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MATRIC NUMBER: 18/sms09/007

ASSIGNMENT ON FOOD PRODUCTION AND HEALTH AWARENESS

QUESTION:

Prepare a business plan on a chosen agricultural enterprise following the guideline in the note.

 A business plan on the development of cotton production company involved in agricultural farming and production of clothing as well production processing with focus on cotton farming and processing. The farm is located in Boston, united states of America. The name of the industry/company is “**cotton garden**”

The undersigned reader acknowledges that the information provided in this business plan is a confidential intellectual property; hence the reader agrees not to disclose it to a third party without the express written permission of the promoters of the proposed business.

It is acknowledged by the reader that information furnished in this business plan is in all respect confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by the reader, may cause serious harm or damage to the promoters of the proposed business.

## Executive Summary

The **cotton garden** start-up manufacturing industry sets up a business plan that upscale cotton processing. The industry expands agriculture to another level, involving processing of the cotton into fine clothes. New Look not only develops the clothing line, but supports it with advertising and promotion campaigns. The company plans to strengthen its partnership with retailers by developing brand awareness. New Look intends to market its line as an alternative to existing clothing lines, and differentiate itself by marketing strategies, exclusiveness, and high brand awareness.

 The key message associated with the New Look line is classy, upscale, versatile, and expensive clothing. The company's promotional plan is diverse and includes a range of marketing communications. In the future, the company hopes to develop lines of accessories for men, women, and children. These accessories will include cologne/perfume, jewelry, eyewear, watches, etc.

Chapter one

**Company Summary**

**Mission**

The mission of the company is to provide a new look for consumers, based on quality of the cotton.

**Legal Business Description**

**Cotton garden** was founded as a Corporation with principal offices located in Memphis, TN. All operations, from administration to marketing strategies, take place at this leased office location of approximately 500 square feet.

**Strategy**

The **cotton garden** strategy is to aggressively develop and market a full range collection to consumers. The company intends to market its line as an alternative to existing clothing lines and differentiate itself through its marketing strategies, exclusiveness, and brand awareness. **cotton garden**  intends to build on its core portfolio of products and overcome any obstacles by using the company's expertise in the clothing industry.

The company's goal in the next year is to make an overwhelming impact on the fashion industry and create a large consumer demand for the product. The company's goal is to maintain a cotton manufacturing industry that gives the best finished goods to the world.

**Strategic Relationships**

The company has strategic alliances with leather industries especially does that work with animal skin. These alliances are valuable to **cotton garden** because they provide the needed exposure for its line and the association of its products with the best. Cotton is the valuable assets because it brings the freshness to the clothing line.

## Products

**Cotton garden** products will be priced at the high end to reflect the quality and exclusiveness associated with the brand. The company will use high-end materials such as cashmere, a wool blend, and high gauge denim. When a mark up is placed on New Look products, customers are willing to pay the premium because of the perceived value and quality guarantee that comes with all products. The New Look line is targeted at males between the ages of 20 and 40.

## Chapter two

## Market Analysis Summary

**Market Description**

Apparel sales are driven by economic conditions, demographic trends, and pricing. Fashion, while important for an individual company, plays a limited role in overall market demand. Sales of apparel at the retail level rose approximately 4.7% in 1998, according to NPD Group, Inc., a market research firm located in Port Washington, New York.

In 1998, Americans purchased approximately $215 billion of apparel and footwear. According to NPD Group Inc., approximately $177 billion was spent on clothing in 1998. The remaining $38 billion was used to purchase more than 1.1 billion pairs of shoes, based on data from Footwear Market Insights (FMI), a market research firm based in Nashville, TN. With the U.S. population at 270 million, this works out to roughly $800 a year per capita spent on apparel and footwear.

The apparel and footwear industries are highly competitive, and both have attempted to lower manufacturing costs by moving production to such places as Mexico, Central America, and Asia. As a result, employment levels for U.S. manufacturing industry employees fell to 713,000 in February 1999, according to the Department of Labor. This was down 10% from the year-earlier level and 52% from 1970. The number of domestic non-rubber footwear employees declined 15%, year to year, in 1998, and 86% since 1968, according to the Footwear Industries of America, an industry trade group based in Washington, D.C.

**The Apparel Industry**

The U.S. apparel industry is large, mature, and highly fragmented. Apparel sold in the United States is produced both domestically and in foreign locations. According to estimates from the American Apparel Manufacturers Association (AAMA), an industry trade group based in Arlington, Virginia, the dollar value of domestic apparel production was $39 billion at the wholesale level in 1997 (latest available), which was less than the $46 billion (U.S. wholesale value) of goods imported into the United States. In addition, $15 billion of goods were produced in both the United States and other countries.

The U.S. apparel market can be divided into two tiers: national brands and other apparel. National brands are produced by approximately 20 sizable companies and currently account for some 30% of all U.S. wholesale apparel sales. The second tier, accounting for 70% of all apparel distributed, comprises small brands and store (or private-label) goods.

Apparel is sold at a variety of retail outlets. Based on data from NPD Group, discount stores, off-price retailers, and factory outlets accounted for 30% of 1998 apparel sales, while specialty stores and department stores accounted for 22% and 18%, respectively. Another 17% were sold at major chains, and direct mail/catalogs accounted for 6%. The remaining 7% of apparel sales occurred through other means of distribution.

###  Market Segmentation

The company plans to target males between the ages of 20 and 40 with a combined household income of more than $40,000. Within this group, there are no color barriers, and customers have diverse backgrounds. The New Look customer is a versatile man who can fit into any environment and is willing to pay a high price for quality clothing.

The company's target group is seen as having enough disposable income to spend on high priced quality clothing.  From 1984 to 1991, for example, disposable personal income grew at a healthy average annual of 7.0%. Apparel and footwear expenditures increased at a strong .2% annual rate during the same period. In the 1990s, however, growth in personal income slowed somewhat and so did apparel expenditures. From 1991 to 1998, disposable personal income rose at an average annual rate of 4.7%, while apparel and footwear expenditures grew 4.5% per year.

According to S&P's, in the men's apparel segment, much of the growth in spending is being driven by consumers with annual household incomes of more than $60,000. Spending in this segment increased by approximately 13% in 1998. Apparel purchases by men from households with incomes between $40,000 and $59,999 grew by 7% in 1998. Men's apparel sales at department stores and off-price retailers grew at double-digit rates in 1998.

As growth slows in the mature U.S. apparel and footwear markets, companies are increasingly looking overseas for growth opportunities.  American brands translate well internationally, and many expanding economies overseas are interested in buying U.S. products. International business has therefore become a focus of some U.S. companies.

Many apparel and footwear manufacturers see Europe, with a population of 350 million, as an attractive market. Tommy Hilfiger and Polo Ralph Lauren recently opened flagship stores in London in an effort to build up their brands in Europe. Expansion in Asia, however, has been sidelined by economic troubles. In other parts of the world, footwear company Payless ShoeSource Inc., has been performing well in Canada and South America.

### Distribution Strategy

New Look plans to use a direct sales force, retailers, and the Internet to reach its markets. These channels are most appropriate because of time to market, reduced capital requirements, and fast access to established distribution channels. The manufacture of denim is expected to take place in Mexico. Sweaters will be manufactured locally at first, and will later take place in Italy and Hong Kong. Upon arrival, the clothing will be placed in a warehouse. Initially, the company plans to use a consolidated warehouse before acquiring a warehouse of its own.

As companies in these mature industries continually look for ways to compete effectively, U.S. apparel and footwear manufacturers have increasingly moved their production facilities to lower-cost locations outside of the United States. Although some manufacturers have moved operations completely offshore, others are retaining a few production facilities in the United States to manufacture products requiring a quick turnaround time.

While manufacturing in Asia remains substantial, the growth of apparel manufacturing in Mexico and the Caribbean has been significant due to the North American Free Trade Agreement (NAFTA) and the lowering of tariffs. Apparel assembled in Mexico and the Caribbean nations from fabric formed and cut in the United States accounted for 27% of all apparel imports in 1998, up from 9% in 1990.

With an improved economic outlook, Asian currencies have strengthened against the U.S. dollar over the past year. For example, the Thai bhat and Korean won appreciated 13% and 20%, respectively, from June 1998 to June 1999. While this has benefited U.S. exports somewhat, it has put pricing pressures on imported Asian goods. For the vast amount of goods manufactured in China, however, no such benefit is currently expected, as this country's currency has remained fixed in value versus the U.S. dollar.

### Market Trends

**Leaner inventories, but continued pricing pressures**

After several years of inventory build-ups, the apparel industry's inventory-to-sales ratio declined steeply in 1996, and through 1998 it remained near its lowest levels in 16 years. According to the U.S. Department of Commerce, the inventory-to-sales ratio was 1.49 as of May 1999, significantly below the 1.74 of a year earlier.

After several difficult years and many bankruptcies in the early 1990s, the apparel industry is relatively healthier overall, and its lower inventory levels are a sign of that. Despite the lean inventories, however, prices of women's apparel declined in the first 6 months of 1999, compared with year-earlier levels, after rising slightly in 1998. S&P's still expects some degree of apparel pricing pressure to persist in the near future. Intensifying competition doesn't bode well for apparel manufacturers' ability to raise prices. Companies are continually searching around the globe for cheaper sourcing and are looking for ways to cut operating costs. Consumers are also very value conscious-they want quality merchandise at the lowest possible price. This trend is evident in the successful growth of off-price retail stores.

**Modest growth in '99**

As with most mature industries, the apparel and footwear industries are experiencing intense competition and pricing pressures, while facing the need for constant product innovation. However, these industries are enjoying a great economic cycle, with low interest rates, low unemployment, strong consumer confidence, and a low savings rate. Consumers are continuing to spend at a healthy clip. As a result, S&Ps expects sales for the apparel industry to rise about 4% in 1999. We believe that maker's with strong brand recognition and those that are closely in tune with consumers' needs will enjoy average growth. The footwear industry faces a tougher environment, however, considering the still-high inventory levels and low-margin price points.

**Apparel outlook still positive**

Although S&P's doesn't expect the economy and consumer spending to sustain growth forever, we expect the overall apparel industry to continue to post-modest gains through 1999. Among apparel makers, we expect the best performances to come from companies with strong brand recognition, such as Tommy Hilfiger Inc., Gap, Abercrombie & Fitch, and Jones Apparel Group Inc. As more and more companies have adopted casual attire in the workplace, the trend toward casual dressing continues. This has sustained the need for men and women to establish new wardrobes or alter their existing ones. S&P's believes this has had more of an effect in the men's segment, as evidenced by the higher growth rate in sales of that segment in the past year. Eventually, the casual trend will slow to a level of demand that satisfies basic replenishment needs, but for now we expect heightened consumer confidence to encourage spending beyond basic needs. Current career offerings have less structured looks, and consumers have favorably received these.

S&P's expects the branded apparel companies that sell to the department store channel of distribution to grow somewhat faster than the overall industry. In addition to favorable demographic trends, this segment is benefiting from its strength in design and marketing, which has led to a high consumer awareness of and demand for branded apparel. Nonetheless, because there's little pent-up demand for apparel, the need for freshness is still a vital part of keeping customers interested.

In response to a challenging and saturated domestic market with slower growth prospects, S&P's expects that companies with strong brands will increasingly turn to international markets for growth. Companies are hoping that the international consumer's interest in the U.S. lifestyle will translate into sales of brands that represent that lifestyle. Many companies as a significant growth area see Europe, and Asia appears to be recovering from the economic turmoil experienced in the past couple of years.

Apparel companies have been quick to recognize the importance of the youth market and have started to establish product lines to target this group. Generation Y--those individuals between four and 21 years of age--is a large demographic group with considerable spending power. This group is also significant in setting styles and trends that influence the styles for older consumers.

The current environment of abundant supply, consolidation, and intense competition has forced companies to maximize profits, not only for growth but for survival as well. Companies are constantly searching for ways to maximize efficiencies, cut costs, and increase sales. S&P's believes this improved condition of apparel companies has positioned the successful ones for a greater degree of growth and should serve to develop a healthier industry.

**Buy now, wear now**

In the past, consumers purchased apparel and footwear for the upcoming season when retail stores decided it was best to carry the merchandise, usually months in advance. Times are changing, however, consumers are buying apparel and footwear closer to or during the season. The industry has had to adjust to this trend, or risk losing sales and carrying unwanted inventory. Companies have had to shorten design, development, production, and distribution cycles.

In order to stay in tune with consumer needs and trends and to aid in product planning, companies have established internal teams or have hired firms to gather feedback from relevant consumer groups. For example, Tommy Hilfiger recently established what it calls Quick Response Capsules (QRC), teams of designers and production staff to work in collaboration with retail stores to bring out fresh, new fashions within a month. When Nike recently reorganized its apparel division, it created a strategic response division to monitor consumer trends. Other companies are doing this as well.

S&P's believes that the abbreviated production cycles brought about by this "buy now, wear now" phenomenon has caused companies to re-evaluate their manufacturing processes. With more and more production taking place offshore, the turnaround time for garments can be lengthy. Shortened cycles call for production sites in closer proximity to distribution points.

At the moment, a few apparel companies are using domestic plants to fulfill small orders for fresh products. Although indications now are that most merchandise will continue to be sources offshore, some seasonal/special items may need to be produced domestically. If such demand increases, there may be some benefit to the rapidly shrinking domestic production industry. This buy now, wear now trend is a manifestation of the power that consumers now have in the mature apparel and footwear industries. Consumers dictate price, location, styles, and time of purchase more, something we don't see changing anytime soon.

**What's in a name?**

In a market where consumers are barraged by advertising and marketing campaigns delivering an onslaught of lifestyle and fashion messages, a brand name is a powerful weapon. Brands have become an increasingly significant factor in apparel and footwear. Many consumers have less time to shop an are spending their disposable income more carefully. Established brand names, with their quality image, make the shopping experience easier and faster for many consumers. For manufacturers, brands build consumer loyalty, which translates into repeat business.

Many established brand manufacturers, such as Tommy Hilfiger, Polo Ralph Lauren Corp., Jones Apparel, Liz Claiborne Inc., and Nautica Enterprises Inc., are leveraging their existing brand names by adding various accessory lines, such as sunglasses, watches, fragrances, wallets, and footwear. Jones Apparel's recent acquisition of shoe retailer Nine West Group Inc. was a strategic move aimed at broadening the company's product lines and creating opportunities to cross-sell products between the two brands. However, most companies choose to extend their product lines through licensing. Most recently, Tommy Hilfiger announced new licensing deals to market jewelry, hosiery and, most notably, watches through Movado.

A company with an impressive brand name must exercise caution when entering into licensing agreements. If a new product line doesn't live up to the quality standards that consumers have come to expect from the brand name, the brand's image can be tarnished. It remains to be seen how consumers will react to this onslaught of new brand name product introductions. To date consumers have embraced the extended product lines.

## Chapter three

## Competition and Buying Patterns

Although the apparel industry is mature and slow growing, it exists in a dynamic and competitive environment. In order to improve profitability, many companies are restructuring to create leaner organizations and adopt new technologies. Consolidation has been prevalent in this industry in the past few years, as larger companies gain leverage in market position and cost cutting. In the apparel industry, companies can operate as retailers or manufacturers (wholesalers) or both. For instance, Gap, Inc., a vertical retailer, manufactures and markets their own apparel and accessories. A company like VG Corporation is a manufacturer and sells solely to retail channels. A company like Tommy Hilfiger does both, selling its products to both retailers and consumers (through retail outlets).

### Competitive Edge

In a market where consumers are barraged by advertising and marketing campaigns delivering an onslaught of lifestyle and fashion messages, a brand name is a powerful weapon.  Brands have become an increasingly significant factor in apparel and footwear. Many consumers have less time to shop an are spending their disposable income more carefully. Established brand names, with their quality image, make the shopping experience easier and faster for many consumers. For manufacturers, brands build consumer loyalty, which translates into repeat business.

The company's name, New Look, is a competitive advantage in itself. The name is not attached to any particular group of customers and it allows entry into different segments of the industry. Another competitive advantage is the company's marketing strategy. Through the use of celebrities, advertising, promotion, and giveaways, the company is able to develop its presence in the market. Although the company uses retailers to sell its line, most of the marketing and advertising is done in-house.

## Chapter four

## Financial Plan

The company is seeking a substantial long-term business loan for the purpose of developing the clothing line. This funding will cover operating expenses and product development leading to the launch in July 2000.

### 8.1 Important Assumptions

The table below contains important assumptions which the company will use to ensure its success, the primary assumption is that the economy will remain in its present upturn.



|  |
| --- |
| **GENERAL ASSUMPTIONS** |
|  | **2000** | **2001** | **2002** |
| Plan Month | 1 | 2 | 3 |
| Current Interest Rate | 10.00% | 10.00% | 10.00% |
| Long-term Interest Rate | 10.00% | 10.00% | 10.00% |
| Tax Rate | 25.42% | 25.00% | 25.42% |
| Other | 0 | 0 | 0 |