Business Plan

TailorWeb

Fine tailored suits for everyone

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Content

Executive Summary

Purpose and Objectives
The purpose of TailorWeb is to provide high quality suits which are tailored to customers' measures for an affordable price. Customers can submit their digital body file or take their measures in one of our TailorWeb stores with high technology 3D scanners. They can then choose their desired cloth by either feeling in the store or seeing on the webpage and select a model for their suit. Through considerably low prices, TailorWeb will be able to target market sectors whose customers were not able to afford tailored suits in the past.

Competitive Advantage
There are companies in Europe which offer tailored suits with body scanner support. Yet all these companies either produce the suits with machines or by tailors in Europe on a very small scale. Through taking advantage of lower wages in Asian countries, it will be possible to undercut local prices of the competition and additionally offer Asian suit designs which are currently rarely available in Europe. Additionally, through the usage of airmail, we can deliver suits 33% - 55% faster than our competitors.

Location and Objectives
The business operates in the physical world and the internet.
The first brick-and-mortar store will be located in Frankfurt, Germany. Furthermore, there will be an office in Bangkok, Thailand, where suppliers will be subcontracted. Within the first four years, TailorWeb will further expand in Germany, setting up another store in Berlin.

Market research and findings
TailorWeb has uncovered three trends in our society: continuing individualization of consumer products (especially driven by Ecommerce), further growth of the human body which results in a niche market within the younger generations for oversize cloth. These three developments have created a niche market for affordable tailored suits, yet to tap. Furthermore, there is a gaining economic and political importance of Asia, especially China with an increase of economical cooperation which makes it also interesting to offer products which are culturally influenced by that region.

Skills and Experience of the Founder
Working primary in the IT sector, Stefan Broda has gained significant insights in the industry and was able to expand his personal network within Europe and the United States. Through working in these regions as well as learning in an international environment, he has gained experience in managing cultural differences. After school he founded a computer company with a friend, programming homepages and web applications. This enables TailorWeb to develop its ecommerce application with the help of open source software in-house. Furthermore, it shows that he has already gained experience in entrepreneurial activities, even as his computer company only served as a part time activity.

Management Team
To run the business successfully, it is required to have at least one employee in Germany and one employee in Thailand. Stefan Broda is located in Germany and able to cope with the required work in the beginning. The employee in Thailand should be a fashion design student from Thailand who studied abroad (preferably in Europe or the United States) with knowledge of Bangkok and experience with information technology.

Stefan Broda in Germany:

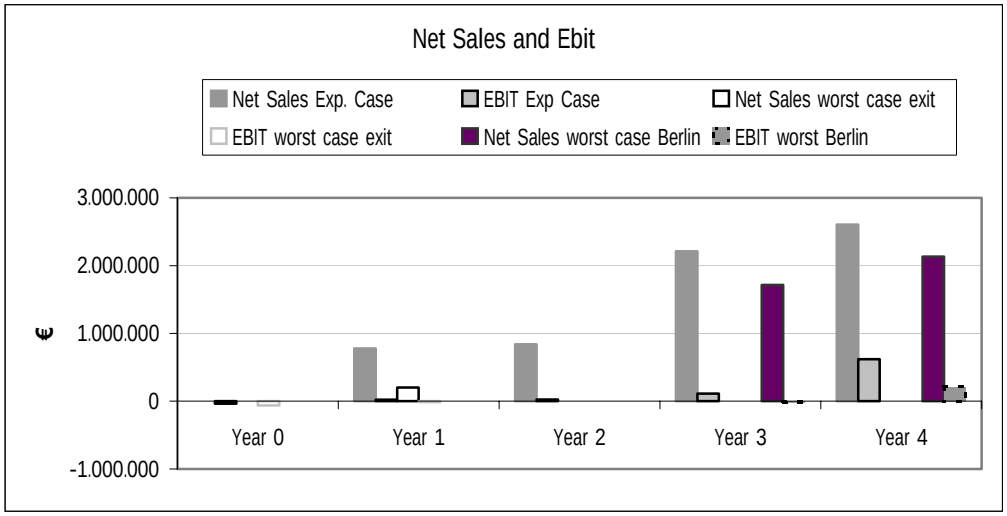
- Head responsible for the venture
- Customer Relations, Sales and Marketing
- Administration of the website and computers in Germany

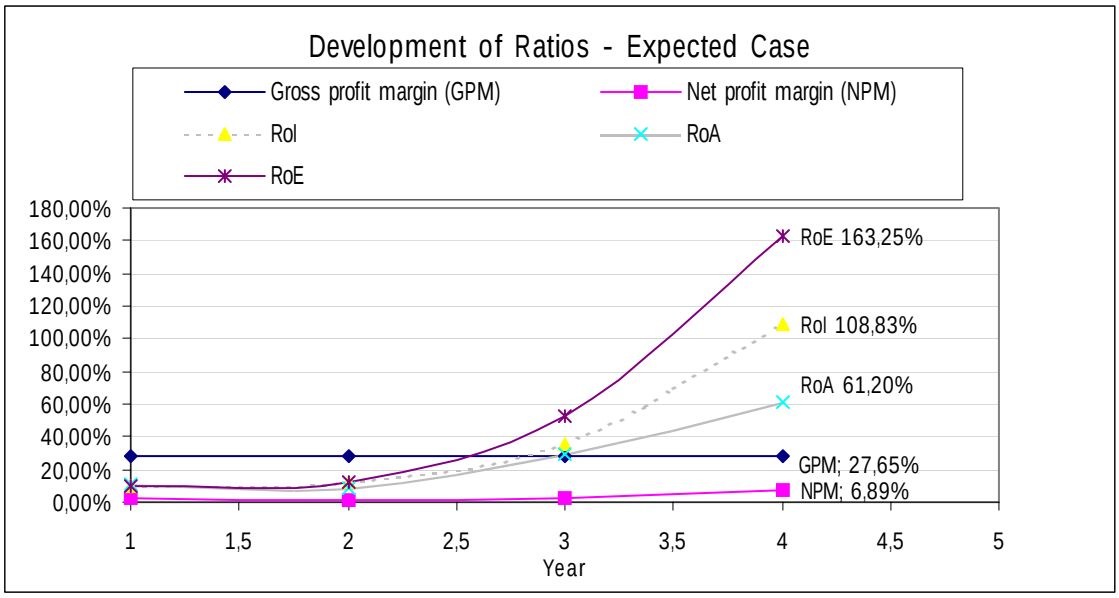
Office manager in Thailand

- Receives all orders from Germany, prints the patterns and deals with tailor
- Procurement of fabrics and Quality control of incoming suits
- Packaging and sending to Germany

Capital needed

Since there is the risk that the market is not ready for mass individualization in the field of suits in Frankfurt, we aim to finance the foundation of the business through venture capital. To cover our initial investments and preparation expenses and to guarantee liquidity, we estimate that we need 165.000€ venture capital. There will be a performance test after the first six month of year 1 and in case the demand for tailored suits is not high enough to ensure positive cash flows in future periods, an exit mechanism will be executed which means an immediate stop of operations and sale of assets. If the exit mechanism takes place, the venture capitalists would loose 51,518€.





Market

Current market situation

When looking at the actual tailor business, we see three weaknesses which can be improved. Firstly, the process of getting a tailored suit in a traditional shop is very time consuming. One has to go to the tailor, let him measure your body. Later one has to come again for one to three times to let him do the corrections in order to guarantee that the suit really fits. Secondly, the delivery time of tailors using body scanners is very long (in average three to four weeks). This can be explained that most of these tailors subcontract Odermark for their production. Thirdly, the prices for suits at both tailors are very expensive (suits start at 500 euros in average). This can be explained because most of them produce in Germany which increases costs due to the expensive labor.

TailorWeb overcomes all of these weaknesses because first of all, the measuring process only takes seconds, and it is not necessary for the customer to come again for corrections, as the data provided by the body scanner is highly exact. The delivery time is shortened as well because the suits are sent from Thailand via airmail which adds three days to the delivery time. Additionally, customers can track their suits and will also be informed about delays. Finally, as we can offer tailored suits for a very low price, we can target customer groups which were not able to afford tailored suits before (e.g. students).

Competition

There are four tailors in Frankfurt. None of them is using the body scanning technology and their prices are way very high compared to our price targets.

On a nation wide scale, there are many tailors, which use the body scanning technology. However, they don't manufacture the suits by themselves but subcontract Odermark, a textile manufacturer near Hanover, for the whole production process. These companies more work as franchisees for the franchisor Odermark. As Odermark is located in Germany, it can not take advantage of different price levels and does not offer Asian suit models, such as TailorWeb does when subcontracting Thai tailors.

Neither the local tailors in Frankfurt nor Odermark nor one of its customers are using internet technology to sell their products or to take care of the relationship with their customers.

Market forecast for Frankfurt

Frankfurt is the financial center of Germany and a very important place for business in Europe. As many people who work in Frankfurt not necessarily live there, it is not appropriate to use the total inhabitants as a basis for a market forecast. Therefore we use the total of working people in Frankfurt.

We thereby divide the whole market for suits into university and school students, employed in the field of public and private service providers, employed in the field of financial, consulting and real estate services (whereas we estimate, that 50% of them have frequent customer contact) and the rest of employees, working in Frankfurt. We estimate that 75% of university students buy a suit during their studies (in average 6,5 years), which means that the average student buys a suit every 6,5 / 75% years (8,5%). Another market sector comprises 13 grade school students whereas we see that 75% of them will buy a suit for their graduation. Men employed in the public and private service, as well as employed in the field of financial, consulting and real estate service buy suits more frequently (every three and every one and a half years), whereas the employees

working in the latter sector and deal with customers buy a suit every one and a half years. All other employees are less probable to buy suits (every ten years).

Type of employed / employer*	Population*	Male	Years/Suit per capita	Suits/year	Percent of overall market
School students graduating (48% male)	1743	837	1,5	558	0,6%
University students (50% male)	38354	19177	8,5	2256	2,3%
Public and private service suppliers (45% male)	123600	55620	6,0	9270	9,6%
Financial, Consulting and real estate service suppliers 50% with and 50% without customer contact (70% male)	107800	75460	3,0	25153	25,9%
With Customer Contact (70% male)	107800	75460	1,5	50307	51,9%
Rest (48% male)	208903	100273	10,0	10027	10,3%
Total	586457	325990	3,4	97013	100,0%

* Source: Statistisches Jahrbuch Frankfurt am Main 2002

Revenue Forecast	
Total Market in suits/year	97013
Average Price	392,4 €

	Exp. Case	Worst Case
Market Share	2,0%	1,0%
Sales	1940	970

These estimations make up a market of around 97.000 suits per year. In the expected case, we are estimating a market share of 2% (1940 suits/year), whereas in the worst case 1% (970 suits/year)..

Market forecast for Berlin

In case we reach the expected sales targets, we will open another branch after two years in Berlin. The capital has a lot more inhabitants but more competition as well. Additionally the area of the city is larger which will make it impossible for many consumers to access our store. There are six traditional tailors and one modern tailor (Cut-For-You) who uses 3D body scanner but is a franchisee of Odermark and charges high prices (Entry suits start at 400€). Additionally these shops do not make use of Ecommerce either. That is why we believe that we have a great potential to penetrate the market in Berlin:

Customer Forecast Berlin*					
Type of employed / employer	Population	Male	Years/Suit per capita	Suits/year	Percent of overall market
School students graduating (48% male)	11516	5528	1,5	3685	3,8%
University students (50% male)	130806	65403	8,5	7694	7,9%
Public and private service suppliers (45% male)	602900	271305	6,0	45218	46,6%
Financial, Consulting and real estate service suppliers 50% with and 50% without customer contact (70% male)	319700	223790	3,0	74597	76,9%
With Customer Contact (70% male)	635100	444570	1,5	296380	305,5%
Rest (48% male)	208903	100273	10,0	10027	10,3%
Total	1908925	1105341	2,5	433916	447,3%

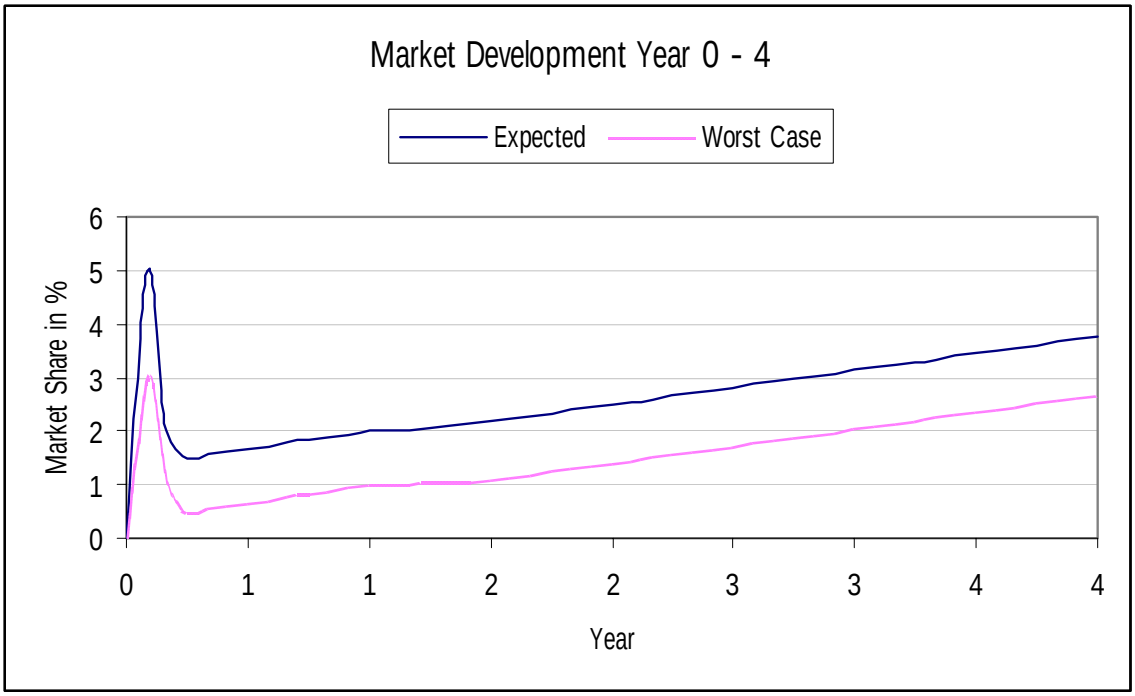
*Source: Statistisches Jahrbuch Berlin 2002

	Exp. Case	Worst Case
Market Share	0,75%	0,25%
Sales	3254	1085

Market Development

Frankfurt
We believe that the demand of our customers does not grow linear but in relation to our marketing expenditure. As in the first month of the first year we will execute a marketing campaign to announce our presence and products, we estimate that the demand in this month will be 250% above average. Unit of market and sales are suits:

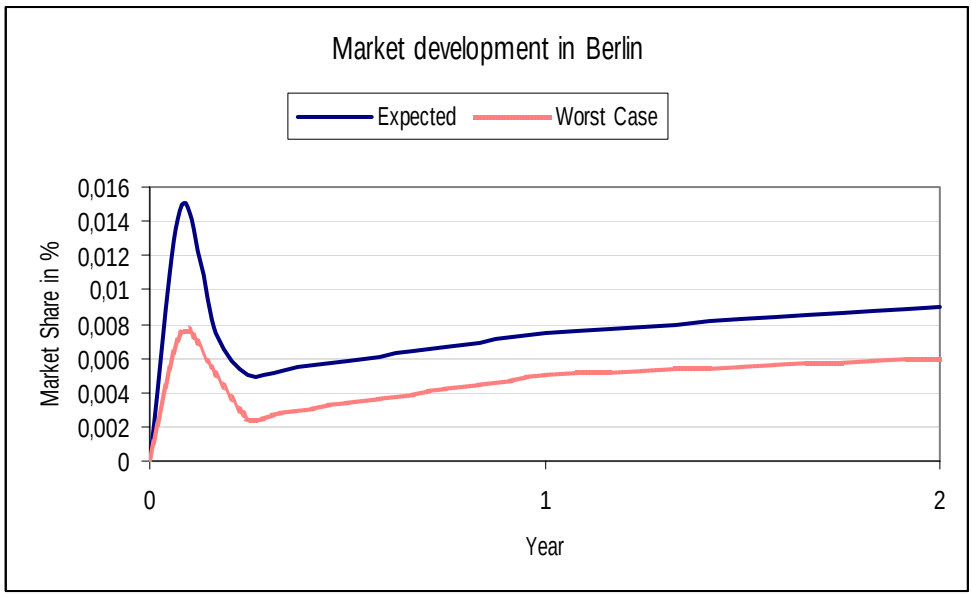
Month	Expected	Worst Case	Overall market	Sales exp.	Sales Worst
J	5,00%	3,00%	8.084	404	243
F	2,00%	1,00%	8.084	162	81
M	1,50%	0,50%	8.084	121	40
A	1,56%	0,56%	8.084	126	45
M	1,61%	0,61%	8.084	130	49
J	1,67%	0,67%	8.084	135	54
J	1,72%	0,72%	8.084	139	58
A	1,78%	0,78%	8.084	144	63
S	1,83%	0,83%	8.084	148	67
O	1,89%	0,89%	8.084	153	72
N	1,94%	0,94%	8.084	157	76
D	2,00%	1,00%	8.084	162	81
Sum Year 1			97.013	1.981	930
Sum Year 2	2,20%	1,10%	97.013	2.134	1.067
Sum Year 3	2,64%	1,16%	97.013	2.561	1.121
Sum Year 4	3,13%	1,24%	97.013	3.033	1.203



Berlin

As well as in Frankfurt, we estimate that consumers' demands are related to our marketing expenditure. Unit of market and sales are suits:

Months	Expected	Worst Case	Overall market	Sales exp.	Sales Worst
J	1,50%	0,75%	36.160	542	271
F	0,75%	0,50%	36.160	271	181
M	0,50%	0,25%	36.160	181	90
A	0,53%	0,28%	36.160	191	100
M	0,56%	0,31%	36.160	201	110
J	0,58%	0,33%	36.160	211	121
J	0,61%	0,36%	36.160	221	131
A	0,64%	0,39%	36.160	231	141
S	0,67%	0,42%	36.160	241	151
O	0,69%	0,44%	36.160	251	161
N	0,72%	0,47%	36.160	261	171
D	0,75%	0,50%	36.160	271	181
Sum Year 1			433.916	3.074	1.808
J	0,75%	0,50%	36.160	271	181
F	0,76%	0,51%	36.160	274	184
M	0,76%	0,52%	36.160	276	187
A	0,77%	0,53%	36.160	279	191
M	0,78%	0,54%	36.160	281	194
J	0,78%	0,55%	36.160	284	197
J	0,79%	0,55%	36.160	286	201
A	0,80%	0,56%	36.160	288	204
S	0,80%	0,57%	36.160	291	207
O	0,81%	0,58%	36.160	293	210
N	0,82%	0,59%	36.160	296	214
D	0,90%	0,60%	36.160	325	217
Sum Year 2			433.916	3.444	2.387



Operations

The first step: Building the infrastructure

Legal form of business
Legal form of the business in Germany will be a GMBH (limited liability company) which means that annually financial statements need to be created. The office in Thailand will be a wholly owned subsidiary with limited liability as well.

IT infrastructure
Before the business is able to operate, the infrastructure needs to be set first. As TailorWeb strongly focuses on the cyberspace, most effort will be taken on building the IT infrastructure. A Homepage with Customer Relationship Management (CRM) system, to enable customers to place orders and gather information about our products online.

A Supply Chain Management system needs to be set up which enables tracking of every suit (which fabrics have been used, when has it been ordered, when has it been handed in to the tailor, when has it been send) which will firstly enable us to have an overview over our internal processes and analyze inefficiencies. As all costs and revenues will be entered into the system, the financial statements will be created automatically which will reduce the effort when setting them up for the government. The 3D Scanner and the software for creating the patterns have to be connected to the SCM.

A Homepage with an online shop needs to be set up and connected to our SCM and CRM in order to enable the free flow of electronic information from the online customer orders and our office in Germany to our Thai office.

Due to the IT skills and experience brought into the business, it will be possible to use open source software for these tasks. There are open source products available in the internet, such as Compiere and Tutos, which are free and supported by hundreds of programmers.

Advantages
- No costs for procurement and total control over the source code
- Hundreds of programmers support the software and help when problems occur
- As the product has already been tested by many business, it has reached an acceptable stability

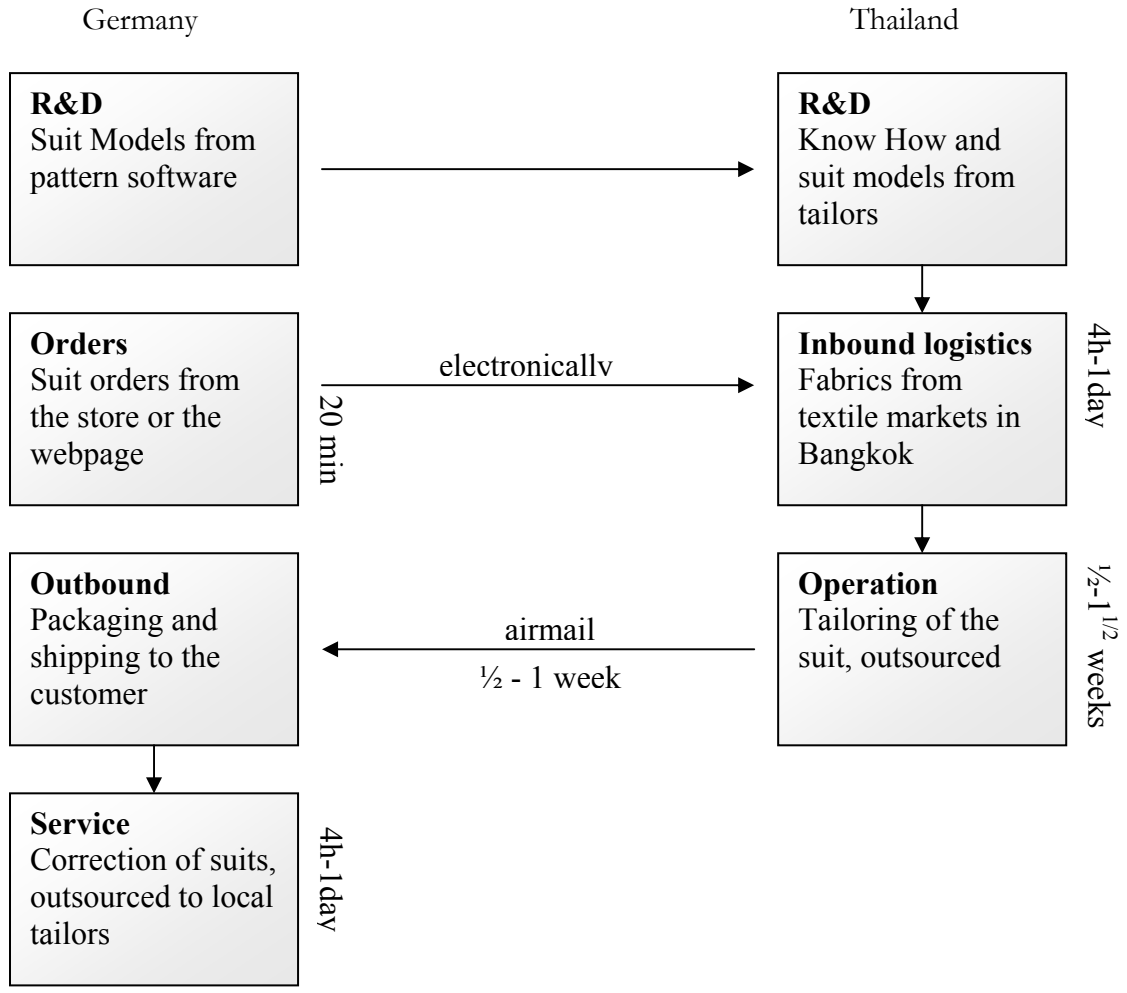
Disadvantages
- Difficult to install and to handle
- No guarantee and no service provided
- When bugs have been found one has to wait until the community has come up with a patch or try to fix it by yourself

To set up these systems and connect them with each other, two experienced programmers should need between three to six months. This causes costs as the salaries of two employees need to be paid during that time.

	Months needed
Best Case:	3
Worst Case:	6

Brick-and-mortar infrastructure
As there will not be a lot of suits to display but rather only two or three of each version, in order to display the fabric and model, there is no need for a huge store. We plan with a shop area of 30m², a scanning cabin of 8m² and a storage room for different fabrics and office supplies of 2 m².

Geographically distributed value chain



Adding the times together, we assume that suits will be delivered 12-23½ days which results in an average delivery time of 2½ weeks.

Day to Day business of employees

Store manager in Germany
The store manager will be responsible to sell suits and enter the orders into the SCM system. He will be employed six hours a day and six days a week. We estimate that one sale lasts 30 minutes in average. This means that the theoretical maximum of customers of two part time employees per year amounts 7.344. However, as many customers will likely be in the shop at the same time, we will deduct 30% which results in an effective capacity of 5.508. To compensate for consumers not coming regularly, it will be possible for consumers to book time of the 3d scanner online. We will also encourage our consumers to visit our website before coming to the store.

Office Manager in Thailand
The office manager in Thailand will be responsible to check new orders, print the patterns and buy fabrics at the textile market. After that he will drive to the tailor and gives him the orders and gives back made suits with quality problems. It is very important that he does that personally, as face-to-face communication is very important in Thailand and improves the supplier relationship. After that, he will pick up the finished suits, checks them for quality and let them pick up by an airmail company. The office manager will be employed six hours a day and six hours a week. We estimate that the purchase of fabric and communication with the tailor take three hours. In the next three hours he will check the quality and put the suits into a box. We assume that to check one suit regarding quality (comparing pattern with actual cut and quality of the seams) takes 8 minutes and packaging 2. This will enable the manager to theoretically process 5.500 suits a year.

Tailor in Thailand
As demand grows, there will be a tailor employed who will check quality of suits and discuss the according issues with the tailor who made it. In average, he will take two hours a day to go to the supplier and discuss topics with him and spend 4 hours a day to check the quality of suits. This additional employee is able to check 7.344 suits a year.

According to our market prediction, we will need the following employees:

Employee type	Year 0	Year 1	Year 2	Year 3	Year 4
Office Manager Thailand	1	1	1	1	1
Store Manager Frankfurt			2	2	2
Store Manager Berlin				2	2
Tailor in Thailand			1	1	1
Sum of employees	1	1	4	6	6

Policy on growth
Although our company will be active in the internet, an aggressive growth is not needed to make it profitable. First of all, our fixed costs are relatively low, compared to our marginal cost of a suit. We have high investments, such as the body scanner and the decoration of the store which will occur every time we open a new outlet. On the other hand, network externalities are limited and do not govern our success although we can see the advantage of a growing customer base: the more customers we will have, the more will they talk with their friends and business partners about our products. However, the value of one of our tailored suit does not primary depend on the number of people who wear them but rather on the quality of the fabric and the design.

That is why TailorWeb will focus on step-by-step sophisticated growth meaning that a new branch will only be established when the last one had broken even. As we plan with a profit in year 2 (best case scenario), we will launch a new store in the beginning of year 3 in Berlin.

Future development after year 4
In the fifth or sixth year (not included in financial planning) there will be a further expansion to Zurich, Switzerland and Vienna, Austria. When the break even of the Zurich and Vienna store will have been reached (probably year seven), TailorWeb will change its legal form to a public limited company and offer its shares on the stock market in Frankfurt. While there will be an expansion to Europe of stores in the long term, TailorWeb will continuously diversify its suppliers by setting up offices in Vietnam, China and Bangladesh. However, as the European wide expansion depends on the success of the business during the first four years, we have not taken this growth into consideration when estimating the company's value.

Marketing Mix

Product
The suits will differ in their design and the quality of the fabric. As Thailand's infrastructure for the textile industry is highly advanced, the choice of fabrics and models is virtually unlimited. Consequently, customers will have an immense choice of models and fabrics. Be believe, as customers become more educated and the purchase of a tailored suit is a high involvement process that many consumers know about the technical details of a suit and would like to be able to use this when ordering in our store.

However, the majority of consumers will certainly not know enough about fabrics and models of suits to make a sound purchase decision. For them, we will offer versions of suits which we offer in three categories: Entry, Medium and High, as well as versions in between (entry-medium and medium-high). Offering these versions is of major importance, as our consumers comprise different target markets which makes them want to find a product they can identify with. We estimate that our different target groups prefer the following levels:

Type of customer	Average preferred level of suit
School students graduating	Entry
University students	entry-medium
Public and private service suppliers	entry-medium
Financial, Consulting and real estate service suppliers	Medium
With Customer Contact	medium-premium
Rest	entry-medium

What distinguishes TailorWeb from the competion is that the portfolio of suit models also includes Asian fashion, especially from China. This is a reaction to the static growth of the Chinese minority in Germany and the resulting increasing influence of Chinese culture.

Yet, TailorWeb does not only sell suits but creates value around the product. Firstly, the different versions of suits are branded, meaning that they each have names and packages which fit their level of quality (e.g. suits containing mainly cashmere fabrics will have a more luxurious packaging than an entry level suits for students).

Secondly, customers will receive information about the status of their suit and receive warnings in case of delays. On the other hand, they will be able to track their suits on our website or by calling one of the stores. This unique offer in the market of tailors in Germany will be a selling point for our products as more and more customers, especially with online shopping experience, expect to be informed about the status of their orders.

As our consumers become more informed, they become more aware of security issues of eCommerce. TailorWeb therefore turns this uncertainty into trust by offering a very professional design and efficient structure on their homepage which is not the case with the other body scanner tailors in Germany. Additionally, the suit will be tailored with the consideration that corrections have sometimes to be made by using a little more fabric and hide it in the inside of the seams so that it does not disturb its wearer. We estimate that in 5% of the cases, corrections will have to be made. Here comes our Fit Guarantee into play, as we will pay any correction which has to be made after buying our suit. We assume corrections to amount 50 euros in average.

Place
Channels of distribution will include our stores and our website. The average delivery time will thereby comprise 2 ½ weeks which is below the competitions delivery times (3–4 weeks). Customers will be able place orders via the online shop in case they already have been scanned by one of our stores or submitted us their 3D body model. When using old body models to purchase new suits via the online shop, it is of course important that the body has not changed too much in the meantime. TailorWeb will also sell vouchers for suits which consumers can give other people as a present for Christmas or school graduation.

The distribution of finished suits from the store in Germany to a customer's home will be outsourced to a local post office.

Price
The suits will be priced regarding the effort the tailor in Thailand has, the fabric, the packaging and the additional charge. As the target groups for entry-medium level suits are rather more price-sensitive than the target group for medium-high level suits we set the additional charge higher for the latter product line. However, in every product line we are at least 10-15% below market prices.

Type of Costs/charges	Entry	Medium	Premium
Tailoring costs	50	50	75
Fabric costs	100	150	350
Total Costs in Thailand	150	200	425
Tariff (12%)	18	24	51
Shipment and packaging*	25	25	50
Marginal Costs	193	249	526
Additional charge	65,6	95,8	206,8
Total Costs Germany + Thai	258,6	344,8	732,8
VAT (16%)	41,4	55,2	117,2
Product Price	300 €	400 €	850 €

* Sending 25kg of air freight via UPS or DHL costs 100€. We estimate that in average ten suits will be sent in one box (10€/suit) and 15€ will be spent on packaging (40€ for high level suits) and shipping in Germany.

Promotion
Main promotion channels will be newspapers and magazines, especially those read by our target groups (e.g. local lawyer and finance magazines or school year books). During the first year of a store, there will also be an immense marketing campaign with higher media coverage including posters and local radio.

The name TailorWeb itself is also a promotional channel as it communicates to the customer about our business activity and our presence in the internet. Our slogan "Fine tailored suits for everyone" also expresses the high quality and affordability of our products.

Purchasing entries in search engines, such as Google and AltaVista and web catalogs such as Yahoo.com will also serve as a promotional channel as it will make consumers find our website when they surf the internet. However, we will not invest substantial parts of the marketing budget in banner advertising as we estimate that the percentage of internet users who have a 3D model of their body is relatively low.

Financial Management

Basic Assumptions

General

- All numbers in the financial statements / tables are measured in Euros (€)
- Three cases: *Expected case*, *worst case exit* (exit mechanism)and *worst case Berlin* (in case we do only reach the worst case market share prediction for the store in Berlin)

Salaries

- Stefan Broda will receive compensation for personal living expenses. In the first year, this compensation will be relatively low (20.000€) to reduce costs in order to maximize the potential amount of equity capital to pay back. In case of the continuation of the business, the compensation will be increased to 50.000€ a year.
- The Employee who operates the Thai office will be compensated with 10.000€ which is above Thai standards (e.g. PwC pays business graduates $8.400 US Dollars).
- Part time employees hired to manage the store will receive 20.000€ a year.
- The tailor who will be hired in year 3 on a part time basis to assist the office manager to check the quality of incoming suits will receive 3.000€ a year.

Leasing of body scanner

- A 3d body scanner including a four year maintenance contract, as well as software to create suit patterns using models and 3D body models costs 100.000€. In order to decrease initial capital needed, a leasing model will be used.

Leasing	Investment Cost	Years of usage	Value after 6 years	Interest rate	Leasing rate/year
3D Scanner	100.000	6	10.000	0	16.350

Store Frankfurt

- Rent/m² = 37,5€
  Store area = 40m² (30m² / store, 8m² / scanning cabin, 2m² / storage)
  Rent for the Store: = 18.000€/year

Store Berlin

- Rent/m² = 35,5€
  Store area = 47m² (30m² / store, 8m² / scanning cabin, 2m² / Storage and 7m² / office)
  Rent for the Store: = 20.000€/year

Year 0

Preparation	Months needed	Salary Costs
Best Case:	3	17.500€
Worst Case:	6	35.000€

  During that time, all Thai office running costs and the store in German need to be paid.

- Logo and Design will be done by a student project of a semi professional Ecommerce consulting group and therefore be cheaper than a comparable service of a web design studio.

Product costing and net sales

- In our calculation, an average price and average marginal cost for all suits is being used.

	Market Share	Add Charge	AC*MS	Marginal Costs	MC*MS	Net Price	Price*MS
Entry	1%	66	0	193	1	259	2
entry-medium	32%	81	26	221	70	302	95
Medium	36%	96	34	249	89	345	124
medium-premium	32%	151	48	388	123	539	172
Premium	0%	207	0	526	0	733	0
Average acc. To market share			109		284		392

Net Sales = Suits sold * Average Net Price (Price excluding VAT)
Marginal Costs = Suits sold * Average Marginal Costs

Dividends

- As the venture capitalist is primary interested in selling the company's shares in the stock market, we assume that there will not be any demanded dividend payments. Also the equity capital, raised from family and relatives will also be dividend free as they know that the more profit stays within the company, the faster it can grow.
- Dividends will be paid after IPO (probably in year 7, not included in the statements)

Costs for year 0 and 1 expected case and worst case scenario

Preparing the business initial costs	Year 0					
Investments	Exp.	Worst		Expenses	Exp.	Worst
Reconstruction/Renovation	10.000	10.000		Search Engine entries	1.000	1.000
Logo and Webpage design	10.000	10.000		Photographer for suit and fabric photos	2.500	2.500
Internet Domains	500	500		Flights Germany-Bangkok (2/4)	2.000	4.000
15% Safety Surplus	3.075	3.075		2 week course in tailoring suits in Thailand	1.000	1.000
				15% Safety Surplus	8.048	8.348
Total preparation investments	23.575	23.575		Total sum of initial preparation expenses	14.548	16.848

Thai-Office initial investments	Year 0	
Type of Costs	Exp.	Worst
Real estate deposits	1.500	1.500
Furniture and hallstands for inventory	2.000	2.000
Printer for printing patterns	2.000	2.000
Computer + Laptop	3.500	3.500
Inventory Management Tools	500	500
15% Safety Surplus	1.425	1.425
Total initial investments of office in Thailand	10.925	10.925

Thai-Office Running costs	Year 0		Year 1	
	Exp.	Worst	Exp.	Worst
Rent	1.250	2.500	5.000	5.000
Utilities	150	300	600	600
Internet Access	150	300	600	600
Office Materials	125	250	500	500
Transportation	125	250	500	500
Employee	2.500	5.000	10.000	10.000
Phone	250	500	1.000	1.000
Diverse Costs (e.g.consultant)	300	600	1.200	1.200
15% Safety Surplus	728	1.455	2.910	2.910
Total Run. Costs/ThaiOffice	5.578	11.155	22.310	22.310

Store initial investments	Year 0	
Type of Investment	Exp.	Worst
Furniture and decoration	10.000	10.000
Real estate deposits	4.500	4.500
Computer	1.500	1.500
Fabrics and Example Suits	5.000	5.000
15% Safety Surplus	3.150	3.150
Total initial investments of store	24.150	24.150

	Year 0		Year 1	
Store Running costs	Exp.	Worst	Exp.	Worst
Rent	4.500	9.000	18.000	18.000
Utilities	625	1.250	2.500	2.500
3D body scanner leasing fee	4.088	8.175	16.350	16.350
Insurance	200	400	800	800
Internet Access	150	300	600	600
Phone	250	500	1.000	1.000
Diverse Costs (e.g. tax consultant)	500	1.000	2.000	2.000
Marketing Expenditure (newspaper, magazines)	0	0	75.000	75.000
Employee	0	0	0	0
Personal Living	5.000	10.000	20.000	20.000
Web Hosting	150	300	600	600
Cleaning service	125	250	500	500
Corrections of suits (5% of suits,50€)	0	0	4.952	2.324
15% Safety Surplus	2.338	4.676	21.345	20.951
Total Running Costs of Store	17.926	35.851	163.647	160.625

Capital needed

In order to provide enough cash for initial investments and to guarantee liquidity during the first year, we need initial capital.

Initial Capital needed	Exp.	Worst
Sum of initial investments	58.650	58.650
Total sum of initial expenses	42.363	72.479
Cash flow counterbalance for first year	50.000	50.000
10% safety surplus	15.101	18.113
Total initial capital needed	166.114	199.242

As stated above, the total initial capital needed amounts 199.242€. For simplifying reasons, we calculate with 200.000€

Equity capital

Because the risk that the market could not be ready for mass individualization in Frankfurt, TailorWeb's initial capital is fully being covered by equity capital. Following table shows its source and the amount we need in the beginning.

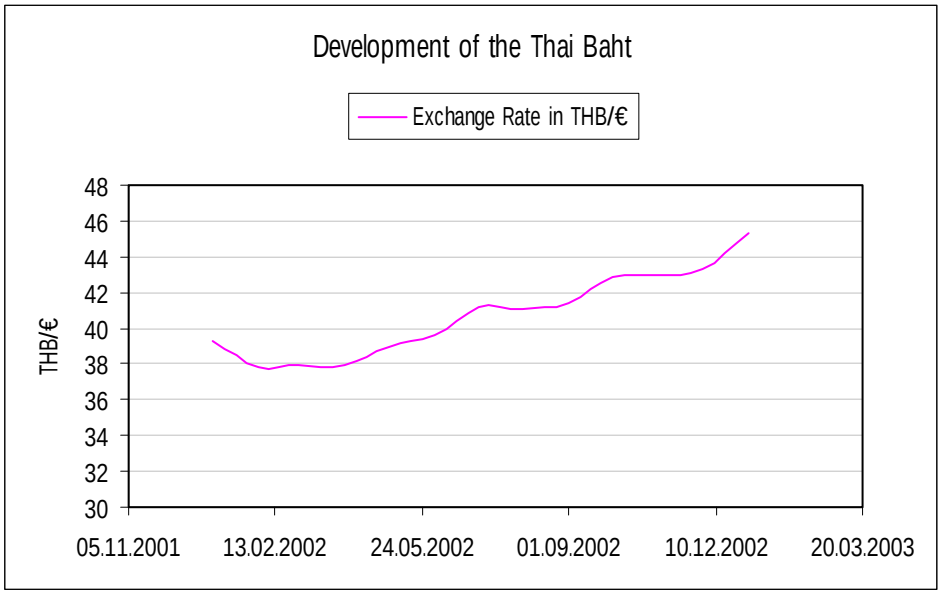
Equity capital	Amount
Own Savings	10000
Family	25000
Venture Capital	165000
Total Capital	200000

Risk Analysis

As the business venture is new and there have not been any experience made in doing a distributed tailor business supported by body scanning technology, there exist certain risks:

Quality problems
All suits are made and checked for quality by people. As people tend not to work 100% efficiently, there is always the risk of insufficient quality especially if the suit does not perfectly fit the customers' body. Therefore, we calculate that 5% of all suits sold need corrections. As we will not fly the suits back to Thailand but rather subcontract that activity to a local tailor, we estimate corrections to amount 50€ per suit. You can see this risk-entity in our cost statements.

Exchange rate
As we have to pay our Thai suppliers in either US Dollars or Thai Baht, there is a risk of exchange rate fluctuations. Currently, the Thai Baht is relatively weak with a tendency of further devaluation which means that in case the current trend continues, TailorWeb has to pay less Euros for the fabric and fees for the tailor in Thailand which would reduce its costs. However, there is the risk that the Thai Baht will grow stronger in the future.



Market is not ready yet
Going from mass market standard production to individualization is a long-term process and we could face the risk that customers are not ready yet to accept this change in the economy. It could also be that they refuse to be scanned, as in Europe there is a high awareness of privacy which could mean that customers resent their exact body size and volume to be saved on a company's server. As we also have to think about the risk that we could enter the market too early, we decided to apply a sophisticated step-by-step growth model with a critical income check after six months.

Financial risk for the investor – worst case scenario

This critical income check after six months will determine whether the business will be closed again or can be continued. The latter will be the case if we will sell enough suits to break even according to the fixed costs of the second year (with a lower marketing budget, no preparation costs):

Break Even analysis check after 6 months	
Fixed Costs of six months of 2nd year	97.885
Depreciation	8.292
Average price of suit	392
Average marginal costs	284
Break even quantity	978
Break even sales income	383.941

As we can see, the required quantity of sold suits of the break even analysis check is higher than our predicted sales after six months in the worst case scenario. Therefore, the exit plan will be executed which means the stop of all operations and the total sale of assets (we assume that we can sale all assets with a loss of 25%). The cash flow and balance sheet for year 0 and the first six months of year 1 show how it will end.

Exit plan Cash Flow

Worst Case Exit plan	Year 0	Year 2 / 6 months
Cash flow from operating activities		
+ Cash in from current period	0	200.927
+ Cash in from previous period	0	0
- Cost of goods sold (COGS)	0	72.681
- Selling, general & administrative expenses (SG&A), excl. Depreciation	72.479	127.623
- Taxes expenses	0	0
- Change in working capital	0	
Net operating cash flow (NOCF)	-72.479	624
Cash flow from investing activities		
+ Sale of fixed assets	0	43.988
- Capital expenditure	58.650	0
Net cash flow form investing activities	-58.650	43.988
Cash flow from financing activities		
+ Equity capital raised	200.000	
+ Increase in long-term borrowings	0	
+ Increase in short term borrowings	0	
- Equity capital repaid	0	113.482
+/- Interest	0	
+/- Dividend	0	
Net cash flow from financing activities	200.000	-113.482
Total Net Cash Flow	68.871	-68.871
Cash Balance	68.871	0

Exit plan balance sheet

Worst case exit plan	Year 0	Year 1			Year 0	Year 1
Current Assets				Current liabilities		
Cash	68.871	0				
Accounts receivable	0	0		Non-current liabilities		
Prepaid expenses	0	0		Long-term debt		
Total Current Assets	68.871	0		Total Non-current liabilities		
Fixed Assets				Owner's Equity		
Financial assets	0	0		Initial Equity capital	200.000	86.518
Intangibles	0	0		Retained earnings	0	-72.479
Equipment				Profit/Loss from period	-72.479*	-14.039
Gross value	58.650	0		Total owner's equity	127.521	0
Acc. Depreciation	0	0				
Total fixed Assets	58.650	0				
Total Assets	127.521	0		Total liabilities	127.521	0

* see page 20 for income statement of year 0 and 1 of the exit mechanism scenario

As stated above, we are able to pay back 113.482€. As third party capital needs to be served first, we have to deduct the equity brought from personal savings and family which results in a total loss of 51.518€ for the investor.

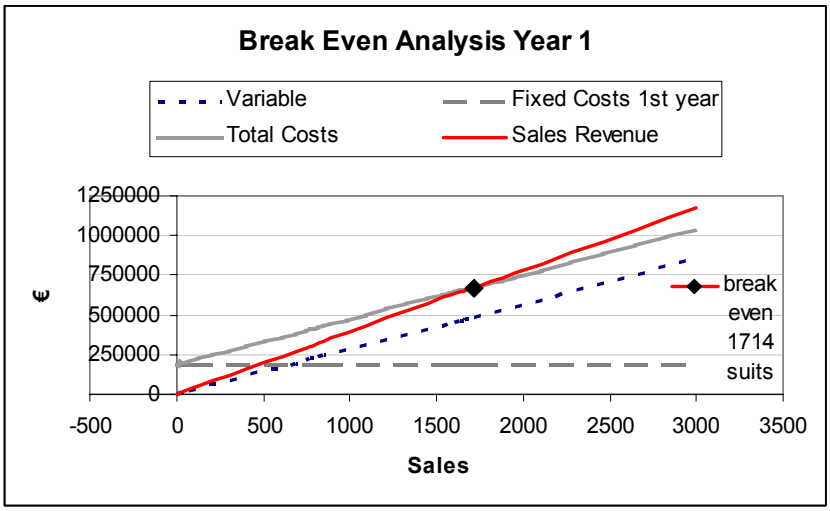
Depreciation

Type of investment	Cost Best Case	Years of depreciation	Depr exp/year Best Case
One store in Germany			
Furniture and decoration	10.000	8	1.250
Computer	1.500	2	750
Fabrics and Example Suits	1.000	3	333
Reconstruction/Renovation	10.000	8	1.250
Logo and Webpage design	10.000	4	2.500
Thailand			
Furniture and hallstands for inventory	2.000	8	250
Printer for printing patterns	2.000	3	667
Computer + Laptop	3.500	3	1.167
Inventory Management Tools	500	4	125
	Year 1+2	Year 3+4	
Total depreciation/year	8.292	13.250	

$Depreciation_{Year4,Year5} = Dep_{Thai} + Dep_{Fra} * 2 – Dep_{Webpage} - Dep_{Miete\text{-}Fra} + Dep_{Miete\text{-}Berlin} + Dep_{Computer}$

Break Even analysis

Total fixed costs in year 1 = 185.957€
Marginal Costs/suit = 283,9€
Price/suit = 392,4€
Break even quantity = 1.714



Balance Sheet

Expected Case	Year 0	Year 1	Year 2	Year 3	Year 4
Current Assets					
Cash	103.299	93.428	168.398	164.195	325.120
Accounts receivable	0	38.864	41.878	110.560	130.289
Prepaid expenses	0	0	0	0	0
Total Current Assets	103.299	132.292	210.276	274.755	455.409
Fixed Assets					
Financial assets	0	0	0	0	0
Intangibles	0	0	0	0	0
Equipment					
Gross value	58.650	58.650	102.350	108.850	120.850
Acc. Depreciation	0	8.292	16.583	29.458	42.333
Total fixed Assets	58.650	50.358	85.767	79.392	78.517
Total Assets	161.949	182.650	296.043	354.147	533.926

	Year 0	Year 1	Year 2	Year 3	Year 4
Current liabilities					
Non-current liabilities					
Long-term debt			100.000	100.000	100.000
Total Non-current liab.			100.000	100.000	100.000
Owner's Equity					
Initial Equity capital	200.000	200.000	200.000	200.000	200.000
Retained earnings	0	-38.051	-17.350	-3.957	54.147
Profit/Loss from period	-38.051	20.701	13.393	58.104	179.779
Total owner's equity	161.949	182.650	196.043	254.147	433.926
Total liabilities	161.949	182.650	296.043	354.147	533.926

Worst Case Berlin	Year 0	Year 1	Year 2	Year 3	Year 4
Current Assets					
Cash	103.299	93.428	168.398	107.003	199.719
Accounts receivable	0	38.864	41.878	85.728	106.698
Prepaid expenses	0	0	0	0	0
Total Current Assets	103.299	132.292	210.276	192.731	306.417
Fixed Assets					
Financial assets	0	0	0	0	0
Intangibles	0	0	0	0	0
Equipment					
Gross value	58.650	58.650	102.350	108.850	120.850
Acc. Depreciation	0	8.292	16.583	29.458	42.333
Total fixed Assets	58.650	50.358	85.767	79.392	78.517
Total Assets	161.949	182.650	296.043	272.122	384.934

	Year 0	Year 1	Year 2	Year 3	Year 4
Current liabilities					
Non-current liabilities					
Long-term debt			100.000	100.000	100.000
Total Non-current liab.			100.000	100.000	100.000
Owner's Equity					
Initial Equity capital	200.000	200.000	200.000	200.000	200.000
Retained earnings	0	-38.051	-17.350	-3.957	-27.878
Profit/Loss from period	-38.051	20.701	13.393	-23.920	112.811
Total owner's equity	161.949	182.650	196.043	172.122	284.934
Total liabilities	161.949	182.650	296.043	272.122	384.934

Income Statement

Expected Case	Year 0	Year 1	Year 2	Year 3	Year 4
Net Sales	0	777.272	837.550	2.211.205	2.605.783
- Cost of Sales	0	562.323	605.931	1.599.711	1.885.172
Gross Profit		214.949	231.619	611.494	720.611
					28%
- General and administrative expenses	38.051	185.957	198.977	485.975	373.866
- Depreciation	0	8.292	8.292	12.875	12.875
Operating Income (EBIT)	-38.051	20.701	24.350	112.644	333.871
- Interest expenses	0	0	0	7.000	7.000
Income before taxes	-38.051	20.701	24.350	105.644	326.871
- Income tax expense	0	0	10.958	47.540	147.092
Net income	-38.051	20.701	13.393	58.104	179.779

	Worst Case Exit mechanism			Worst case Berlin	
Worst Case	before Year 0	Year 0 - 6 months		Year 2 - 3	Year 3 - 4
Net Sales	0	200.927		1.714.557	2.133.967
- Cost of Sales	0	72.681		1.240.408	1.543.833
Gross Profit	0	128.246		474.149	590.134
- General and administrative expenses	63.854	127.623		478.194	365.148
- Depreciation	0	0		12.875	12.875
- Loss through sale of assets		14.663			
Operating Income (EBIT)	-63.854	-14.039		-16.920	212.112
- Interest expenses	0	0		7.000	7.000
Income before taxes	-63.854	-14.039		-23.920	205.112
- Income taxes	0	0		0	92.300
Net income	-63.854	-14.039		-23.920	112.811

Cash Flow in months – year 1

Cash flow first year Expected Case													
Months	J	F	M	A	M	J	J	A	S	O	N	D	Total
Sales exp.	404	162	121	126	130	135	139	144	148	153	157	162	
+ Cash in from current period	158.627	63.451	47.588	49.351	51.113	52.876	54.638	56.401	58.163	59.926	61.688	24.587	738.408
+ Cash in from previous period	0	0	0	0	0	0	0	0	0	0	0	0	0
- Cost of goods sold (COGS)	114.760	45.904	34.428	35.703	36.978	38.253	39.528	40.803	42.079	43.354	44.629	45.904	562.323
- Selling, general & administrative expenses (SG&A), excl. Depreciation	61.330	11.330	11.330	11.330	11.330	11.330	11.330	11.330	11.330	11.330	11.330	11.330	185.957
- Taxes expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
- Change in working capital													
Net operating cash flow (NOCF)	-17.463	6.217	1.830	2.318	2.805	3.293	3.780	4.267	4.755	5.242	5.730	-32.646	-9.871
Cash flow from investing activities													
+ Sale of fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
- Capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash flow form investing activities	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow from financing activities													
+ Equity capital raised	0	0	0	0	0	0	0	0	0	0	0	0	0
+ Increase in long-term borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
+ Increase in short term borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
- Long-term debt repaid	0	0	0	0	0	0	0	0	0	0	0	0	0
+/- Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
+/- Dividend	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash flow from financing activities	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Net Cash Flow	-17.463	6.217	1.830	2.318	2.805	3.293	3.780	4.267	4.755	5.242	5.730	-32.646	-9.871
Accumulated Cash Flow	85.837	92.054	93.884	96.202	99.007	102.300	106.080	110.348	115.102	120.345	126.074	93.428	93.428

Cash Flow

Expected Case	Year 0	Year 1	Year 2	Year 3	Year 4
Cash flow from operating activities					
+ Cash in from current period	0	738.408	795.673	2.100.645	2.475.494
+ Cash in from previous period	0	0	38.864	41.878	110.560
- Cost of goods sold (COGS)	0	562.323	605.931	1.599.711	1.885.172
- Selling, general & administrative expenses (SG&A), excl. Depreciation	38.051	185.957	198.977	485.975	373.866
- Taxes expenses	0	0	10.958	47.540	147.092
- Change in working capital	0				
Net operating cash flow (NOCF)	-38.051	-9.871	18.670	9.296	179.925
Cash flow from investing activities					
+ Sale of fixed assets	0	0	0	0	0
- Capital expenditure	58.650	0	43.700	6.500	12.000
Net cash flow form investing activities	-58.650	0	-43.700	-6.500	-12.000
Cash flow from financing activities					
+ Equity capital raised	200.000	0	0	0	0
+ Increase in long-term borrowings	0	0	100.000	0	0
+ Increase in short term borrowings	0	0	0	0	0
- Long-term debt repaid					0
+/- Interest	0	0	0	7.000	7.000
+/- Dividend	0	0	0	0	0
Net cash flow from financing activities	200.000	0	100.000	-7.000	-7.000
Total Net Cash Flow	103.299	-9.871	74.970	-4.204	160.925
Cash Balance	103.299	93.428	168.398	164.195	325.120

Worst Case market entry Berlin	Year 0	Year 1	Year 2	Year 3	Year 4
Cash flow from operating activities					
+ Cash in from current period	0	738.408	795.673	1.628.829	2.027.269
+ Cash in from previous period	0	0	38.864	41.878	85.728
- Cost of goods sold (COGS)	0	562.323	605.931	1.240.408	1.543.833
- Selling, general & administrative expenses (SG&A), excl. Depreciation	38.051	185.957	198.977	478.194	365.148
- Taxes expenses	0	0	10.958	0	92.300
- Change in working capital	0	0	0		
Net operating cash flow (NOCF)	-38.051	-9.871	18.670	-47.896	111.716
		0	0		
Cash flow from investing activities		0	0		
+ Sale of fixed assets	0	0	0	0	0
- Capital expenditure	58.650	0	43.700	6.500	12.000
Net cash flow form investing activities	-58.650	0	-43.700	-6.500	-12.000
		0	0		
Cash flow from financing activities		0	0		
+ Equity capital raised	200.000	0	0	0	0
+ Increase in long-term borrowings	0	0	100.000	0	0
+ Increase in short term borrowings	0	0	0	0	0
- Long-term debt repaid	0	0	0	0	0
+/- Interest	0	0	0	7.000	7.000
+/- Dividend	0	0	0		
Net cash flow from financing activities	200.000	0	100.000	-7.000	-7.000
Total Net Cash Flow	103.299	-9.871	74.970	-61.396	92.716
Cash Balance	103.299	93.428	168.398	107.003	199.719

Venture capitalist ownership

To amount the part of the business which belongs to the venture capitalist after having invested in our firm, we have to divide the total value of the company by the invested venture capital. To compute the firm's value, we use the Discounted Cash-Flow method (DCF).

Growth rate of CF year 5 + 6 = 20%
Growth rate of CF year 7 - 10 = 10%
Growth rate of CF year 11 – infinity = 5%
Risk free rate of return = 5%
Risk premium = 15%
Risk adjusted rate of return = 5% + 15% = 20%

Year	Growth	cash flows	Present Value of Cash Flow
0	-9,6%	103.299	103.299
1	-759,5%	-9.871	-8.226
2	-5,6%	74.970	52.063
3	-3828,2%	-4.204	-2.433
4	120,0%	160.925	77.607
5	20,0%	193.110	57.607
6	20,0%	231.732	57.607
7	10,0%	254.905	51.139
8	10,0%	280.396	45.211
9	10,0%	308.435	39.777
10	10,0%	339.279	54.795
- infinite	5,0%	356.243	335.622
Value of the company			864.068

Venture capitalist's ownership = Venture Capital invested / Value of the company
= 165.000€ / 864.068 €
= 19,09%
Family and relatives' ownership = 25.000€ / 864.068 €
= 2,89%

This means that about 20% of the company belongs to the Venture Capitalists and 3% belong to relatives and family.

Financial Ratios

Expected Case	Year 1	Year 2	Year 3	Year 4
Gross profit margin (GPM)	27,65%	27,65%	27,65%	27,65%
Net profit margin (NPM)	2,66%	1,60%	2,62%	6,89%
RoI	10,35%	12,18%	35,09%	108,83%
RoA	11,33%	8,23%	29,74%	61,20%
RoE	10,35%	12,18%	52,63%	163,25%

Worst Case Berlin				
Gross profit margin	27,65%	27,65%	27,65%	27,65%
Net profit margin	2,66%	1,60%	-1,42%	5,28%
RoI	10,35%	12,18%	-8,10%	68,25%
RoA	11,33%	8,23%	-8,94%	53,27%
RoE	10,35%	12,18%	-12,15%	102,37%

RoI, RoA and RoE use Earnings before taxes, NPM refers Net Income after taxes

Running Costs Year 1-4

Store Running costs	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case
Rent	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000
Utilities	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
3D body scanner leasing fee	16.350	16.350	16.350	16.350	16.350	16.350	16.350	16.350
Insurance	800	800	800	800	800	800	800	800
Internet Access	600	600	600	600	600	600	600	600
Phone	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Diverse Costs (e.g. tax consultant)	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
Marketing Expenditure (newspaper, magazines)	75.000	75.000	25.000	25.000	20.000	20.000	20.000	20.000
Employee	0	0	40.000	40.000	40.000	40.000	40.000	40.000
Personal Living	20.000	20.000	30.000	30.000				
Web Hosting	600	600	600	600	600	600	600	600
Cleaning service	500	500	500	500	500	500	500	500
Corrections of suits (5% of suits, 50€)	4.952	2.324	5.336	2.668	6.403	2.801	7.583	3.008
15% Safety Surplus	21.345	20.951	21.403	21.003	16.313	15.773	16.490	15.804
Total Running Costs of Store	163.647	160.625	164.089	161.021	125.066	120.924	126.423	121.162
Thai-Office Running costs	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case
Rent	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Utilities	600	600	600	600	600	600	600	600
Internet Access	600	600	600	600	600	600	600	600
Office Materials	500	500	500	500	500	500	500	500
Transportation	500	500	500	500	500	500	500	500
Employee	10.000	10.000	10.000	10.000	13.000	13.000	13.000	13.000
Phone	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Diverse Costs (e.g. Tax consultant)	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
15% Safety Surplus	2.910	2.910	2.910	2.910	3.360	3.360	3.360	3.360
Total Running Costs of Thai-Office	22.310	22.310	22.310	22.310	25.760	25.760	25.760	25.760
Total expenses	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case
Total Running Costs of Frankfurt Store	163.647	160.625	164.089	161.021	125.066	120.924	126.423	121.162
Total Running Costs of Berlin Store			12.578	12.578	335.149	331.510	221.682	218.226
Total Running Costs of Thai-Office	22.310	22.310	22.310	22.310	25.760	25.760	25.760	25.760
Total sum of initial preparation expenses								
Sum of total expenses	185.957	182.935	198.977	195.909	485.975	478.194	373.866	365.148

Initial investments and expenses of Berlin store

Store initial investments	Year 2		Year 3		Year 4	
Type of Investment	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case
Reconstruction/Rennovation	10000	10000	0	0	0	0
Furniture and decoration	15000	15000	0	0	0	0
Real estate deposits	5000	5000	0	0	0	0
Computer	3000	3000	0	0	0	0
Fabrics and Example Suits	5000	5000	0	0	0	0
15% Safety Surplus	4200	4200	0	0	0	0
Total initial investments of store	42200	42200	0	0	0	0

Store Running costs	exp. Case	Worst Case	exp. Case	Worst Case	exp. Case	Worst Case
Rent	5000	5000	20000	20000	20000	20000
Utilities	625	625	2500	2500	2500	2500
3D body scanner leasing fee	4087,5	4087,5	16350	16350	16350	16350
Insurance	200	200	800	800	800	800
Internet Access	150	150	600	600	600	600
Phone	250	250	1000	1000	1000	1000
Diverse Costs (e.g. tax consultant)	500	500	2000	2000	2000	2000
Marketing Expenditure	0	0	150000	150000	50000	50000
Employee	0	0	40000	40000	40000	40000
Personal Living	0	0	50000	50000	50000	50000
Cleaning service	125	125	500	500	500	500
Corrections for customer suits (50 euros per suit)	0	0	7684	4520	9017,3	6011,5
15% Safety Surplus	1640,6	1640,6	43715,1	43240,5	28915,1	28464,2
Total Running Costs of Store	12578,1	12578,1	335149,0	331510,5	221682,4	218225,8