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# Derin's Apparel

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## **NATURE OF THE BUSINESS**

Derin's Apparel is a clothing line that provides a variety of fashion designs to its wide ranging customer base. It is a small scale business. It aims to provide services and create value for its diversified customer base, while meeting every customer requirement, and maintaining an unwavering quality standard. Derinsola Abdulsalam is the founder and C.E.O of Derin's Apparel as she has majority stake and control over the business. She sets the mission, vision and goals for the company while making the day to day decisions that lean towards achieving the set goals which in turn would lead to profits. As of this moment she is the only major principal, but along the line there would be more partners and directors in the firm based on the growth and successful expansion of the business.

As a startup company, capital would be required for operational processes and functions. The finances needed would be to obtain the essential raw materials to ensure production can be carried out at the highest quality level possible. The finances would also be needed to acquire and retain a productive and efficient workforce. Derin's apparel would also want to create the delivery option for its customers to widen its reach in the market and increase its customer base. This would need delivery personnel's to be on standby and ready to deliver at the stipulated times. This is part of the cost the financing would have to cover to ensure operational success.

The documentation and financial information as well as the business plan of Derin's Apparel are securely kept by Derin and her financial advisors.

## **EXECUTIVE SUMMARY**

Clothing brands are generally specific and provide services to a particular selected group. The Idea of the Derin's apparel is to change that pattern of operations. This will be done by providing a wide range of clothing that matches the current trends and designs in the society, while meeting

the taste and needs of different age groups. This diversification in the production of apparels ensures the company creates value for all groups and classes in the society. This is done by studying the clothing preferences of each age group and using scarce resources efficiently to provide the best quality clothing best suitable to each group. This expands our customer base and ensures that our products do not serve only a segmented group in the society, but instead meet the clothing needs of the society as a whole.

To perform this operations, certain internal and external data would be required to provide direction for the business. This data would ensure the company acknowledge the customer needs and meet them accordingly. To obtain internal data on the preferences and needs of the customers, questionnaires and interviews would be carried out randomly on members of the society from varying groups. This would provide unbiased information on trends and designs most preferred by customers. The internet would also be a tool of research to obtain vital information. External data would be obtained from competitors and the government to reduce the risks and impact of uncontrollable factors on the business.

The biggest opportunity in the clothing market is keeping up with rapidly changing trends. This is because fashion is a dynamic and fast changing factor. The ability to meet trends quicker than my competitors would give me the advantage in a highly competitive market. It would also increase my customer base in a market where consumers switching cost is low.

The major marketing strategy for Derin's apparel would be the use of social media.

The impact of the internet on the growth of businesses cannot be overlooked. Social media accounts would be created promoted on all platforms. This accounts would be constantly updated to ensure our customers are up to date with our releases and products. The use of this media would also make it easy for customers to place orders and prepare for delivery. This would increase sales without the customers being physically present. Branding would be another marketing adopted by the business. This would ensure our product and services stand out from that of our competitors. The fair price, product quality, location and value of services rendered would make the consumers gravitate towards our brand, thereby increasing our goodwill and brand influence in the market. Our final marketing strategy would be to contract celebrities to model in our various clothing apparels. The aim of this is to convince their respective fan base that our brand provides quality

clothing they can apply to just as their favorite celebrity has done already. This would convert those loyal fans to our customers thereby increasing our market share.

The major financial goal would be to breakeven after the first fiscal year and avoid losses. This would entail maximizing scarce financial resources to increase productivity while reducing wastage. After minimizing the production cost, we would ensure the prices put on the clothes would cover the cost of production. This ensures that the business is not operating at a loss its first year but at a breakeven point where the business is making zero profits. After this point the financial plan would be to make growing profits after every business quarter while reducing the production costs and maintaining quality. An increase in market share is another financial goal of the company, this means the portion of the market controlled by the company, it is essential to ensure growth in a highly competitive market. An Increase in revenue is the final financial goal for the business, this entails everything the business does to lead to an increase in sales. This is the most essential part for growth of the company.

Derin's apparel has an obligation to meet the needs of its stakeholders. Stakeholders are basically people that can affect or can be affected by the business. This is why their interests have to be safeguarded by the business. Various stakeholders have different needs, which is why stakeholder analysis would help us group them and arrange them in order of importance. The major stakeholders in Derin's apparel are the customers, suppliers, government and our employees. Our duty to our customers is to provide them with high quality clothing at a fair and affordable price. While our obligation to our suppliers is timely payment for raw materials provided. Derin's apparel is required by the government to follow all its policies and conduct our business without breaking the law, while we owe it to our employees to pay them on time and include benefits for increased productivity and output.

## **ENVIRONMENTAL AND INDUSTRY ANALYSIS (PESTEL)**

The analysis of the environment and industry we operate in is essential for the short term survival and long term growth of the business. We will use the PESTEL model to carry out this analysis. The Political aspect looks at the government policies around businesses, the political stability of the country, the labor laws, tax policies and fiscal policies. The Economic aspect looks at the

economic growth, the interest and exchange rates inflation and disposable income of consumers and how it will affect the business. The Social aspect analyzes the population growth, customer buying and cultural trends will influences customer behavior. The Technology aspect focuses how the use of new technology can improve the production process and increase efficiency at a high level. The Environmental aspect focuses on the decline of raw materials, pollution, climate and weather and environmental laws. And finally the legal aspect focuses on health and safety, consumer rights, product safety, safety standards and competitive legislation.

It is also essential we carry out industry analysis in order to determine the industry demands necessary to maintain a healthy competition. This provides us with information about the current state of the market, it is important for us to know if the clothing market is growing or in the declining phase. This analysis also helps us know the number of competitors and ease of entry into the market as well as the changes in consumer needs and taste. We would also need to ascertain the challenges in the business and how we can prepare for them, this would help us mitigate against the market risks we would most likely face.

Our competitors are the biggest potential threats we would face in the market. We can only prepare for this threat by analyzing and understanding the strengths and weaknesses of our competitors. This would help us implement a marketing plan that would ensure that the threats from our competitors does not affect the success of our business. We would identify our competitors through market research, website, trade journals and advertisements.

The customers are our source of revenue. Market analysis would need to be carried out to understand how the customers are in the business environment. This would entail understanding their taste, preferences, spending pattern and how much of their disposable income they are willing on spend on our products. This would help us adjust out processes and operations to meeting the needs of our customers. This analysis would also show us the specific segment and geographic area to focus on in order to increase sales. This analysis would help the business focus on those high profit areas over the lower ones.

## **DESCRIPTION OF VENTURE**

Derin's apparel is a fashion designing brand that provides fashionable apparels to all age groups in the society. We use the latest trends and patterns to provide our customers with the best designs

for their outfits. We use the best quality production materials to ensure that our customers have high quality lasting clothing. We provide outfits to meet the distinct and diverse need of our various customers from different groups in the society, and we make sure the value we provide to our customers surpasses that of our competitors in our highly competitive market.

We also offer after sales services to our customers to make their experience better. Home delivery is done upon request to ensure our customers receive their outfits in due time without having to be physically present. Customers who have complaints or issues with the outfit can get it fixed free of charge a week within collection. Complimentary items are also put in delivery to encourage further patronization from our customers and ensure customer loyalty.

Derin's apparel is a small and medium sized business (SME). The business is a sole proprietorship and is run entirely by me. There are small teams of employees performing specific tasks. This helps us build better relationships with customers and employees, while been able to react quickly to unexpected market changes. The business plans to expand in the long term based on the responsiveness of the market.

The firm has a production location where outfits are produced based on consumer demands. While there are outlets in key locations for sales in Lagos. This locations were put based on the market and industry research carried out. There are adequate production equipment's in the manufacturing house with a skilled workforce to carry out the operations efficiently. There are sales and marketing personnel in the sales outlets to increase the volume of sales of our outfits.

## **PRODUCTION AND OPERATIONAL PLAN**

Derin's apparel run a tight shift production process. It starts with the procurement of raw materials. This raw materials come in the form of fabric and other materials, they are obtained from the suppliers and moved to the warehouse to begin the production process. The operation processes are interlinked and processes are specialized by individuals. Operations begins with dividing the fabric and sending it to the different production segments. This segments use the raw materials to design the outfits according to the customer specifications. The final process is the packing process where the finished products are carried from the warehouse and sent to the retail outlets for sales.

The warehouse is located in Gbagada. This is to ensure closeness to the suppliers of the raw materials necessary for production. This will ensure speedy procurement and delivery of items to

the warehouse. The closeness to the supply chain help will reduce the external risks the business is likely to face in the supply market. This will in turn ensure we keep to our production schedule and make delivery on time.

The suppliers of our raw materials vary, this is as a result of the diverse materials needed for the production. This means we have different suppliers specializing in different fabrics and designs, and we ensure that the quality standard of the supplies meet a high standard. For traditional fabric our major suppliers are Daviva. This is a company that specializes in the supply of different designs for traditional outfits. For our t shirts and casual wears, we obtain the materials from Dertodam. This is a large business that provides quality materials for the production of casual wears and t shirts. This are our major suppliers as the other ones provide specific services.

Derin's apparel is aware that it is entering a highly competitive market. The market has easy entry for competitors and consumer switching cost is low. This means it will be difficult to ensure customer loyalty and we have to come up with a market plan that will ensure successful entry and survival in the market. The first part of the marketing plan is pricing. We plan on using penetration pricing to enter the market. This would mean putting our prices slightly lower than that of our competitors to attract their customers and increase our hold on the market. Once we have a hold on the market and a strong customer base, we will adjust the prices to cover our cost of production, fixed costs and increase revenue thereby leading to profits.

The distribution channel we will use is another essential part of the marketing plan. This shows how we would get our products to our customers. We currently have five sales outlets in areas of high population density. This makes it easier for more customers to access and obtain our products. The option for delivery is also available to customers at an added delivery fee. This would ensure on time delivery to customers in areas where we do not have sales outlets. This way we can reach all our customers irrespective of their location.

There are different promotion techniques we want to adopt to increase consumer sales. We would be providing a free sample of our t shirts to prospective customers in their first order, this will help us promote the brand and gain their loyalty. We would make use of digital marketing to reach majority of internet users. The campaign would aim to convince them of the value they stand to gain from patronizing us. We also decided to give gifts to our high purchasing customers to encourage them to stick with our brand over our competitors.

Derin's apparel plans to match production with demand. This would ensure that resources are maximized and wastage is reduced. This production plan would adjust in the long term with increasing demands and more raw materials to increase supply for production. Derin's apparel plans to grow and expand in the market and this would come from the success of the marketing plan.

## **ASSESSMENT OF RISK**

The survival of the business in the short term is the immediate goal and target of the business. This can be done through the assessment of internal and external short and long term risks. Understanding the risks associated with business will make us better prepared to handle them and reduce the impact. The biggest weakness to the business is our competitors, this is because of how easy it is to enter the market and the low cost of switching buyers. Another major weakness to the business is the ease of obtaining capital. It is more difficult for small and medium businesses to obtain loans from banks and money from investors. This could affect the cash flow when capital is needed for operations. Another external risk to the business is a change in government policy. If the government changes or the current government decides to change the policies affecting the market, it could have adverse effects on the business. This is an external risk that could happen and we have to structure the business in a way to survive this risks.

The business plans is to expand in the long term and for that we would need new technologies to handle mass production. This new technology would be used to ensure the quality standard is maintained. This use of new technology would be strategically implemented to ensure employees are up to date in understanding the use and maintenance of this new and improved machinery. This would increase our production capacity and ability to match increasing demand. Success in the implementation of new technology would set us up for growth and expansion.

## **FINANCIAL PLAN**

The sales forecast of Derin's apparel is determined by a seasonal forecast of which according to the various seasons of the year prices of the products are expected to change. The average selling price of a single product is 15,000. Using this sales amount we can forecast what we expect our sales to be like for the next 3 years. Below is the sales forecast for the next 3 years.



### Sales forecast for 2020

Month	Selling Price	Quantity	Sales Forecast
January	₺ 15,000.00	55	₺ 825,000.00
February	₺ 15,000.00	40	₺ 600,000.00
March	₺ 14,500.00	60	₺ 870,000.00
April	₺ 14,500.00	65	₺ 942,500.00
May	₺ 15,000.00	45	₺ 675,000.00
June	₺ 15,000.00	35	₺ 525,000.00
July	₺ 15,500.00	70	₺ 1,085,000.00
August	₺ 15,000.00	35	₺ 525,797.00
September	₺ 15,000.00	45	₺ 675,000.00
October	₺ 15,000.00	40	₺ 600,000.00
November	₺ 15,000.00	45	₺ 675,000.00
December	₺ 14,000.00	75	₺ 1,050,000.00
<b>Total</b>		<b>610</b>	<b>₺ 9,048,297.00</b>

### Sales forecast for 2021

Month	Selling Price	Quantity	Sales Forecast
January	₺ 15,500.00	50	₺ 775,000.00
February	₺ 15,500.00	40	₺ 620,000.00
March	₺ 15,000.00	65	₺ 975,000.00
April	₺ 15,000.00	65	₺ 975,000.00
May	₺ 15,000.00	55	₺ 825,000.00
June	₺ 15,500.00	45	₺ 697,500.00
July	₺ 16,000.00	70	₺ 1,120,000.00
August	₺ 15,500.00	55	₺ 852,500.00
September	₺ 15,000.00	65	₺ 975,000.00
October	₺ 15,000.00	50	₺ 750,000.00
November	₺ 15,000.00	45	₺ 675,000.00
December	₺ 14,500.00	75	₺ 1,087,500.00
<b>Total</b>		<b>680</b>	<b>₺ 10,327,500.00</b>

### Sales forecast for 2022

Month	Selling Price	Quantity	Sales Forecast
January	₺ 17,000.00	50	₺ 850,000.00
February	₺ 17,000.00	40	₺ 680,000.00
March	₺ 16,500.00	65	₺ 1,072,500.00
April	₺ 16,500.00	65	₺ 1,072,500.00

May	₦ 16,500.00	55	₦ 907,500.00
June	₦ 17,000.00	45	₦ 765,000.00
July	₦ 17,500.00	70	₦ 1,225,000.00
August	₦ 17,000.00	55	₦ 935,000.00
September	₦ 16,500.00	65	₦ 1,072,500.00
October	₦ 16,500.00	50	₦ 825,000.00
November	₦ 16,500.00	45	₦ 742,500.00
December	₦ 16,000.00	75	₦ 1,200,000.00
<b>Total</b>		<b>680</b>	<b>₦ 11,347,500.00</b>

As we have projected the expected sales in the sales forecast, we have also prepared an expense forecast to help us determine our total cost for the next 3 years. This projection starts with us determining our fixed cost. The rent of the warehouse and sales outlets along with the cost of electricity make up our fixed cost. Our overheads and variable costs are cost we incur as a result of operations. They vary because customer demand is not fixed. The variable costs we would incur are the cost of raw materials, wages of our workforce, machinery used in production, transport, administrative and miscellaneous expenses. Below is a projection of the expenses for the next 3 years.



With the values gotten from our sales and expense projection, it was easy for us to do the cash flow projections for the next 3 years. This was gotten by subtracting our cash inflow (Sales) from our outflow (Fixed & Variable costs) for that duration. Below is the cash flow projection for the first 3 years.

### Cash flow projection

YEAR	2020	2021	2022
<b>INFLOW:</b>			
<b>SALES</b>	₦ 9,048,297.00	₦ 10,327,500.00	₦ 11,347,500.00
<b>OUTFLOW:</b>			
<b>EXPENSES</b>	₦ 9,048,297.00	₦ 8,475,297.00	₦ 8,583,297.00
<b>NET CASH FLOW</b>	₦ -	₦ 1,852,203.00	₦ 2,764,203.00

This projection shows only the annual inflow and outflow to arrive at the net cash flow. Below is the monthly cash flow projection for the first year.

### Monthly cash flow projection for 2020

MONTHS	INFLOW	OUTFLOW								TOTAL
	SALES	RENT	ELECTRICITY	RAW MARTHRIALS	WAGES	MACHINERY	TRANSPORTATION	MISCELLANEOUS	ADMIN	
JANUARY	₦825,000	₦250,000	₦50,000	₦245,584	₦73,675	₦73,675	₦49,117	₦24,558	₦24,558	₦33,833
FEBRURARY	₦600,000	₦250,000	₦50,000	₦178,607	₦53,582	₦53,582	₦35,721	₦17,861	₦17,861	-₦57,214
MARCH	₦870,000	₦250,000	₦50,000	₦267,910	₦80,373	₦80,373	₦53,582	₦26,791	₦26,791	₦34,180
APRIL	₦942,500	₦250,000	₦50,000	₦290,236	₦87,071	₦87,071	₦58,047	₦29,024	₦29,024	₦62,027
MAY	₦675,000	₦250,000	₦50,000	₦200,932	₦60,280	₦60,280	₦40,186	₦20,093	₦20,093	-₦26,864
JUNE	₦525,000	₦250,000	₦50,000	₦156,281	₦46,884	₦46,884	₦31,256	₦15,628	₦15,628	-₦87,561
JULY	₦1,085,000	₦250,000	₦50,000	₦312,561	₦93,768	₦93,768	₦62,512	₦31,256	₦31,256	₦159,879
AUGUST	₦525,797	₦250,000	₦50,000	₦156,281	₦46,884	₦46,884	₦31,256	₦15,628	₦15,628	-₦86,764
SEPTEMBER	₦675,000	₦250,000	₦50,000	₦200,932	₦60,280	₦60,280	₦40,186	₦20,093	₦20,093	-₦26,864
OCTOBER	₦600,000	₦250,000	₦50,000	₦178,607	₦53,582	₦53,582	₦35,721	₦17,861	₦17,861	-₦57,214
NOVEMBER	₦675,000	₦250,000	₦50,000	₦200,932	₦60,280	₦60,280	₦40,186	₦20,093	₦20,093	-₦26,864
DECEMBER	₦1,050,000	₦250,000	₦50,000	₦334,887	₦100,466	₦100,466	₦66,977	₦33,889	₦33,889	₦79,426
<b>TOTAL</b>	<b>₦9,048,297</b>	<b>₦3,000,000</b>	<b>₦600,000</b>	<b>₦2,723,750</b>	<b>₦817,125</b>	<b>₦817,125</b>	<b>₦544,747</b>	<b>₦272,775</b>	<b>₦272,775</b>	<b>₦0</b>

## **SOURCE OF CAPITAL**

This is the most essential part of the startup process. This is because the business cannot operate without an influx of capital to cover expenses. The source of capital would determine how much resources can be obtained to begin the business. The business is a small one and would not require massive capital. The major source of capital to the business would be Derin's accumulated savings. This would be the most convenient and would not attract any interest rates. Further capital would be obtained from family and friends who see the potential of the business and are ready to invest in it. This capital should be able to successfully start up the business as ploughed back profits would be the long term capital source.