aravore USA webpage.

Aravore clothes and bedding are made from fairly traded organic cotton and organic merino wool as well as luxurious vintage and re-claimed fabrics and trimmings. Beautifully made and incredibly soft, each item has its own particular charm and identity.

Soft, dreamy colors, simple shapes and extraordinary detailing have become Aravore's trademark, achieving a luxurious look with a classic feel that is yet modern and very wearable. The Basic collection includes gorgeous vintage knits, matching hand knit accessories for babies and toddlers from 0-6 years as well as exquisite shawls and blankets. Each season unveils a new fashion collection as well as a small selection of numbered limited edition items. Only the highest quality organic yarns and fabrics are chosen and harmful dyes and bleach are avoided, so that Aravore's products are kind to the baby's skin and kind to the earth.

Aravore Babies uses 100% organic cotton spun by Promover S.A - AratexOrganica (certified organic and fair trade by IMO - Switzerland). The merino wool is spun by hilanderiaCapen in Argentina and it is certified organic by OIA (Organizacion Internacional Agropecuaria) according to EU 2091/91 organic standards.

2.2 Services and Policies

2.2.1 Placing orders

Placing an order is simple and customers can choose any of the methods listed below:

Online

Customers can shop confidently on our secure website. Customers will simply place products into the virtual shopping cart using the "Add to basket" button. When they are finished shopping, they click the "Checkout" button and they will be prompted to provide billing and shipping information. If at any time they have questions about the ordering process, they can call a toll-free number that will provide answers to their queries.

Phone

By calling at the phone number provided, customer can leave a message if phoning outside office hours and we will contact customers on the following business day. All phone calls will be answered between 8 a.m. until 7 p.m. (Pacific Standard Time). After that time all calls will be forwarded to an automated answer machine.

Email

Customers may email their order anytime to: orders@aravore-babies.com. To ensure privacy, we will encourage customers not to send any credit card info via email. We will contact them for this information.

Shipping and delivery

All orders will be processed on the day they are received subject to payment clearance and stock availability. Orders placed after 7:00 PM will be processed the following day. We will remind customers that it may take up to 5 working days for delivery to their address from the day they have placed their order.

Aravore USA will provide affordable shipping service for every customer. During checkout, the client can choose the desired shipping method from different options. These options will be UPS, FedEx, DHL, and US Postal Service. Depending on how fast the product is needed, the customer can choose, among others, from a five to seven business day taking ground shipping, or next day air shipping method. While the first option (ground shipping) will be the most economic, but slowest one, the other, (the next day shipping) is the most expensive,

but therefore the fastest variant.

All parcels will be sent with a premium sing-for delivery service and the charge includes insurance for the goods sent.

As online business, Aravore USA will sell all products through the local U.S. webpage. The informative and safe webpage with pictures and descriptions of each item will allow the customers to see the product of interest virtually. Once the customer has decided, what product, quantity, and size he/she wants, the items will be moved into the basket. During checkout, the customer can pay, either by using credit cards or the more secure PayPal option. Besides this, the desired shipping method must be chosen and the order submitted. All orders will be processed on the day they are received, subject to payment clearance and stock availability. The delivery will take between one and ten business days, depending on what delivery method was chosen. The professional packed products will be shipped via USPS, UPS, FedEx, or DHL, depending on what the customer decided during checkout. To make shopping at our webpage as convenient as possible we offer Returns and Refunds. A full refund or free exchange is guaranteed for unworn and unwashed items within 30 days of purchase. The original method of payment will be credited, excluding the delivery cost.

Customer Service

We pride ourselves on the quality and efficiency of our service to customers and we will be delighted to assist them in any way we can to make their shopping experience with us an enjoyable one.

Payment Options

We will accept payment by Visa, Master Card and Delta/Maestro Cards. We will also accept American Express card for phone orders. As in UK all payments will be handled securely by Barclaycard, in US a secure system will be used.

Packaging and Gift Wrapping

All Aravore Babies products will arrive in our signature recyclable boxes. There is no extra charge for this service. A hand-written note or card can be added if requested (for online orders, there is an option to add on a message during the checkout process).

Returns and Refunds

We will offer a full refund or free exchange for unworn, unwashed items returned within 30 working days of purchase. We will not guarantee an exchange or refund for any items sent to us over this period. We recommend that customers use registered mail to send items back to us as we cannot accept liability for loss or damage in transit. We will credit the original method of payment, excluding delivery (unless goods are faulty or not as ordered).

Privacy and Security

According to new data from Forrester Research (2009), 62% of non-buying online consumers polled said concerns about giving credit card details. About one-quarter of respondents preferred to research online but go shopping offline. 28% of North Americans go online for other reasons but don't buy there, for a variety of reasons.

The research further revealed that 62% of non-buying online consumers sampled said that they are concerned about giving credit card information over the Internet which held them back, while 55% cited the inability to see an item personally before buying. 25% of non-online buyers said they prefer to research online but buy in a store. 22% cited delivery costs, 21% cited "horror stories heard about online shopping," and 17% don't buy online because they aren't confident the product will arrive in good condition. 12% didn't want to wait for the item to be delivered; others cited a variety of additional reasons.

The biggest obstacle is concern about the safety of entering credit card information on the Web — 62% cited this as a deterrent. Over 50% of respondents said that they'd prefer to see an item in person before buying it. Factors related to delivery, such as cost, product condition after shipping and waiting time until delivery, all ranked lower.

Aravore is aware of this survey and information. To accelerate adoption, Aravore USA must gain trust from shoppers and focus on winning over young females—the most hesitant group of online shoppers with the greatest future spending promise.

That is why Aravore's strategy on this issue is committed to protecting customer's privacy. Aravore will take all the essential measures to make sure that any information customers give us, including credit card details, remains private and secure and that the payment and registration information are processed with total confidentiality and in accordance with data protection laws. It will also show in our web site: The site will have security measures in place to protect the loss, misuse and alteration of the information. All data will be protected using the most advanced methods available. Financial information like credit card numbers or personal information like social security numbers will not be stored on the site.

Sourcing and fulfillment (logistic)

Aravore USA will get the supplies from the branch in the United Kingdom, which has been successfully established for years. With the help of their shipping expertise, the products will be sent to our office location in Fremont, California.

Due to the geographical position from the two offices, the route will be as followed: Aravore UK storage London → Cargo loading at London Heathrow Airport → Cargo receiving at San Francisco International Airport → Aravore USA office in Fremont, California.

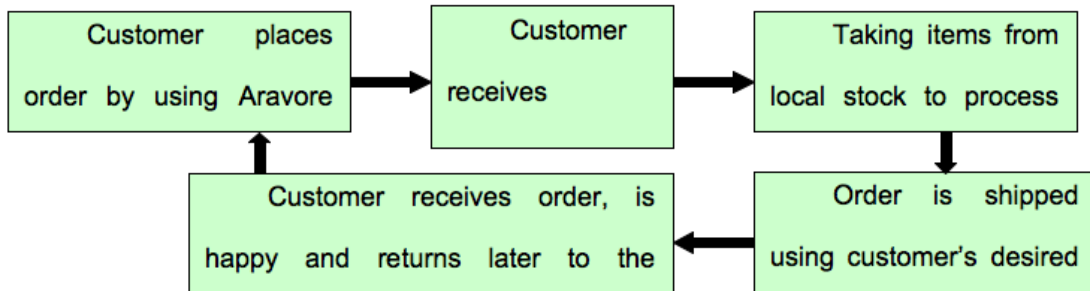
International expedition will be used for the shipping. Once the products were received and checked at the office in Fremont, California, the items will be transferred to the local storage, using a private car/truck.

The customer will order the products by using the Aravore USA webpage.

After his/her order submission, he/she will receive an order confirmation via e-mail, or fax. The order will then be processed by taking the items out of the local storage, packed and shipped to the customer, using his/her desired shipping method. Please see the figure1 below

for the general delivery chain:

Figure 1. Ordering process



3. COMPETITIVE ANALYSIS

The competitive analysis section describes the nature of the industry of baby clothing and further analyzes the competitive advantage of Aravore and also its major competitors

3.1 The State of the Apparel Industry

As already mentioned before, the company, Aravore USA, will operate online. This guarantees a wide customer range, but also means competition with other similar stores, which are already online. We think that three of our major competitors are Kate Quinn Organics (www.katequinnorganics.com), Baby Bunz (www.babybunz.com), and Heavenly Organic (www.heavenlyorganic.com).

Comparing the three businesses, all of them focus on selling organic cotton clothes for babies. Although there are some key differentiators, some of them with more variety of colors, wider target of recipients, and diverseness of products offered; all of them propose similar measurements of quality. Some of them introduce exclusive offers, attracting customers through free shipping with a minimum amount of money on shopping. There are some divergences in return policies, and in shipping conditions. Below is a brief comparison of their prices in similar products offered, and some conditions about the shipping and policies

of return.

Kate Quinn - Katequinn.com (1): manufactures its products with 100% organically produced cotton certified by Control Union Certification, and also Fair Trade certified. Among their product ranges are baby clothes, baby accessory, baby bedding, bath, and they are proposing new product line to be out soon.

Baby Bunz & Co. - Babybunz.com (2): They are also involved in producing organically made products. A special collection of their offering include natural baby basic, offers clothes diaper, and additional organic cotton soft-wears and toys, and a selection of diapering products.

Heavenly Organic - Heavenlyorganic.com (3): They carry a selection of 100% organic cloth, diaper covers, accessories, and clothing for babies. Members recognize their responsibility to a healthy environment and donate at least 1% of their annual sales to environmental organizations worldwide.

The comparison table tells that prices range within the average in the three stores, although the differences are not too big. The shipping makes the difference, especially with Heavenly Organic (3), providing various shipping options.

We are aware of that customers will compare us to the three mentioned online stores, but we are confident that our unique product thus the service we provide will fill a niche. Each season reveals a new collection as well as a small selection of numbered limited edition items. Soft, dreamy colours, simple shapes and extraordinary detailing have become Aravore's trademark, achieving a luxurious look with a vintage feel that is yet modern and very wearable.

Table 1 below shows the comparative prices among the competitors. The table also gives a comprehensive analysis of the different shipping methods and return policies by these different competitors.

Table 1 Comparison among Competitors

Item	ARAVORE Babies	Kate Quinn	Heavenly Organic	Baby Bunz & Co.
Certified cotton	100% organic cotton, certified	100% organic cotton certified products	100% organic cloth	They are involved in producing organically made products
Products	Baby clothes, two seasons per year,	Baby clothes, baby accessories, baby bedding, bath	Organic cloth, diaper covers, accessories, and clothing for babies	Baby basic clothes, clothes diaper, and toys, and a selection of diapering products
Tops	\$45.00 avg	\$42.00 - \$44.00	\$30.40	\$34.00 - \$12.00
Bottoms	\$35.00	\$26.00	\$17.00	\$13.00
Gift sets	\$75.00 a basket with 4 organic items	Any desirable amount is available as gift certificate	\$25.00 - \$50.00-\$100.00	\$42.00 a basket with 4 organic items
Shipping	Optional: UPS, FedEx, DHL, US PS. Ground shipping most economic.	Delivers within US, orders over \$100.00 are shipped for free.	Optional: USPS, FEDEX, UPS, Free shipping with any purchase over \$75, in U.S.A. only.	Different charges according to the total amount, shipping through UPS.
Returns	Full refund or free exchange for unworn, unwashed items returned within 30 days of purchase.	All returns must be postmarked within 30 days of package receipt. A copy of packing list or receipt is needed.	30 days unconditional money back guarantee. Returns will not be accepted without the copy of receipt.	Returns within 30 days for exchange credit or refund. Items must be in original condition and packing.
Website	www.aravore.com	www.katequinn.com	www.heavenlyorganic.com	www.babybunz.com

With an estimated \$44.1 billion in 2009, the children’s clothing market has faced challenges since 2006 due largely to the unfolding economic crisis. The downturn has compelled

families to economize and reduce spending on children's clothing by limiting replacements, downgrading to less expensive brands, seeking out sales and turning to less expensive retailers. In addition to examining the ways consumers, suppliers and retailers are dealing with the economic crisis, a research on the market has concluded on the following tendencies:

- The growing number of older, single mothers, and how their tastes and spending differ from other moms
- The rapidly-growing Hispanic youth population and how their numbers will serve to sustain the market as it wait out the down economy
- The green movement has shown up in children's clothing, driving interest in organic clothing and influencing designs and graphics
- Moms turn to retailers for children's clothing
- Recession drives down demand, compels consumers to change shopping habits
- Concern with environment and child safety drives demands for organics
- Advertising and marketing emphasize savings and value during downturn
- The amount spent on clothing is driven by income and age of children
- Choice of retailer varies substantially with mom's age and income level
- Moms enjoy shopping for their kids
- Age appropriate clothing a key concern, especially for moms aged 35+
- Moms are changing their shopping habits to cut down costs
- Hispanics show high demand for children's clothing and warrant long-term focus
- Impact of Race and Hispanic Origin:
 - Hispanics spend the most on children's clothes
 - Upper-income blacks invest heavily in children's clothes and warrant focus

All the above plus the fact that moms represent a \$2.1 trillion market and are a multi-faceted group have been taken into consideration in this online business plan. Aravore US has a potential market the United States of America. With a population of 310,232,863 (July 2010 est.) million people, and twenty percent of those are in the ages between 0 and 14 years (CIA, 2008), the target market is immense. Due to the topographic location of the United States of America, the market can be later easily extended to Canada in the North.

The consumer data survey also reveals interesting information about the population growth rate which stands at 0.97% and a birth rate of 13.83 for 1,000 populations (2010 est.)

3.2 Who Buys Children's Clothing?

- Moms are the dominant shoppers, with older moms turning to more hand-me-down (Incidence of buying children's clothing, by age, May 2009)
- Tiered pricing warranted as clothing is a necessity for parents with children
- Moms are changing shopping habits and open to secondhand clothing
- Moms trade down and turn to affordable, private label brands

As a summary of all those facts from above, Aravore can target customer middle-or upper-class woman in her 20s, 30s, 40s or 50s who has children or grandchildren, ages 0 to 6, is environmentally conscious, and has interest in fashion.

A number of findings suggest that younger moms may take more pleasure in shopping for kids and are also open to more fashion-forward products, including sophisticated looks and pricier offerings (Mintel's consumer research, September 2009).

3.3 Marketing Strategy

Insightful opportunities after recent surveys, shows that differentiation Strategy for younger vs. older moms is needed, where younger moms shop for fun and may seek cooler and fashion for kids, highlighting more traditional kids' styles and value proposition when speaking to older moms. The market of Aravore is divided according to the following segments:

Age: children, ages 0 to 6 years old

Gender: male and female

Family cycle: families with children

Income: medium, high (\$54,000 yearly and above)

Lifestyle: conservative, trendy, and economical

Social class: middle, upper

Interest: online shopping, children's health

Attitudes and beliefs: eco-friendly, health conscious

3.4.1 SWOT Analysis for Aravore

The strength of Aravore as can be seen is that it is vertically integrate with suppliers of organic cotton. This is very important as it can have easy access to raw materials and timely availability in order to be ahead of competition. This can also lead to strong supplier relationship while minimizing the cost of input and inventory.

Aravore has a highly differentiated product which is made from certified organic cotton. The flexibility in its business model to gather resources and increase turnover provides superior advantage.

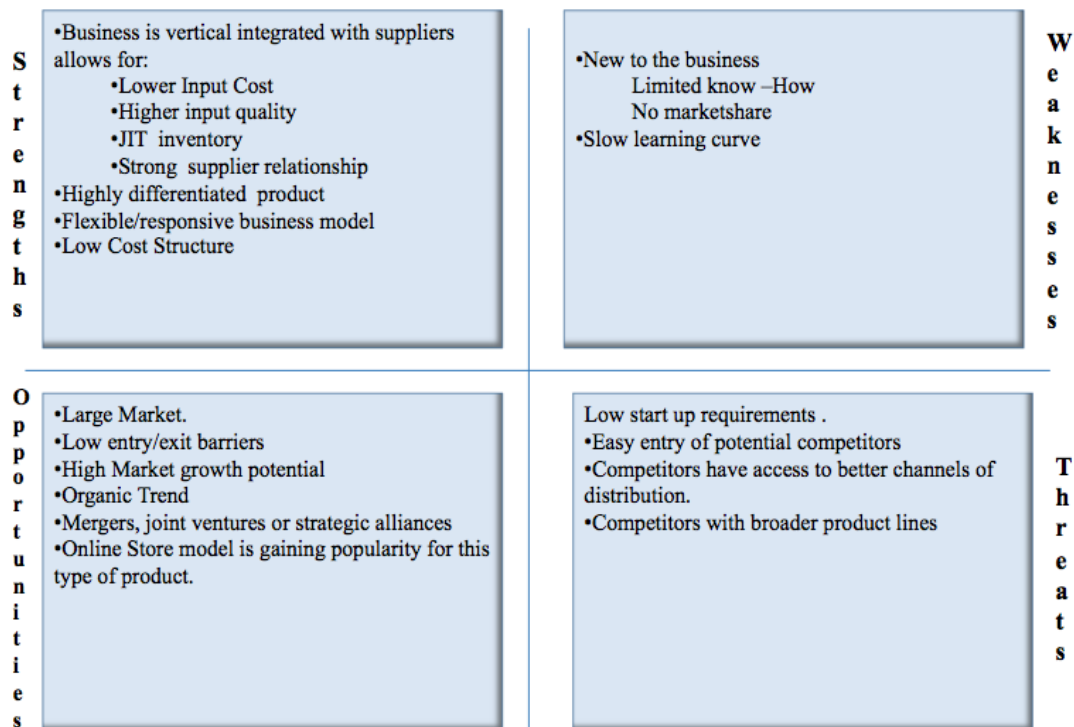
The weaknesses of Aravore are that it is new in the market relative to its major competitors. With little or no market share, Aravore will have to compete with little cash. In order to be successful, Aravore US will have to increase its learning curve to catch up with already established competitors.

The opportunities for Aravore are abundant. The US market is very large and continue to grow. The estimates are very positive for Aravore US. The online market is growing especially in the organic clothing segment. This means that Aravore can capitalize on this trend and make competitive inroads in the first year of business. There is also an opportunity for strategic alliances with suppliers and other chain stores to sell the products of Aravore. In this way, Aravore will leverage on the market share of these chain stores. This is very crucial for success and where necessary, Aravore will consider joint ventures with partners to penetrate the market.

However, there are some threats for Aravore. With a low entry barrier, this market can be very competitive and bloody. Businesses that have deep pocket can easily come in and dilute

the market share. There are no labor laws inhibiting potential entrants. This means that companies that have higher and wider product range and reach with strong distribution networks and easily come in and take the market.

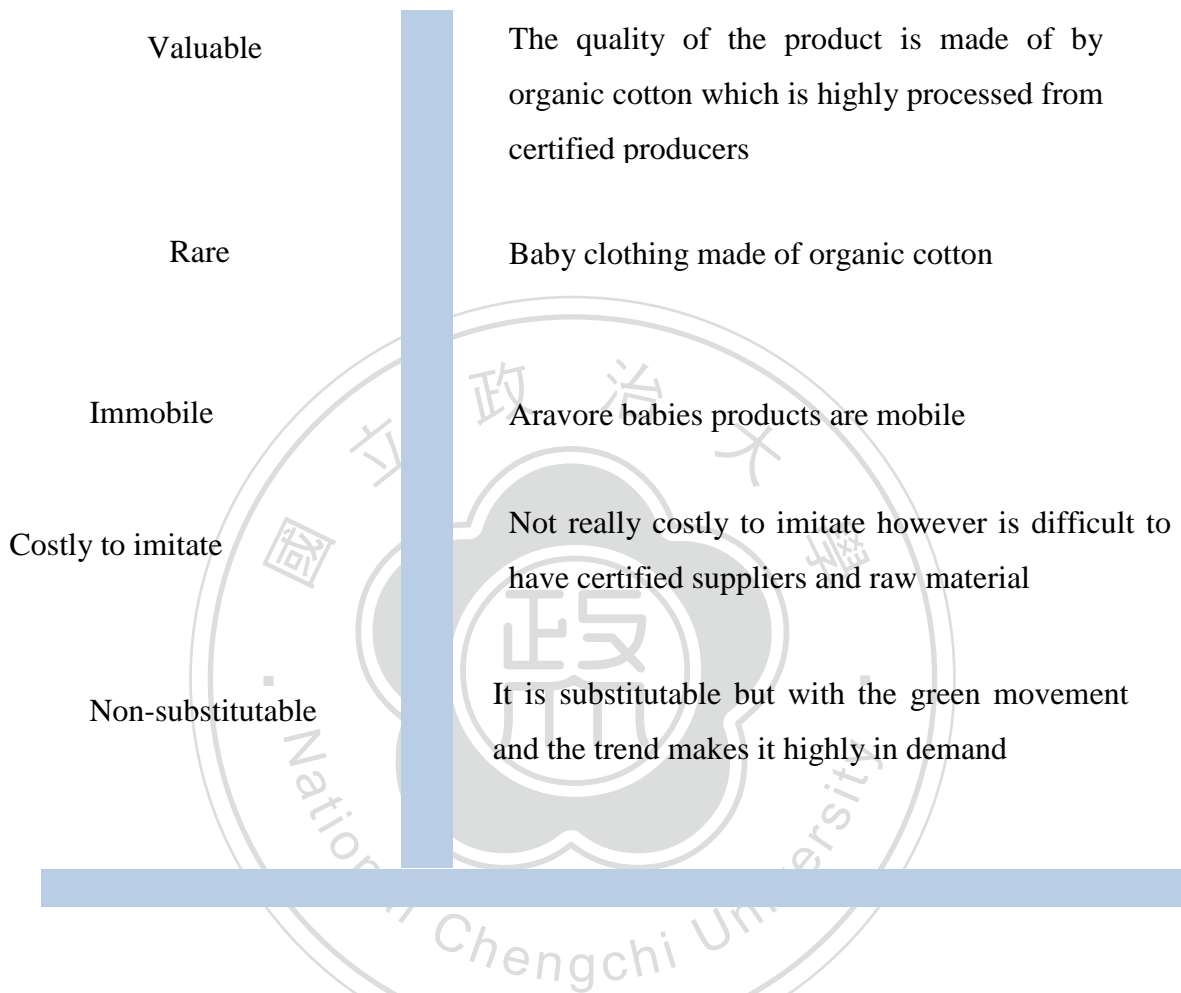
Figure 2. SWOT



3.4.2 Resources and Capability Analysis

In order to differentiate Aravore and its products from its competitors, a Resources and Capabilities Analysis is conducted to see what are the valuable, rare, immobile, costly to imitate and non-substitutable offerings of Aravore US. This will determine how easily and fast Aravore can succeed in the US market.

Figure 3. Resources and Capabilities



1. Valuable: The quality of the product is high which made of organic cotton. These highly processed products from certified producers are healthy and environmentally friendly to baby skins. This makes the product of Aravore even more valuable compared to some competitors. Another competitive edge Aravore has over its competitors is that all products are 100% handmade adding to the beauty and style of the clothes.

2. Rare: Baby clothing made of organic cotton are rare even though the trend is changing towards them. This is due to the scarcity in organic cotton producers. Organic cotton means, the cotton has to be grown organically and treated and processed organically. This process is

time consuming and with the mass market production, this is not very viable. Therefore, many companies combine organic and chemical components to produce baby clothing. Aravore employs many artisans in Paraguay who are skillful in handicraft. The design is uniquely made from computer simulations and sent to these experts in Paraguay for sewing and knitting.

3. Immobile: However, Aravore products are mobile but the cooperative we belong is immobile. This is one the advantages Aravore enjoys. In Paraguay, there are cooperatives that control organic cotton in order to sustain and support the indigenous cotton industry. This support and control from government will help Aravore to maintain its competitive edge in the supply of certified organic cotton.

4. Costly to Imitate: The products Aravore makes are relatively costly to imitate but it is difficult to have sufficient supply of certified cotton to feed the mass market. We will continue to strengthen the supplier relationship to sustain the competitive advantage.

5. Non-substitutable: Even though the product of Aravore substitutable, the green movement and the new trends in environmental products serve as a good sign for success for Aravore.

3.4.3 Five Forces Analysis

According Michael Porter's Five Force analysis, the industry of the organic clothing should be analyzed on the following five elements.

Industry Rivalry: There are three main competitors in the US that have considerable market share. However, the intensity is medium since the market is still in the growth stage. There is sufficient demand for the industry which means that other companies can come into the market easily to tap the benefits. There are low exit barriers with low barriers to entry.

Entry barrier: The international certification is the main entry barrier. Once potential entrants have this certification, they can enter the market without much restraint. There is also low capital requirements compared to other industries. This may allow easy entrance from potential competitors.

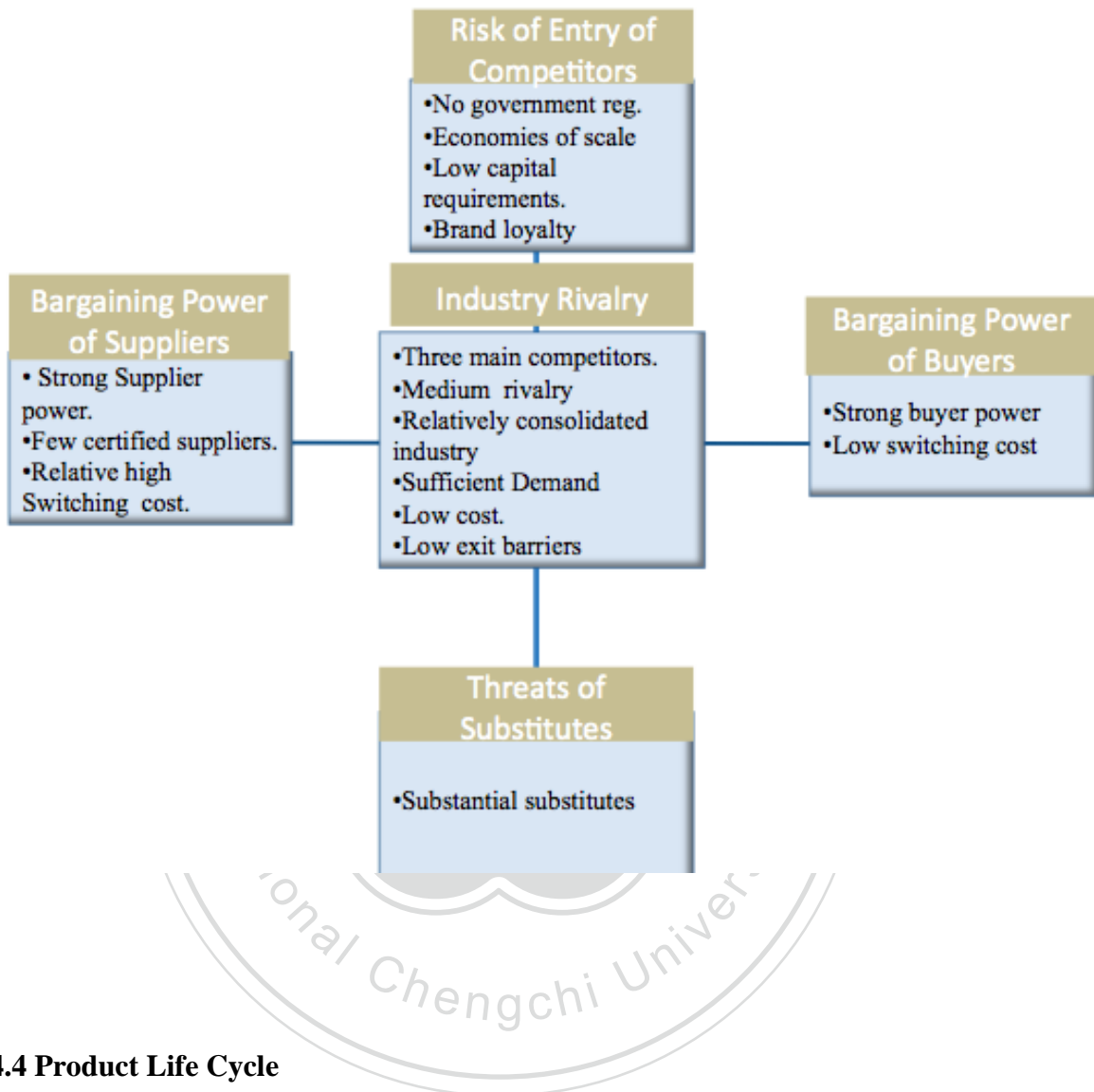
Bargaining Power of Buyers: Due to the low switching cost buyers face, there is considerable buyer power for the product of Aravore. Buyers can freely choose between products at any given time.

Bargaining of Suppliers: due to the availability of few certified suppliers of organic cotton, suppliers tend to have strong power over Aravore.

The Threats of Substantial Substitutes can not be neglected. Aravore must plan and prepare for fluctuation in demand specially in economic down turn, when customers will be force to cut on their spending, there by buying cheaper products. Aravore should also educate consumers about the qualities and benefits of organic products versus non organic ones.

If Aravore build brand loyalty fot its products, we will have an absolute cost advantage with respect to potential competitors.

Figure 4. Five Forces Analysis



3.4.4 Product Life Cycle

Stage in the Product/Industry Life Cycle: An important determinant of the strength of the competitive forces in an industry is the changes that take place over time. A useful tool for analyzing the effects of industry evolution on competitive forces is the Industry Life Cycle. The development of most markets follows a growth curve similar to that illustrated in industry life cycle figure below. As the graph shows different groups of customers have different needs as they enter the market over time and this has major implications for a company's product differentiation and market segmentation decisions. Figure 5 shows the quantity of product sales on the (Y) along the time period (X)

Aravore is in the second stage, the **early adopters**, which means the customers understand that technology or innovation might have important future applications and are willing to experiment with it, meaning try new trends or products of features so see if they can pioneer uses for it. Early adopters are often visionaries who appreciate how this new products may be used in the future and try to be the first to profit from its use.

Early adopters enter the market while the industry is in its embryonic stage.

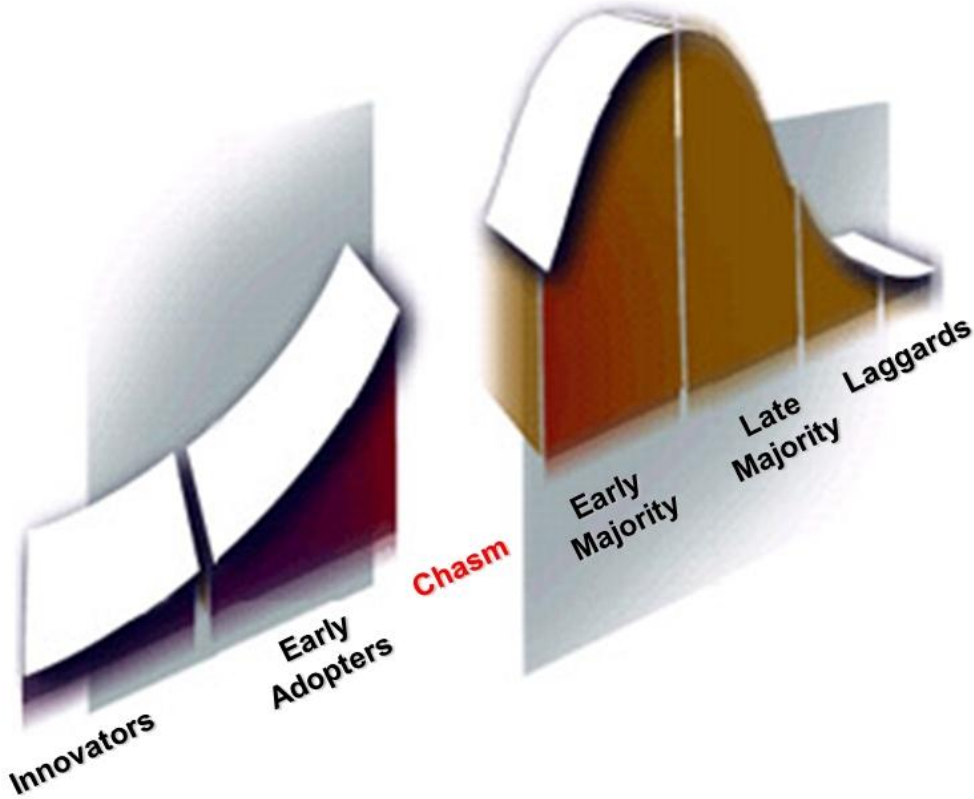
The next group of customers, the early majority, represents the leading wave or edge of the mass market. Customer in the early majority are comfortable with the new product. However, they are pragmatists, they weigh the benefits of adopting new products against their costs and wait to enter the market until they are confident that the product will offer them tangible benefits.

The turning point from the embryonic market to the mass market is not a smooth transition, sometimes it implies a competitive chasm or gulf, a gap that companies must cross. If companies fall into the gap they go out of business.

Strategies matched to fit this stage

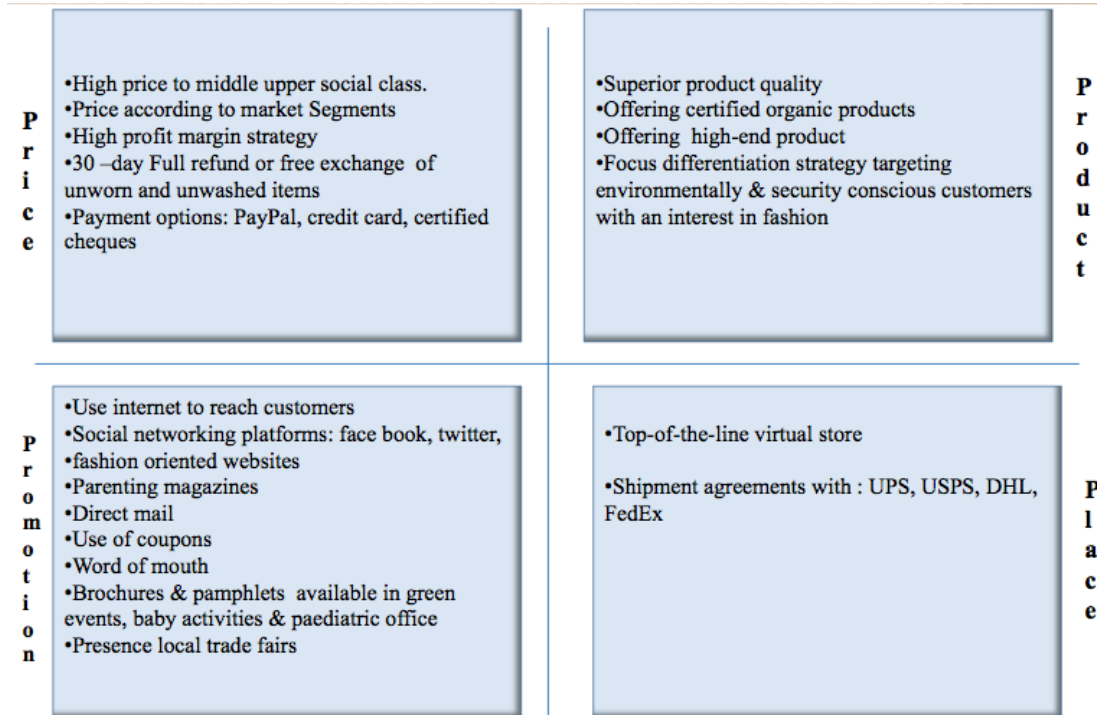
Aravore should build new competencies, creating a business model that can successfully cross the chasm. For example identify the customers' needs, then developing new strategies and redesigning new products continuously, creating exclusive lines, assuring distribution channels and having marketing campaigns to reach the early majority. In this way we will have a suitable product, at a reasonable price that can help us penetrate the market easily.

Figure 5. Product Life Cycle Stages



3.4.4 Business Strategy

Figure 6 Four Ps Model



Non-Price Competitive Strategy:

Product differentiation allows industry rivals to compete for market share by offering products with different or superior features. Product and market segment are the dimensions used to identify four nonprice competitive strategies: market penetration, product development, market development and product proliferation. Notice that Aravore will concentrate on expanding market share in an existing product market, so it will engage in a market penetration strategy. This will involve strong advertising to promote and build product differentiation. This will be done through marketing campaign aiming to influence customer's brand choice and to create a brand-name reputation for Aravore and its products. Because brand-name products often command premium prices, building market share in this situation is very profitable.

Figure 7. Non price strategies



3.4.5 Why Buying Aravore Products?

Aravore has organic cotton, and we adhere to labor standards of Fair Trade. Aravore products are also made out of certified cotton that is certified by IMO Control-Switzerland. Aravore is also ethically concerned about paying the just price to the artisans in Paraguay by making sure they are not only empowered and have access to open markets but also they improve their livelihoods and their families and communities through a trade to the benefit of all. Aravore engagement with the local Paraguayan community is a measure of Fair Trade.

Even though consumer demand for US-grown organic cotton has skyrocketed over the last few years, the supply of US-grown organic cotton has decreased significantly during that same period. The main reason for this is simply overseas competition. It is much cheaper to produce organic cotton in India, Turkey, PARAGUAY, for example, than it is to produce it in the United States. Without commitments from buyers to pay them for their organic cotton crops, farmers have been forced to turn to other more profitable crops.

3.4.6 Market Segmentation

The consumer market segmentation will be geographically seen in the United States of America, as long as it will be an online business and only available within the 50 states. The demographic segmentation will include babies and toddlers, children from 0 to 6 years old, male, female, as well as families with any ethnicity, nationality, and social class.

3.4 Advertising and Promotion

The products will be located at a warehouse in Fremont, California. During the start-up, Aravore will mainly focus on word of mouth strategy and mailing to let people know about the existence. Aravore will advertise in 2 or 3 different parenting and woman's/children magazines to impress and build brand awareness. Aravore will also use online advertisement as resource to communicate with potential customers. To maximize advertisement effect, Aravore will focus on baby cloth, organic product, environmentally friendly product, fair trade, certified cotton, and other key factors for customers to be aware of the qualities and differentiation factors that made Aravore's products unique and special from the competitor. Aravore will have links in its web page, link with other related companies and will have periodic publications about the trend of using eco-friendly products. As the segment target are active woman who has constant network, Aravore already has a Facebook account but will open an Aravore US account to strengthen the relation with local consumers.

Our customers though, can find them mainly by visiting our webpage and in advertisements through magazines all over the United States. To assure that the webpage will reach a wide range of customers right from the beginning, advertisements in magazines such as "Parents", "American Baby", "Cookie", "Parenting", "Green", among others, are planned. These magazines are specially focused on either family, parental care, or green products. Besides this, the products will be available throughout local "green fairs" or special "trade fairs". This will give us the opportunity of having direct contact with customers in the Bay Area of California.

The best way to advertise the products is the media, and according to that we will invest

mainly in parenting magazines, Internet, and direct email. Placing coupons and discounts in advertised magazines will be our sales promotion. These coupons can be later used in the online store during checkout.

Aravore will also provide business cards, brochure and pamphlets available in special "green" and organic events, fairs, mother to be classes, baby-activities classes and events, pediatric offices if possible, and others.

The website fits into the advertising and promotion plan, because it will tell how the company was born, the origin of the cotton, why organic cotton, an introduction of the people involved, the name of the company, and the process of making the products. A special link with the picture of magazines, where articles about our products have been cited, will be included in the web. During local trade shows Aravore plans to have a small stand, where business cards, brochures, pamphlets, and of course, the products will be presented. Introducing the products in a special arrangement at trade shows will capture future customer's eyes.

3.5 US Moms Online Buying Habits

Mom's habits on gifts: According to the United States economy statistics and industry report, updated, May 2010, Moms plan to buy different holiday gifts for their children depending on age of children. The gift moms find most appropriate for children 6 years old or younger is toys, followed by clothing and books.

Figure 8 Mothers' purchasing behavior



The most popular time for Moms to start shopping for the holidays are October (27%) and November (37%) (Report, 2009). This is consistent with the shopping tendencies of Moms in 2007 and 2008. This is a very important data in order to plan our sales and promotions around these dates. Find below the summary chart of the research.

Figure 9. Monthly purchases of moms in the USA

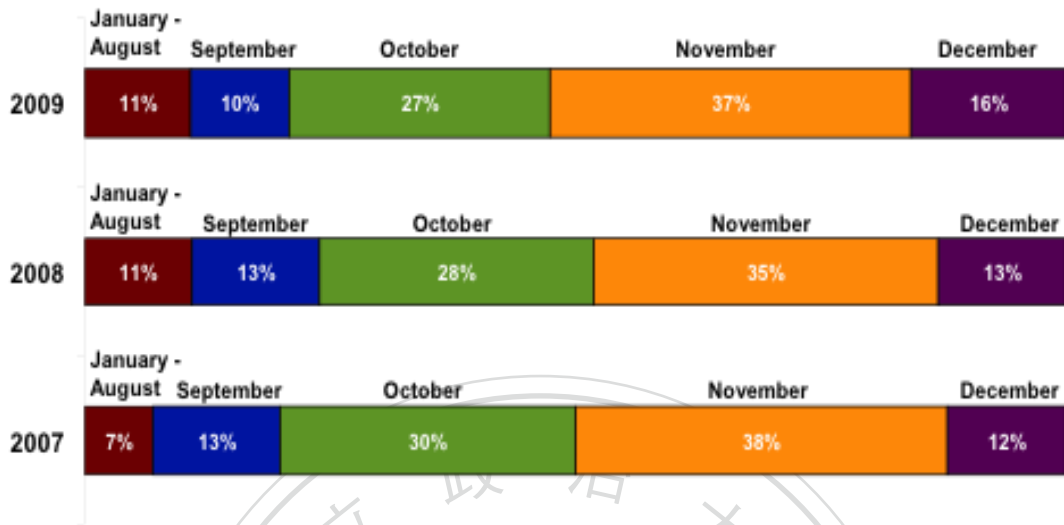
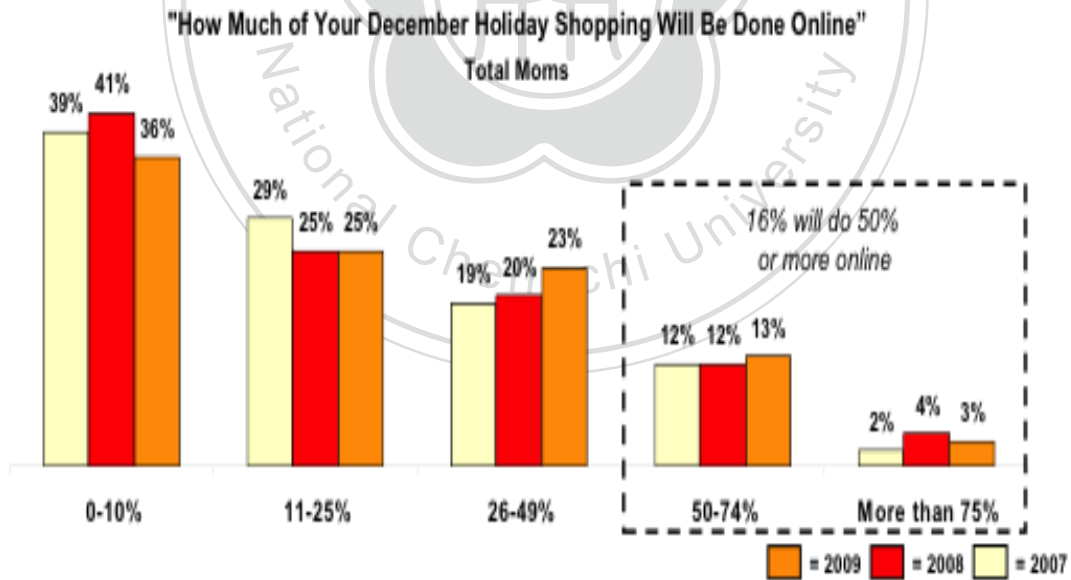


Figure 10. Online holiday shopping behavior of moms in the USA



Under the following question: "How Much of Your December Holiday Shopping Will Be Done Online", 16% of Moms plan to do 50% or more of their holiday shopping online. Moms with higher education and higher household income are consistently planning to do

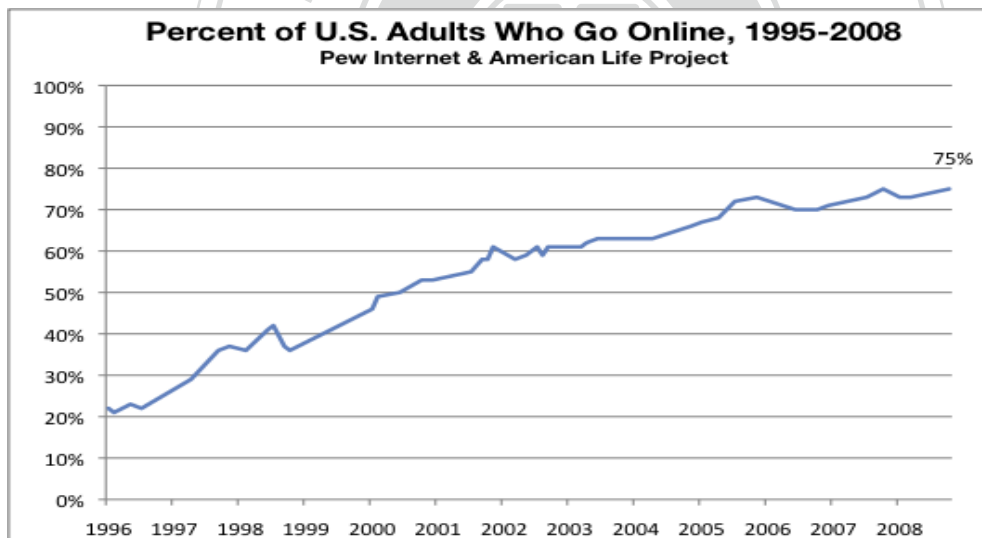
more of their shopping online than other Moms. (Marketing to Mom's coalition, Holiday Shopping, September 2009 Highlights).

3.6 Media Habits and Social Networking

Taking into consideration the online social network, we can see a change in demographics over time. According to Nielsen//NetRatings survey (2010) the number of Americans that use internet raised from 67% in 2005 to 79% in 2009.

Nearly three out of four U.S. households with a phone line have access to the Internet. In the U.S. 204.3 million people have access to the Internet, or 74.9 percent of the population. Women were found to be slightly more likely to surf the Web than men.

Figure 11. The USA adults' purchase online in percentage wise 1995 to 2008



"Women make the majority of purchases and household decisions, so it's no surprise that they are utilizing the Internet as a tool for daily living," (Nielsen//NetRatings, 2009)

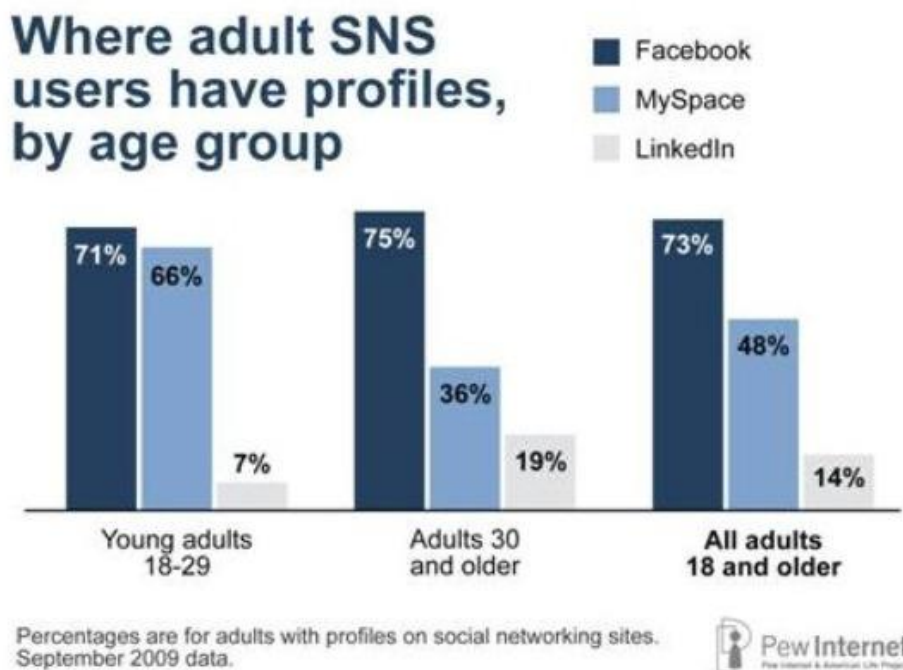
Internet access for women between the age of 35 and 54 was 81.7% while 80.2% of men had access in the same age group. For 25 to 34 year olds, 77% of women had Internet access while 75.6% of men had access to the Internet.

87% of adults' ages 18 to 29 go online and more than half of the adult Internet population is between 18 and 44 years old. Among all adults' ages 65 and older, 41% go online.

Income and education are strongly related to internet penetration. Nearly all high-income (94%) and college-educated Americans (95%) are online, while only 57% of Americans earning less than \$30,000 and roughly a third of those with less than a high school education use the Internet. This shows internet penetration in very high among the target customers of Aravore.

Social Networking Sites have risen among all ages. A research conducted in 2009 indicates that 46% of online American adults 18 and older use a social networking site like MySpace, Facebook or LinkedIn.

Figure 12. Most used social networking sites by moms in the USA



Social networking continues to develop among moms as a way to communicate with friends, family and children. Since last year Facebook has become the leader among Moms at 39%, overtaking MySpace (28%), the 2008 leader.

Social Networking Sites (2008 to 2009) –Total Moms

	2008	2009	Point Change
Facebook	15%	39%	+27 points
MySpace	42%	28%	-14 points
Twitter	1%	11%	+10 points
Linked In	3%	3%	Flat
Flick	Not Asked	1%	NA

Facebook is tops among all adults, while older adults blog more. Taking into consideration all the above, Aravore US will have its own portal in facebook so customer, and friends can add us as their network. We will have links on pages like eco-friendly products, fair trade, baby related articles, and also websites for expectants mothers guide and related topics.

3.7 Marketing and Communication Strategy

As an online business, our main communication methods will be the Internet, telephone, e-mail, and fax. These channels will remain the same with no restriction to the target audience. Our computers will be online 24 hours a day, 7 days a week. Orders can be done through our webpage, or via e-mail, at anytime. An automated e-mail will be sent to the customer to let them know that we have received their order. All phone calls will be answered between 8 a.m. until 7 p.m. (Pacific Standard Time). After that time all calls will be forwarded to an automated answer machine. By calling at the phone number provided, customer can leave a message if phoning outside office hours and we will contact customers on the following business day.

Our marketing will count on a real-time customer feedback through Web surveys, and a promotion response after a sale. This will give us a good feedback about our customer's expectations. A customer login will be available to the website with intelligent service request processing due to saved customer profiles. There the client can update billing and shipping information, as well as the e-mail for after sales communication. A reliable database

of our customer's information will be used to send out newsletters, which will include new line & promotions, actual sales on the web, and/or information that is relevant for them. Such information could be magazine releases, photos, and other important data, in order to educate the customers about our business.

Aravore will optimize its website by using the following techniques; requested to our web domain, sitemap, link with keywords, hot keywords like organic baby apparel, eco-friendly products, made in Paraguay product, fair trade, and also use free tools as Google, Yahoo, Traffic Travis, join parenting groups, construct a blog network submit articles related to eco products, baby products, fair trade, join Facebook, using pay-per-click, and other forms of paid advertising to ensure our site become visible within 24 - 48 hours. We will also consider the number of people that are looking for baby clothes.

One way of advertising on website will be "pay-per-click" on websites that carry our banner or other promotional items. This is easier to control and we will have a clear picture of how effective the campaign was.

Another way of advertising Aravore will be buying small campaigns on Yahoo / Facebook and have our logo/product shown to customers visiting those websites. The potential customers will see our ad on these pages and click on it if they are interested. For those types of promotion, only fixed fees are charged. And does not depend on how many customers actually clicked on the ad. This kind of ad will be done in the second phase, not in the start up phase.

3.7.1 Brand Quality

Aravore will reinforce brand image through digital networking. Social media tools like Facebook, You Tube, Twitter, and blogs have redefined how business operates, they have become a powerful focus in corporate communication from all over the world, often being used to demonstrate great leadership, strengthen corporate reputation and reinforce brand.

We are aware that building brand is a very important key success factor. Many brands

represent certain values and personalities. For example:

- Gymboree offers rugged, colorful clothes and higher-end, vintage looks with Janie and Jack brand
- American Eagle (77kids) offers new “kid cool” brand
- The Children’s Place offers affordable, kid-friendly fashions
- Tween Brands targets girls aged 7-14 with “fun and cool” image
- Garanimals offers mix-and-match brand that helps kids build confidence.
- Gerber capitalizes on strong association with healthy, happy babies

Like the above, ARAVORE will make every effort to be recognized not only for offering high quality organic baby apparel but also for a high quality, comfortable, fashionable clothes as well as a socially responsible company. We will use the slogan “Aravore, babies clothing, organic and ethically made”

The slogan on the web page and all other means of communication is key in establishing the brand. Another element of the brand building are the colours and the pictures of children wearing the clothes in safe environment, playing alone and being with other children. The quality of the images will reinforce the attributes of our products. Since customers would not be able to feel the clothes, these elements will be central to the message conveyed in marketing and advertising.

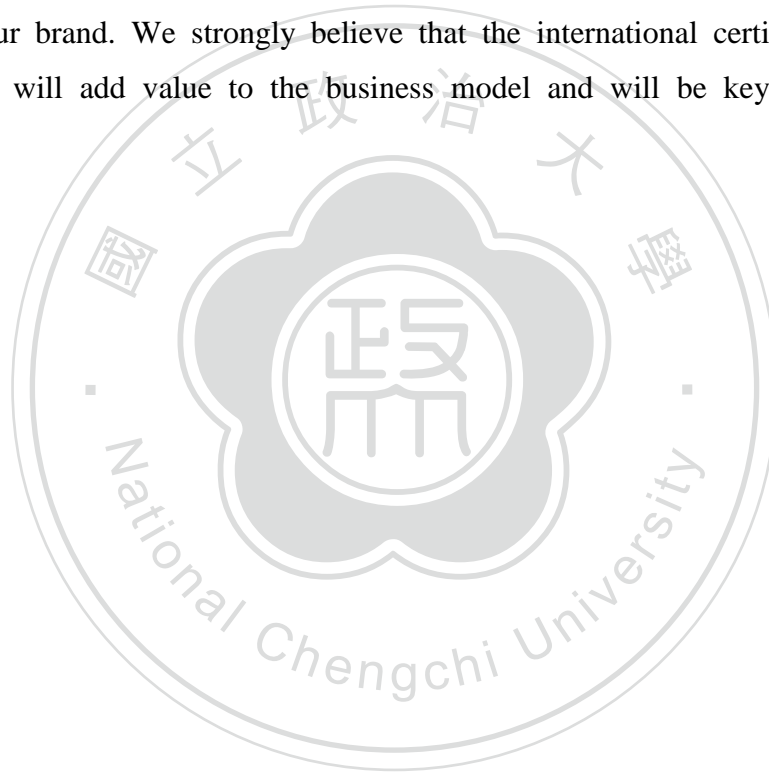
3.7.2 Quality Strategy

Customers want to have confidence that our business is well run and that our products meet the specified requirements. Our main goal is to fulfill these expectations. A Quality Manual will serve as a guide with information about the structure, format, and content of the business. Information about the organization such as the name, location, telephone number, related information, and a brief description of the organization and the products will be included.

Similar information will be available and accessible for our customers online. We will work on providing a quality online service, assuring maximum satisfaction of the customers, by

offering a quality website that provides clear information about the business and our products, and a fast and reliable way for them to make the purchase. All these will be key factors in our quality strategy. Through this quality assurance, we will build customer loyalty and reduce the returns to 0%.

In addition, every product will have the certified organic symbol to assure customer that they get what they pay for. All products are 100% made from certified cotton, by Imo Control-Switzerland. This important information will make the difference, when our customer's decide on our brand. We strongly believe that the international certification, if properly administered will add value to the business model and will be key differentiator from competitors.



4. PRICING STRATEGY

Considering our target customer group, we know that there is a high demand for the product line of organic baby clothes. We will buy the items from wholesale price, directly from Aravore UK, which will give us enough profit margins when we re sell the products. The items will be shipped from the branch in the United Kingdom to the store in US. There shipping expertise will help us get the Aravore organic baby clothes even faster on the U.S. market.

To make sure we do not overprice our products online, we compared our prices with the prices of our competitors. The prices reflect the quality and uniqueness of Aravore, but overall they are average for this market. Table 6 describes the different prices for our products offering.

4.1 Why Do Customers Buy Organic Cotton Product?

We really need to stop and think whether the clothing we buy for our babies really do good for them or just pose them health hazards? Organic cotton baby clothing has become the most preferred choice of all parents but at the same time, it is a little expensive than other natural baby clothing. So, every parent must know what they are spending for their baby will actually ensure safety for him/her.

Among the reasons why people buy organic clothing are: it helps protect your children, it reduces pesticide use, it protects farm workers, it protects water quality, it prevents soil erosion, it is a sturdier fabric, it saves you money, it feels amazing inside and out, it supports a true economy, it supports a healthier environment.

4.2 Why Organic baby cotton is expensive?

Cotton is natural and thus safe. Then why go for expensive organic cotton clothing for babies? We all know that cotton, though natural, is treated with all kinds of chemicals while growing them in the fields as well as during the manufacturing process. Organic cotton, on the other hand, do not use any pesticide or other chemicals in growth stages neither during manufacturing. More manpower, time, effort, pure raw materials and other methods are involved in the production of organic cotton fabric and clothing. Due to this complex and time consuming process, organic cotton clothes become fairly more expensive than other baby clothes.

4.3 Is Organic Cotton Baby Clothing Actually Organic?

Not all organic cotton baby clothing claimed to be organic are so. Only the clothing that is made with certified organic cotton fabric is organic. There are also different levels of certified cotton 70%, 90%, or 100%. However only clothes made out of 100% organic cotton are really organic.

Aravore is 100% certified organic cotton. We feel very passionate about supporting Paraguay-grown organic cotton for environmental, ethical, and economic reasons.

We feel responsible to educate our consumers about the importance of “using” eco-friendly products.

We, Aravore US are aware of the green trend that requires safe and for healthy clothes for babies whose skin are even more delicate in the early years of growth.

Besides the reasons above, Aravore will operate in the USA but all raw materials are sourced from Paraguay, which makes good economic sense while supporting local and fellow countrymen. We are proud to export high quality handmade environmentally friendly product from our country.

In the United States, there are much stricter environmental laws than many other countries, including some countries where organic cotton is currently grown. It is important to emphasize that Imo Control-Switzerland as well as the World Fair Trade Organization WFTO's certified and approved our cotton as genuine and met the standards of fair trade.

5. BUSINESS ORGANIZATION AND HUMAN RESOURCES

MANAGEMENT

5.1 Organization Structure

The company Aravore USA will operate as a partnership online retail business. The partner of the business will take care of all daily tasks, such as handling orders, customer relations, finances, and storage inventory. In the second phase of growth, and when our financial situation improves, opening a physical local store in California's Bay Area will be considered. In that case, we would need to hire two sales persons for the store, who will work 40 hours a week. The organizational chart would then be as followed:

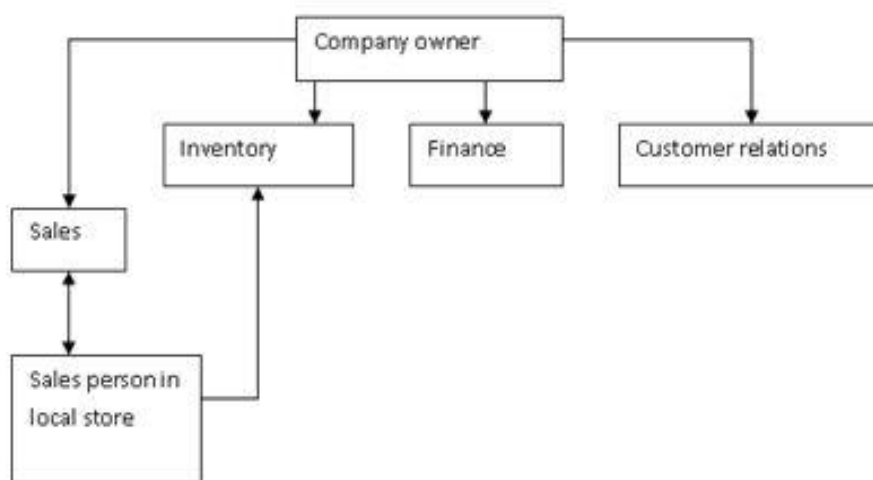


Figure 13. Organizational structure

As the organizational chart shows, all main tasks will be handled by the company's owner. Only the sales portion changes with the employment of sales persons, if we decide to open a store in the future. A feedback in terms of inventory will be expected from the employees, to restock all items that are sold in the store. The business owner will act as manager/supervisor for any hired employee.

5.2 Personnel Plan

If Aravore USA is successful in the first year, it will consider employing more staff to be able to sell more from a physical location. As compensation for the job of sales person, will be a fixed salary with prospects of commission. A 12 days vacation per calendar year, and 15 bonus for exceeding sales target. The company's spending and earnings will be communicated to the employees in monthly team meetings. This ensures that everybody knows how the company is doing. The small team allows open communication between the supervisor (business owner) and the employees. As a small business we will not offer any health insurance in our benefit package.

Our goal is to keep our employees motivated by supplying them a good work environment, so that they will stay with us for a long time.

6. FINANCIALS

This section describes the financial nature of Aravore and its plans in the future. It also provides financial information on the viability of the business and how it can be successful. This section being the most important looks at sales forecast estimations, break-even analysis and provides income and balance sheet and projected cash flow to see the worth of the business.

6.1 Important Assumptions

As a retail business, Aravore USA will use an income statement to track the sales and operating expenses. The numbers will give us a good required overview about our earning and spending and will be accessible to any employee, if required. As a small, private business, we will have no stockholders or investors to report too. The income statement will focus on our sales, done via the Internet, and expenses, and utilities. Since the business will be physical present in the state of California, we must collect sales tax from Californian customers. For that reason, the statement will include those sales as well.

All values will be in American Dollars. Even the imported items from the Aravore store in the United Kingdom will be paid with US Dollars.

Aravore will closely track our finances, we always have a professional accountant look at our statements too. He will verify if we fulfill all business requirements, especially in terms of taxes.

Aravore USA will split the expenses into business startup and operating expenses. Startup expenses are business registration fees, business licenses and permits, webpage design, and starting inventory. Operating expenses are utility fees, storage costs and inventory costs. Other fixed costs, such as rent or electricity were not used for the calculation, since the business will be run from our home. See table 7.

6.2 Sales Forecast

The total target market is estimated at 102,960 people in 2011. However only 5% is our actual expected demand that is 5,199 people. From year 2 (2012 onwards) we estimate a 0,98% growth of the target market. Sales forecast will be increased with 3 % in average due to marketing activities. For details about the market segment see exhibit Target Market (Table 9).

Table 2. Sales forecast

Sales Forecast																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2011	2012	2013	2014	2015
Target market	102,960												102,960	103,969	104,988	106,017	107,056
Growth rate	0.00%												0.00%	0.98%	0.98%	0.98%	0.98%
Total Target Market	102,960												102,960	103,969	104,988	106,017	107,056
Expected demand %	0.1%	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.6%	0.8%	5.05%	8.05%	11.05%	14.05%	17.05%
Total demand	103	237	257	309	360	412	463	515	556	597	618	772	5,199	8,369	11,601	14,895	18,252

6.3 Break Even Analysis

According to our estimated break even analysis we will break even around 2269 unit sales.

By second half of the first year, we will actually start making profits.

Break Even Formula: $\text{Fixed Cost} / (\text{unit price} - \text{variable cost})$

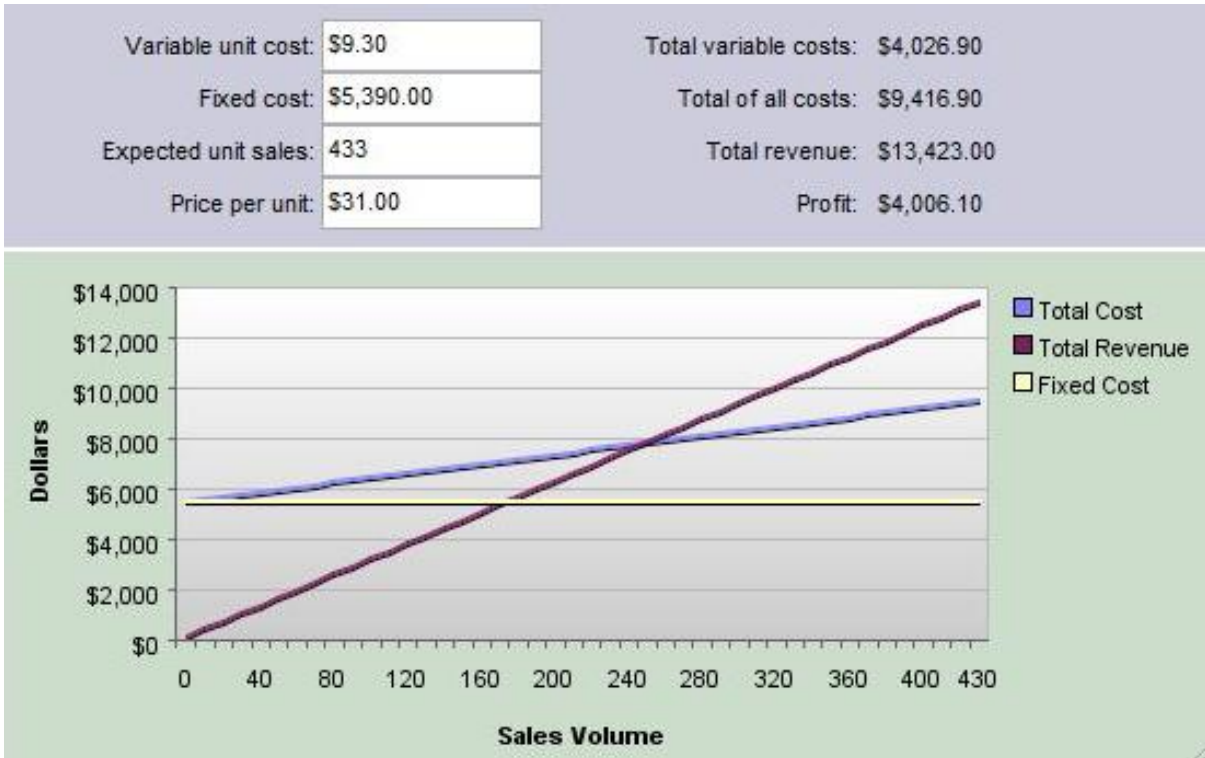
Given: Unit Price is: 31 US\$.

The Variable unit cost is estimated at 9.3 US\$

The Fixed Cost is 5,390 US\$ monthly. The Break-even point is 245 clothes per month, or 8,2 clothes per day.

For details see Price List on Table 6.

Figure 14. Breakeven analysis



Aravore is an online business on the first phase. To establish business, Aravore needs to have experts in web design and coding. Also software engineering and testing will be needed to adjust the service based on the sales. To support the business model, the sale, administrative and customer service will rely in one person. Server and bandwidth will need to be established. See chart in exhibit

6.4 Legal Environment

Aravore will find a local agency to establish entity and trademark registration complying with the local regulation. Aravore estimates US\$ 1,000 for these legal purposes.

Organization structure and Personnel: For the first year of operation, we will keep a small organization. This consists of key developing services to develop the platform and one personal in charge of the selling and administrative operations. The second phase will include opening a small shop.

6.5 Cash Flow

We are calculating with 30,000 USD as startup expenses, coming from our own private savings. These costs include already the operating expenses for the first six months in business, since we expect smaller revenue during the ramp up period. After the business permission is obtained, we have close to 20,000 USD left. This put into a cash flow projection would look as followed:

Table 3. Cash flow projection

CASH FLOWS STATEMENT PROJECTION ENDED IN 31 DICEMBER OF EACH YEAR						
	2010	2011	2012	2013	2014	2015
Revenues	0	161,168	259,438	359,620	461,740	565,826
Total cash Receipts	0	161,168	259,438	359,620	461,740	565,826
Cash Available from Financing						
Owner Investment	30,000					
Long Term Loan	0					
Total From Financing	30,000					
Total Cash Available	30,000	161,168	259,438	359,620	461,740	565,826
Cash disbursements						
Cost of good sold		48350	77832	107886	138522	169748
Cost of sell and administrative						
Salaries	0	24,000	24,000	24,000	24,000	24,000
Phone Services	0	720	720	720	720	720
Internet Services	0	1,080	1,080	1,080	1,080	1,080
Utilities	0	900	900	900	900	900
Insurance	0	400	400	400	400	400
Rent	0	1,200	1,200	1,200	1,200	1,200
Advertising	0	30,000	30,000	30,000	30,000	30,000
Accounting ang Legal Services	0	1,000	1,000	1,000	1,000	1,000
Equipment and webpage Maint.	0	3,600	3,600	3,600	3,600	3,600
Other Services	0	1,779	1,779	1,779	1,779	1,779
Total Cash Disbursements	0	113,029	142,511	172,565	203,201	234,427
Operating Expenses						
Other Application on Cash						
Computer System	2,000					
Computer Equipment	1,200					
Office Equipment	4,000					
Webpage	5000					
Total Other Applications	12,200	0	0	0	0	0
Principal and Interest Payments	0					
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total Principal and Interest expenses	0	0	0	0	0	0
Total Cash Disbursements	12,200	113,029	142,511	172,565	203,201	234,427
Ending Cash Position	17,800	48,138	116,928	187,055	258,539	331,399
Starting Cash Position	0	17,800	65,938	182,866	369,921	628,460
Accumulated Cash Flows	17,800	65,938	182,866	369,921	628,460	959,859

No need to seek venture capital or bank loan for investing to support the operation.

6.6 Income Statement

The Income Statement table is the projected income statement from year 2011 to 2013.

1. Revenue is estimated based on our online sale income.
2. The cost of goods sold include the shipping cost
2. General and Administration Expense: mostly based on our annual headcount plan. For example: average salary is estimated to be 24,000 US\$
3. Depreciation: this is calculated as 3-year straight depreciation (table 7 shows the chart of the calculation)
5. Expenses are calculated based on the following assumptions: we will have an initial investment and also operational cost that are monthly expenses to operate the business
6. Operating Expense is 65,496 US\$ for the first year operation.
7. Interest rate: based on the loan but in this case is not needed

Aravore must collect sales tax from Californian customers, calculated at 9% of sales.

Table 4 Income statement projection

INCOME STATEMENT PROJECTION					
ENDED IN 31 DICEMBER OF EACH YEAR					
	2011	2012	2013	2014	2015
SALES					
Revenue for products sales	161,168	259,438	359,620	461,740	565,826
TOTAL SALES	161,168	259,438	359,620	461,740	565,826
COST OF GOOD SOLD	48,355	77,836	107,891	138,527	169,753
TOTAL OF COST OF GOOD SOLD	48,350	77,832	107,886	138,522	169,748
GROSS PROFIT	112,817	181,607	251,734	323,218	396,078
OPERATING EXPENSES					
Salaries	24000	24000	24000	24000	24000
Phone Services	720	720	720	720	720
Internet Services	1080	1080	1080	1080	1080
Utilities	900	900	900	900	900
Insurance	400	400	400	400	400
Rent	1200	1200	1200	1200	1200
Webpage mantaining	3600	3600	3600	3600	3600
Accounting	1000	1000	1000	1000	1000
Advertising	30000	30000	30000	30000	30000
Other Services	1779	1779	1779	1779	1779
Depreciation	1,867	1,867	1,867	1,867	1,867
TOTAL OPERATING EXPENSES	66,546	66,546	66,546	66,546	66,546
INCOME BEFORE INTERETS AND TAXES	46,272	115,061	185,188	256,672	329,533
INTEREST EXPENSES	0	0	0	0	0
INCOME BEFORE TAXES	46,272	115,061	185,188	256,672	329,533
INCOME TAXES (9%)	4,164	10,356	16,667	23,100	29,658
NET INCOME	42,107	104,706	168,521	233,572	299,875

6.7 Balance Sheet

The balance sheet will include our assets such as our products and cash, our liabilities such as taxes, and our equity such as net income. No need to seek venture capital or bank loan for investing to support the operation. The following notes to the balance sheet are important:

The account receivables are calculated at 10% of the total sales.

Prepaid expenses are calculated at 20% of operational costs.

Payables are calculated at 30% of operational costs.

For inventory, our strategy will be just in time, so that our inventory is not exceeding USD \$10,000 yearly.

Current liabilities are basically for inventory purchases.

Table 5. Balance sheet projection

BALANCE SHEET						
ENDED IN 31 DICEMBER OF EACH YEAR						
Balance Sheet	2010	2011	2012	2013	2014	2015
Assets						
Current Assets						
Cash and equivalents	\$ 17,800	\$ 65,938	\$ 182,866	\$ 369,921	\$ 628,460	\$ 959,859
Inventory	\$ 5,000	\$ 7,500	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Accounts Receivables	\$ -	\$ 16,117	\$ 25,944	\$ 35,962	\$ 46,174	\$ 56,583
Prepaid Expenses	\$ 1,078	\$ 12,936	\$ 12,936	\$ 12,936	\$ 12,936	\$ 12,936
Other current assets						
Total Current Assets	\$ 23,878	\$ 102,491	\$ 231,746	\$ 428,819	\$ 697,569	\$ 1,039,378
Non Current Assets						
Property Plant and Equipment	\$ 12,200	\$ 12,610	\$ 17,123	\$ 15,257	\$ 13,390	\$ 11,523
accumulated depreciation	\$ -	\$ -1,867	\$ -1,867	\$ -1,867	\$ -1,867	\$ -1,867
Other Long Term Assets	\$ 410	\$ 6,380				
Total Non Current Assets	\$ 12,610	\$ 17,123	\$ 15,257	\$ 13,390	\$ 11,523	\$ 9,657
Total Assets	\$ 36,488	\$ 119,614	\$ 247,003	\$ 442,209	\$ 709,093	\$ 1,049,034
Liabilities						
Current Liabilities						
Payables	\$ 5,000	\$ 7,500	\$ 10,001	\$ 10,515	\$ 10,515	\$ 10,515
Borrowings	\$ 1,617	\$ 19,404	\$ 19,404	\$ 19,404	\$ 19,404	\$ 19,404
Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ 6,617	\$ 26,904	\$ 29,405	\$ 29,919	\$ 29,919	\$ 29,919
Total Non Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 6,617	\$ 26,904	\$ 29,405	\$ 29,919	\$ 29,919	\$ 29,919
Equity						
Paid in Capital	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Retained Earnings	\$ -	\$ 19,355	\$ 97,106	\$ 244,422	\$ 466,867	\$ 761,117
Earnings	\$ -	\$ 42,107	\$ 104,706	\$ 168,521	\$ 233,572	\$ 299,875
Total Equity	\$ 30,000	\$ 91,462	\$ 231,812	\$ 442,943	\$ 730,439	\$ 1,090,992
Total Liability and Equity	\$ 36,617	\$ 118,366	\$ 261,216	\$ 472,862	\$ 760,357	\$ 1,120,911

6.8 Business Risk

- **Consumers do not accept the product:** given that organic product hasn't been extensively known, there is a risk consumers will reject it due to the higher cost.

However, given the trend towards eco-friendly products, and research findings, the product should be well suited to US mom's online habit shop and preference. We believe that this risk is low.

- **Substitute products:** the arrival and potential success of Aravore may prompt existing big stores like Target, Sam's etc, to broaden their product lines and compete directly with our offering.
- **Failure to reach sales forecast:** Aravore does not plan to use debt financing and plans to run its finances on a "cash basis. Failure to reach sales target would impact cash flow and could potentially lead to cash flow constraints. That said, a starting balance of \$ 30,000 cash (private savings) on hand will provide a cushion to any such risk.

6.9 Long-Term Plan

As a retail business, we depend on our customers. Therefore the only way to increase revenue can be by generating new customers, by expanding sales to existing customers, and acquiring other related customers, for example by referrals from dermatologists or pediatricians.

We will continue business at our retail online store by becoming highly customer-oriented, make it easier for customers to find what they want, and offer more competitive prices. We strive for customer satisfaction and would like that all of our customers leave with the feeling that they would enjoy coming back.

Profits will be intelligently invested to expand our business. One year after the opening, we would like to be able to expand our Internet store to Canada. Profits will be intelligently invested to expand our business. One year after the opening, we would like to be able to expand our Internet store to Canada.

We expect higher revenue by doing so. In one year, we want to have an annual net income of 42,000 USD. If we can keep the business at that level, we will reach 104,000 USD in the second year, 180,000 USD in the third year. With this trend continuous for five years, we would consider our business profitable.

We approach this business plan with the intention of opening a small boutique after three years of operation. The location will be in San Francisco Bay area. Shipping polity with Aravore UK will be re negotiated.

The possibility of developing a franchising model to aid expansion may also be considered in the future.



APPENDIX

Some products, on the web-site

Figure 15. Company products



Table 6. Price list of offered products

Price List					
	Type	Quantities	Variable cost per unit US\$	Total Variable Cost	Avg Listed Price in US\$
Blankets and Wraps		25	10.8	270	36
Tops		25	9	225	30
Bottoms		25	7.2	180	24
Onezies		25	12	300	40
Dresses		20	10.5	210	35
Coats		20	13.5	270	45
Hats and Scarves		20	6	120	20
Booties and Mittens		20	5.4	108	18
		180	9.3	1683	31

Table 7. Depreciation projection

Items	book value	life	Annual Depreciation				
			2011	2012	2013	2014	2015
Computer System	2,000	5	400	400	400	400	400
Computer Equipment	1,200	1	1200	1200	1200	1200	1200
Office Equipment	4,000	15	267	267	267	267	267
total depreciation			1867	1867	1867	1867	1867

Table 8. Operational cost

	Operational Cost					
	Monthly	Five year pro-forma operational cost by year				
		2011	2012	2013	2014	2015
Salaries	2,000	24,000	24,000	24,000	24,000	24,000
Phone Services	60	720	720	720	720	720
Internet Services	90	1,080	1,080	1,080	1,080	1,080
Utilities	75	900	900	900	900	900
Insurance	33	400	400	400	400	400
Rent	100	1,200	1,200	1,200	1,200	1,200
Advertising	2,500	30,000	30,000	30,000	30,000	30,000
Accounting and Legal Services	83	1,000	1,000	1,000	1,000	1,000
Equipment and webpage Maint.	300	3,600	3,600	3,600	3,600	3,600
Other Services	148	1,779	1,779	1,779	1,779	1,779
Total Operational Cost	5,390	64,679	64,679	64,679	64,679	64,679

Table 9. Predicted target market size

	Factors	%	Million People
1	US Mothers		80,000,000
2	Mother 0 to 5 years old	33%	26,400,000
3	Yearly Moms		4,000,000
4	Mother that shop online for her children	80%	21,120,000
5	Low	35%	7,392,000
6	Medium	50%	10,560,000
7	High Income	15%	3,168,000
8	Target total	65%	13,728,000
9	No organic product	75%	10,296,000
10	Organic product	25%	3,432,000
11	Real target market	3%	102,960

1. Estimated number of mothers of all ages in the United States: 80.5 million
2. Percentage of mothers, with children age 5 and under, employed full-time, year round: 33%
3. Approximate number of women who give birth each year in the United States: 4 million
4. Mom's that shop online
5. Mom's with low-income household of 35,000 US or below
6. Mom's with medium income household, above 35,000 up to 74,999
7. Mom's with high income household, 75,000 and above US\$

8. Total target of mothers medium high income that shop online
9. Mom's that shop non-organic products
10. Eco-friendly mom's that consciously consume organic products
11. Real target of the business;; out of those 3,5000,000 mom's we will target 3%



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