Section 2
Team 2
Spring 2023

Baby Blimp

Business Name: Baby Blimp LLC

Business Product: Baby Blimp Box

Baby Blimp LLC is a kid-friendly company that offers parents an easy and affordable way to receive the essential clothing items for their baby. Our Baby Blimp Box contains 12 pieces of clothing including 3 onesies, 3 sleepers, 3 pants and 3 shirts. Each box is handled and crafted directly from our warehouse in Texas. Baby Blimp exemplifies affordability, convenience and high quality throughout our customer's entire experience. At Baby Blimp, our mission is to offer a helping hand to working parents around the United States.

Team Members:

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Executive Summary

Baby Blimp

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Management: Titles: Director of Operations Treasurer Production Supervisor Marketing Manager **Industry**: Baby Clothing E-Commerce **Number of Employees**: 23 **Amount of Financing Sought**: Outside investments amounting to $1,060,000 **Investment Sources**: $530,000 from SBA 504 loan with maturity of 10 years at 6.5% interest. $530,000 from angel investors for 14% equity. $1,050,000 from founders. **Use of Funds**: Machinery, advertising, raw materials, rent expense, salaries, and wages. **Product/Service selling price**: $74.99	**Business Description:** Baby clothing subscription box company. **Products/Services:** Baby Blimp Box. Our subscription box includes 12 baby clothing essentials; 3 onesies, 3 sleepers, 3 shirts and 3 pants. **Competitive Advantage:** Our company focuses on providing our consumers with consistent high-quality, American-made baby clothing in the most convenient manner. **Markets:** Our target market consists of first-time mothers between the ages of 20-30 living in the U.S. with a child between the ages of 0-3 years old. Our potential market size is 7883 mothers with a starting market share of 1.2% and 1.55%, 1.95%, 2.51%, and 2.72% for years 2 to 5 respectively we will be using a subscription revenue model for our product.

Distribution Channels: Our customers will be able to purchase and order our boxes online through the Baby Blimp website. The merchandise will then be delivered directly to our customers.

Competition: Top competitors: Baby Gap, Burt's Bee, Carter's, and Surprisly. Carter's and Baby Gap do not offer delivery boxes but have competitive prices. Burt's Bee and Surprisly offer clothing bundles for higher.

Financial Projections (Unaudited): (dollars in thousands)

	2023	2024	2025	2026	2027
Revenue:	$2,364	$3,062	$4,102	$5,275	$5,723
EBIT:	($307,561)	$165,848	$584,821	$984,429	$1,080

Elevator Pitch: Let's be honest here: If you are a parent, you know there is truly no escaping the constant changes your baby goes through. Persistent trips to stores can become time consuming, expensive, and highly repetitive. Baby Blimp LLC provides a convenient and efficient way to keep your baby's wardrobe updated. Each box is carefully curated based on your baby's age and size, ensuring a perfect fit every time.

Product/Service Description: Our product is a baby clothing subscription box. Our box includes in-house, sustainable products of 3 onesies, 3 sleepers, 3 pants, and 3 shirts for infants between the ages of 0 and 3 years old, totaling 12 items sold at a retail price of $74.99. All products are made from 100% cotton and branded with our logo. The colors available to purchase are beige, gray, white, baby blue, and baby pink.

Competitive Advantage: Our competitive advantage is that we manufacture all of our products in the US. By doing so, we are able to keep our operating costs lower than competitors. The mix of manufacturing in the United States and only producing one product allows for the best possible product output in the most cost-effective way.

Value Proposition: Online subscription companies have made a huge impact in recent years due to technology advancing and the era of COVID, exposing a lot more people to different products they can purchase online (Thomas, 2021). The value in our product is the time and money saved from purchasing our online product rather than going in-person to physical stores.

Business Strategy: Our business strategy is cost leadership. By insourcing our products, we are lowering the production cost, which allows us to keep our prices at a lower rate compared to our competitors. Our mix of low prices, customer service, quality, and quantity will allow us to steal market share from our competitors.

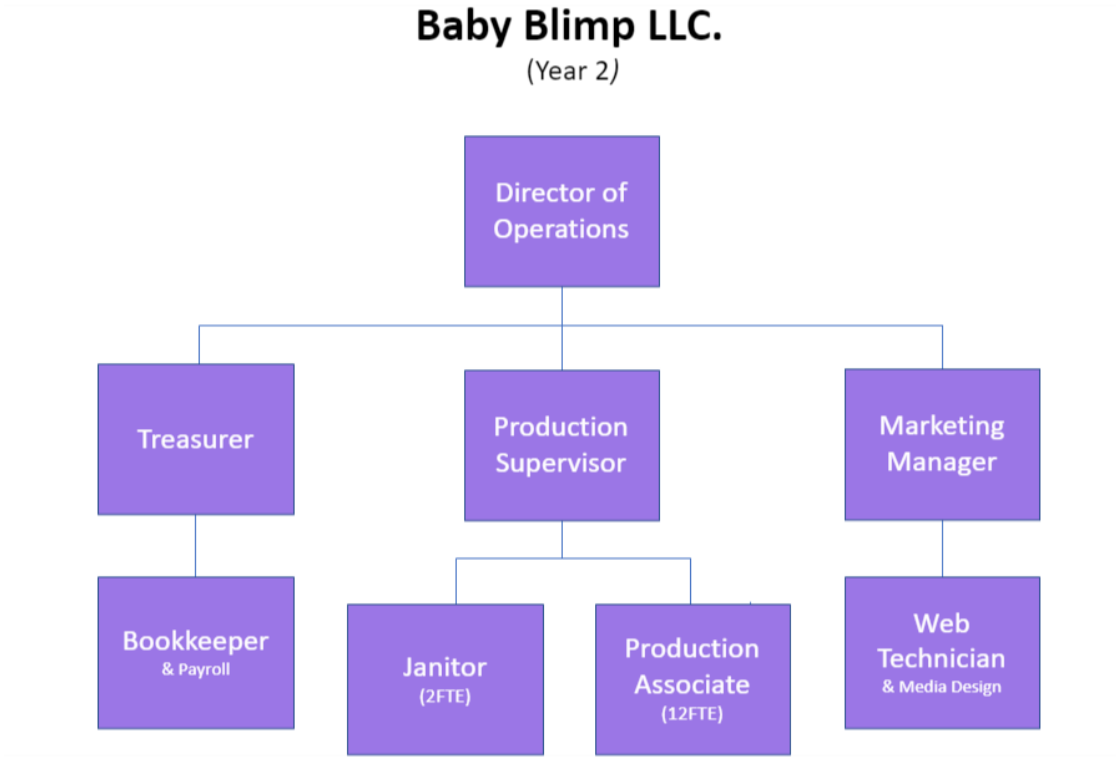
Business Location: Baby Blimp LLC's warehouse is in Pflugerville, Texas. We chose this location because it has a large population with a growing economy and closely neighbors

Austin, Texas which is one of the most bustling business cities in the country (Statista, 2022). Pflugerville has a highly rated public school system that attracts future parents to settle down and start a family there (Niche, 2022). Pflugerville has a low tax rate that will reduce our overhead costs during the manufacturing process, in addition to, Pflugerville has no personal income tax (Statista, 2022).

Outsourced Functions: To ensure all the products offered in our box are up to our quality standards, we will be insourcing all our finished goods from our warehouse in Texas. This will also reduce our costs since the only raw materials we will be purchasing are cotton and thread.

Financial Performance: In year one our company has a net loss of $379,778, with a gross profit of $1,367,902 and operating expenses of $1,675,463. We then go on in the following years making a profit (having a positive net income) each year, this is a result of higher revenues and lowered operating costs/expenses. Our net income in year 4 is triple that of year 1. We maintain a steady growth rate throughout the five years. Our company does a great job at managing our assets and quickly converting our inventory into cash all years compared to industry averages.

Exhibit 1: Organizational Chart



Our company is increasing staff accordingly and in relation to our growing demand. In Year 3, we will be hiring someone take over payroll and work with human resources. Along with this, we will be hiring two more production associates to account for our company's growth. In Year 4, we will be hiring another web technician to help improve and enhance our company's website, media efforts, overall online appearance, and to be on standby if there were to be any technical issues with our site. Finally, in Year 5, we will hire another production supervisor as well as two more production associates to support our company's increased demand for production.

Baby Blimp LLC. Timeline Schedule

Date	Task
12/2/23	Finalize Business Plan
12/2/23	Secure Director of Operations, Treasurer, & Marketing Manager
12/18/23	Apply for EIN Number
12/25/23	Apply for business license
12/28/23	Rent warehouse in Texas
01/2/23 (Day – 0)	Open bank account through TD bank, deposits 500,000 and start accounting
01/2/23	Hire Bookkeeper, Web Technician, & Prod. Sup.
01/3/23	Purchase 4 machines
01/10/23	Build Production Line
03/17/23	Hire Production Associates & Janitors
03/22/23	Develop Marketing and Sales Plans
03/22/23	Purchase Inventory
06/9/23	Begin Marketing Promotion
06/16/23	Provide employee orientation
06/17/23	Train employees
06/27/23	Begin Factory Operations

Exhibit 2: Pay and Benefits Table

Baby Blimp LLC. | **Section 2** | **Team 2** | **Date (12/31/2024)**

Compensation						Mandatory Payroll Deductions					Benefits					
Position (Salary/Wage - W) (Full-time Assumed, Part-time - PT %)	Salary or Wage Range	Actual Salary or Wage	# for position	Projected End of Year 2 Salary or Wage **including** bonus/comm. Each	Projected End of Year 2 Salary or Wage **including** bonus/comm. all positions	FICA	FUTA*	SUTA	WC	Mandatory Deductions - Total	Benefits - Health Cost	Benefits - Retirement Cost	Any other Benefit Cost-List line 17	Benefits - Total	Total Cost per Employee	Total Cost for All Employees
Director of Operations- S	75,000 - 120,000	100,000	1	100000	100000	7650	42	189	600	8481	10800	3000	8700	22,500	130,981	**130,981**
Treasurer- S	65,000 - 95,000	80,000	1	80000	80000	6120	42	189	480	6831	10800	2400	6960	20,160	106,991	**106,991**
Marketing Manager- S	45,000 - 85,000	50,000	1	50000	50000	3825	42	189	300	4356	10800	1500	4350	16,650	71,006	**71,006**
Bookkeeper-S	30,000 - 60,000	35,000	1	35000	35000	2678	42	189	210	3119	10800	1050	3045	14,895	53,014	**53,014**
Web Technician- S	30,000 - 65,000	30,000	1	30000	30000	2295	42	189	180	2706	10800	900	2610	14,310	47,016	**47,016**
Janitor- W (FTE-1)	8.00 - 12.50	12	2	24960	49920	1909	42	189	150	4580	10800	748.8	2172	27,441	56,981	**113,962**
Production Supervisor- W (FTE-1)	15.00 - 25.00	20	1	41600	41600	3182	42	189	250	3663	10800	1248	3619	15,667	60,930	**60,930**
Production Associate- W (FTE-1)	10.00 - 14.00	12	12	24960	299520	1909	42	189	150	27482	10800	748.8	2172	164,644	217,086	**2,605,035**
Totals			**20**	**386520**	**686,040**	**29,569**	**336**	**1,512**	**2,319**	**61,218**	**86,400**	**11,596**	**33,627**	**296,267**	**744,005**	**3,188,935**

Standard Time-off Benefits *Bonuses: Position/s: x% , all other employees= x%. Commissions: All sales employees= x% per employee

Holidays (list all): New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, Black Friday, Christmas Day. Maternity leave of 12 weeks is provided (FMLA).

Other Benefits: (include cost and descriptions for each): We will be offering a Cost-of-Living-Adjustment of 8.7% (SSA.gov) added to our employees' annual salary to account for inflation and increases in the costs of living.

Mandatory Payroll Deductions			$ Caps or Limits	
FICA	7.65%			
FUTA	0.60%		$7,000	*Research how to pay 10% of FUTA
SUTA	2.7%		$ 9,000	
WC		0.60 for every $100 made		

Benefits	Enter Total Cost Per Employ-ee per Month	Enter % Paid by Co.	Total Paid by Co.	Enter Annual Deductible	Enter Co-Pay per medical visit for Primary/ Specialist
Health Insurance	1500	60	$900	1500	15/30

	Vacation (in Days)	Sick Leave (in Days)	Mental Health (in Days)
Time off	10	5	2

Other Benefits: All employees will be offered 10 days of vacation, 5 sick days, and 2 mental health days.

Positions Added by Year	Year 1	Year 2	Year 3	Year 4	Year 5	Total Employees
Director of Operations- S	1	0	0	0	0	1
Treasurer- S	1	0	0	0	0	1
Marketing Manager- S	1	0	0	0	0	1
Bookkeeper	1	0	1	0	0	2
Technician- S	1	0	0	1	0	2
Janitor	2	0	0	0	0	2
Supervisor	1	0	0	0	1	2
Associate	12	0	2	0	2	16

Salary or Wage	Enter Percent matching	Enter $ cap or limit	Retirement Costs
100000	3%	14000	3000
80000			2400
50000			1500
35000			1050
30000			900
24960			748.8
41600			1248
24960			748.8

Critical Employees and Qualifications

Production Supervisor

- GED, Preferred: BS Industrial Engineering
  OHSA Safety Certification
- Certified in Production and Inventory Management (CIPM)
- Experience in production setting
- Strong leadership skill

Production Associate

- Skills with machinery in factory setting
- Attention to detail
- Familiarity with assembly line
- Critical thinking in fast paced environment
- Thrives in team workplace

Motivating Employees

Our annual cost of living adjustment to pay of 8.7% (COLA) ensures our employees' pay accounts for increases inflation. Along with this compensation, our employees are recognized for their achievements and given up to 2 days off as a reward. To incentivize our critical employees, our company will provide a free lunch every month. Our company's focus on a strong and positive work culture creates a sense of family that our employees would appreciate.

Securing Employees and Training Efforts

To ensure our employees have the basic skills required for our manufacturing positions, our company will recruit potential employees from other production facilities. Aside from this, we would reach out to candidates through online platforms such as *Indeed, Monster, Glassdoor,* etc. Our interviewing process includes two steps, the first being a traditional interview approach with 2 other current production employees. The second is "hands-on." By having our candidates take a step into our work environment, we can assess their ability to identify problems and find solutions in our current workplace.

All accepted employees will go through 2 weeks of training where they will obtain the knowledge and apply their skills towards our production. During our training process, new entrants will be encouraged to spend time with each production employee currently working. We will emphasize creating a strong and cohesive team where new entrants are welcomed instantly. Our training process will ensure that new entrants reflect our company's values and join our Baby Blimp family.

Exhibit 3: Market Segmentation and Targeting

Target Market Refinement Process	Calculations	Refinement	Justification
Number of babies born each year	3,745,361		First, we researched how many babies are born each year in the United States. We found that there are 3,745,361 babies born every year (Unicef, 2023) This will inform us how many mothers will utilize our product the most.
Between the ages of 0-2	3*(3,745,361)	11,236,083	Because our sizes range from ages newborn to 2 years old, we took the first number of 3,745,361 babies (Unicef, 2023) and multiplied it by 3 years. This will give us an average of how many babies are born that are within our size range.
Percentage of mothers with first-borns between the ages of 20-30	54.5% * (11,236,083)	6,123,665	Now that we have the number of babies within the US that fit our target market, we want to segment further and target first-time mothers who are within our age demographic. We chose to prioritize first time mothers out of any parent because they will be the least experienced and least prepared when it comes to babies and having the right essentials. We found that 54.5% of mothers with first-borns are between the ages of 20-30 (Martinez, Daniels, Febo-Vasquez, 2018). Our calculations for this were (.545) (11,236,083) equating to our new segmented market of 6,123,665 babies. We can assume that these 6 million babies will equate to around 6 million mothers.
Percentage of subscription boxes that sell clothing	59.6% * (6,123,665)	3,649,704	Within the entire industry of subscription boxes, 59.6% of them sell clothing (Kumar, 2023). By taking this percentage and multiplying it by our previous segmentation population: (.596) (6,123,665), we get a total of 3,649,704 mothers. This segment would display who in our market would purchase a clothing subscription box as opposed to any other subscription service.
Start-up market share	1.2% * (3,649,704)	43,796	Since we are a startup company, it would be unreasonable to assume that 100% of our potential market would purchase our product. To solve this, we took the start-up market share of 1.2% of the baby clothing industry (Bizminer, 2022) and multiplied it by 3,649,704 to reduce our market segmentation to 43,796 mothers.
Percentage of US in the upper class between the ages of 20-30	18% * (43,796)	7,883	We found that 18% of the United States, between the ages of 20-30, are classified as upper class (Pew Research Center, 2012). Since our company targets this income level because of our pricing, we calculated (.18) (43,796) to get our finalized market segmentation of 7,883 mothers.

Exhibit 4: Market Quantification

Year	Projected Annual # of Customers	Market Share	Annual Purchase Cycle	Unit Price	Projected Annual Units Sold	Projected Annual Sales
Year 1	7,883	1.20%	4	$74.99	31,533	$2,364,693
Year 2	10,209	1.55%	4	$74.99	40,836	$3,062,278
Year 3	12,821	1.95%	4	$79.99	51,286	$4,102,343
Year 4	16,488	2.51%	4	$79.99	65,953	$5,275,613
Year 5	17,888	2.72%	4	$79.99	71,553	$5,723,513

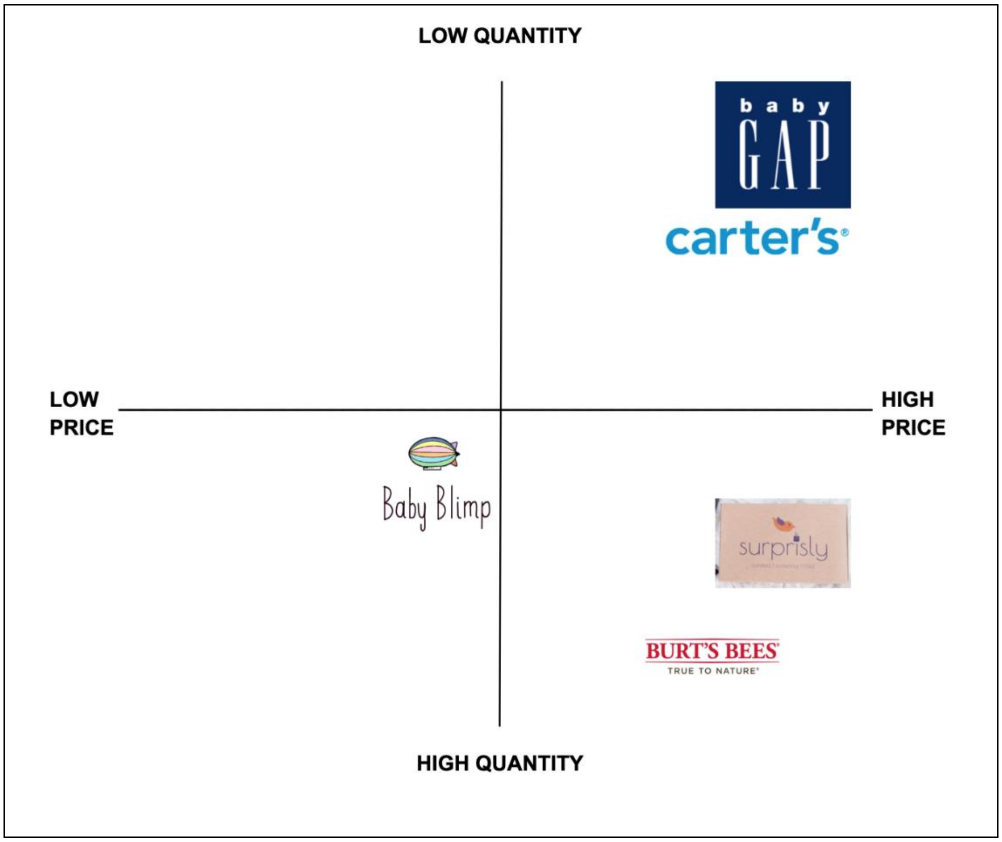
Projected Annual Customers: We found that on average there are 3,745,361 (Unicef, 2023) infants born each year. Since our company serves infants ages 0-2 we multiplied the average infants born by 3 (3,745,361*3=11,236,083). We used this number and applied our market segmentation to refine our number of first year customers. We found on average that 54.5% (Martinez, Daniels, Febo-Vasquez, 2018) of women have their first child between the ages of 20-30 years. We found that 18% (Pew Research Center, 2012) of the United States who are considered middle class are ages 20-30 years. Of all subscription boxes, clothing subscriptions make up 59.6% (Kumar, 2023) of them. Finally, we found that of the infant clothing industry, start-up companies make up 1.2% (Bizminer, 2022) of the market share. We applied these percentages to calculate that our projected first year number of customers is 7,883 (11,236,083*.545*.18*.596*.012=7,883).

Market share: According to Bizminer the market share for start-up companies in our industry is 1.2% (Bizminer, 2022). We found annual revenue growth rate from a similar subscription service. Stitch Fix is a clothing subscription company, and we believe that we have similar growth projections. Stitch Fix, from 2016-2020, has the following revenue growth rates 29.5%, 25.59%, 28.6%, 8.49%. We applied these percentages to our market share and found the following growth rates for each year: Year 2: .012*.295= 1.55%, Year 3: .155*.2559= 1.95%, Year 4: .195*.2559= 2.51%, Year 5: .251*.0849= 2.72%. We believe that these percentages suit our company because of our similar marketing strategies. Stitch Fix allocates their marketing resources to advertising on YouTube, social media platforms, and online news websites. We are targeting a younger generation who use these platforms and are new to parenthood which makes them likely to buy our product.

Projected Annual Sales: We found our first-year sales by multiplying the projected annual # of customers by the unit price and the purchase cycle (7,883*74.99*4= $2,364,693). Each year as our market share increases our projected annual customers increase as well (Year 2: 11,236,083 * .545 *. 18 * .596 * .155= 10,209 # of customers). Multiplying our projected number of customers by our price and purchase cycle will result in $5,723,513 year 5 sales.

Projected Annual Units Sold: We found our annual units sold by dividing our annual sales by our product price (2,364,693/74.99=31,533 units sold).

Exhibit 5: Positioning/Competitive Analysis



Positioning Statement

Baby Blimp LLC creates the most value of any company in the baby clothing industry. The industry is full of various companies that sell baby clothes to be bought one at a time. There are other companies that provide baby clothing in bulk but at prices that are not affordable for all. Baby Blimp also allows its customers to purchase our product in the most convenient, efficient, and quick way possible to fill both their needs as well as their babies. At Surprisly's 3-month rate, they are $120 more expensive (Surprisly, 2023) which would only net you 5-6 more items of clothing at a rate of $4-$7 more than what we charge per item. Burt's Bees Box sells clothes one at a time and has a baby box. While their clothes are more expensive than ours, their box is also made up of separate baby essentials such as washcloths and clothing material (Burts Bees, 2023) and marketed as a gift rather than an essential. Big store brands such as Carter's and Baby Gap have dominated the industry's market shares (Thomas, 2021). Their items are far more expensive and only sold as individual items.

Additional Key Competitive and Market Information

Baby Blimp outmatches every company in the baby clothing industry due to its fantastic mix of convenience, affordability, quality, and quantity. We are targeting the parents that might not have the time to go out and shop, the parents who may not be able to afford high-end brands, the friend who wants to get a gift for a baby shower, and the parent who wants themselves and their babies to be treated right. Our competitive advantage is how convenient and affordable our product is. Our clothes are made of 100% cotton which is great for any kind of baby skin. The weakness of our product is we are an online-only store, so customers who prefer to shop in person will not be exposed to our product. Our company is also limited to selling our boxes of clothes rather than selling them individually. Our opportunity in the market is that it is a 3.1-billion-dollar-a-year industry as of 2021 (Thomas, 2021). Threats in our industry are companies that have massive brand recognition such as Carter's and Baby Gap. Due to their brand recognition, stealing from their market-share is a tall task.

Exhibit 6: Marketing Mix

Product

The value in our product and service at Baby Blimp LLC is the convenience, affordability, and quality we provide. "Affordable, quality style for your little one, delivered right to your door." Our infant clothing subscription box offers three shirts, three pants, three onesies, and three sleepers each that gets delivered straight to you at our unbeatable value. Our product solves the needs of our market by efficiently getting their babies' clothes at an affordable price.

Pricing

Year	1	2	3	4	5
Unit Cost	$31.61	$31.61	$31.61	$31.61	$31.61
Retail Price	$74.99	$74.99	$79.99	$79.99	$79.99

Establishing our pricing objective led us to market share pricing. Setting our prices at a more affordable rate compared to our competitors will allow our company to grow more market share. We price our products based on cost-based pricing. Our unit cost for one box is $31.61 and setting our price at $74.99 gives us a great 57.85% profit margin. Our pricing strategy is new product pricing. We are entering the market offering a lower price compared to our established competitors in our mature market. Starting at the $74.99 price will allow us to steal more market share from our competitors than the industry average suggests for start-up companies. Raising our price to $79.99 allows us to increase our profit margin to 60.48% as we raise employee wages and benefits, as well as acquiring more machines for production ramp-up. This price brings us closer to the market average price per unit and keeps us more affordable than our competitors. Our quality, convenience, and customer service are sure to keep our early customers with us.

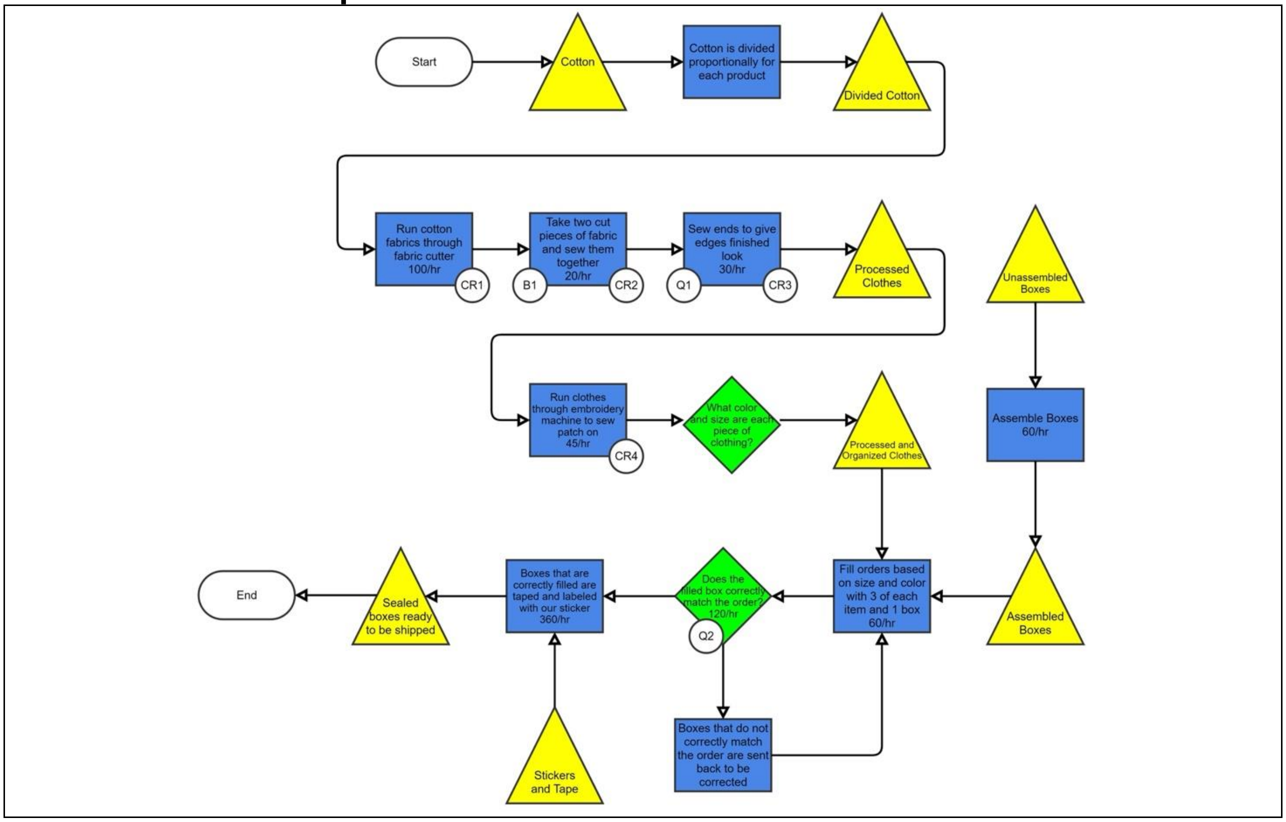
Place

Baby Blimp LLCs warehouse is in Pflugerville, Texas. We chose this location because it has a large population with a growing economy and easy access to highways for cost-efficient transportation. Texas has a growing population of 29 million people, making it the second most populated state in the United States. Along with these benefits, Texas has a low tax rate that will reduce our overhead costs during the manufacturing process, in addition to Texas being one of the 9 states that has no personal income tax. Our product will be sold on our company website and distributed through a shipping company named Pirate Ship who is cost-effective for our needs as we sell throughout the United States.

Promotion

We will reach our customers through social media ads as well as magazines. Our target market will be doing a lot of sitting at home watching over the baby and when people have nothing to do but sit in the same place, chances are they scrolling through their phone or watching cartoons on their iPad with their kid (Norman, 2023). We will spend 43.2% of our advertising budget on advertising in the Woman's Health magazine who gets 44 million readers each month on all of its platforms (Women's Health, 2022). They publish 10 times a year and we will pay to be advertised twice. The rest of our budget will be allocated in social media ads on Instagram and YouTube. Sixty-three percent of moms are on Instagram while 57% are on YouTube (Knudsen, 2021). On Instagram, 42.6% of our budget will be spent which will get us 291,442 views at a $0.725 per view cost (DeFazio, 2022). The rest of our budget will put towards YouTube which will get us 352,160 views at a $0.20 per view cost (Oetting, 2022).

Exhibit 7: Process Map



Note: The clothing manufacturing process (row 2 on the process map) is the same for all four products that we are manufacturing: onesies, sleepers, shirts, and pants. Therefore, on the process map that process has been condensed into one flow chart. The manufacturing lines responsible for onesies and sleepers will receive 30% of the total cotton each, while the lines responsible for shirts and pants will receive 20% of the total cotton each.

For each major quality step:

Quality Step	What is measured?	How often?	How will you ensure quality?
Q1	Obvious manufacturing errors.	Every piece of clothing.	Quality will be ensured by employees who are looking for obvious defects in manufactured clothing such as structural issues that would make the piece of clothing unwearable.
Q2	Accuracy of items in box in relation to order received.	Every box filled.	Quality will be ensured by employees, separate from those who filled the boxes, by matching each item in the box with each item listed on the order.

For each critical resource:

Critical Resource	Brief Description	Unit Cost (in appropriate unit)	How many?
CR1	Industrial fabric cutters to cut each piece of cloth.	$999	4
CR2	Industrial sewing machine to sew fabrics together to create clothing pieces.	$1,699	4
CR3	Industrial sewing machine to sew ends of created clothes to give edges finished look.	$1,699	4
CR4	Industrial embroidery machine to sew patch onto each piece of clothing.	$6,799	1

Briefly describe your main facility - provide information about layout and dimensions.

Our main facility is a 6,000 square foot factory building in Austin, Texas. The layout of this building will consist of an entry point where we receive shipments and a storage area near that for materials, a central area where manufacturing will occur, and an exit point where completed products will be shipped out. In the central area of the building there will be industrial sewing machines, industrial fabric cutters, as well as an industrial embroidery machine where we will manufacture our clothing. There will be bins where those clothes will be stored, divided by color and size, and readily available to our packagers who will read orders and fill packages out of those bins. Filled packages will eventually be moved to the exit point of the warehouse where they will be shipped out to customers.

Operations Exhibit 8: Quality Assurance

Indicate the Dimensions of Quality on which you will focus.	**Why is this dimension important, given your industry & target market?**	**Identify the Quality Step(s) on the Process Flowchart / Service Blueprint to which this corresponds.**
Durability	We manufacture clothes that will be worn many times over for extended amounts of time. Our customers will expect that their clothes will stay in good shape throughout ownership.	After the ends of each piece of clothing are sewn and finished.
Reliability	Customers will expect that the package they receive will match the order they placed in terms of colors and sizes. We will ensure that the customer's expectation is met.	Inspectors matching order to the filled box.
Conformance	Due to us creating clothing, all consumers will expect the basic features of clothes that make them wearable such as sleeves or connected fabrics. We will not allow clothing that does not meet these standards to be shipped.	After ends of each piece of clothing are sewn and finished.

Use the space below to describe any additional Proactive Quality Assurance Plans that are not connected to a specific activity on your Process Flowchart / Service Blueprint.

The proactive steps we plan to take are purchasing high quality fabrics, purchasing reliable and highly praised machines, and performing maintenance on those machines regularly to ensure their reliability.

Describe any reactive quality assurance plans. Include a recovery plan should a customer receive poor quality goods and/or services.

Should a customer receive a faulty piece of clothing, we will offer for them to send it back to us free of charge and receive a replacement piece of clothing that is functional. Should a customer receive the wrong order, we will offer for them to send the entire box back to us free of charge and receive a replacement box that was properly filled according to their order.

If you will utilize a quality/process improvement methodology, indicate which:

☐ NA ☐ TQM ☒ Six Sigma ☐ ISO ☐ Benchmarking

☐ Other (specify what): ____________________

Note: You will not use all of them; only those with highest relevance.

Provide a specific explanation of how your chosen quality methodology relates to your business and how it will be applied:

Due to us manufacturing 20 products per hour, it is realistic for our employees to be able to check each product made for defects. We will use the Six Sigma methodology to attempt to eliminate defects in our products. We will measure the number of defects observed using a check sheet to identify the exact point on the product that is defective, as well as the frequency that defect has occurred. Once we divulge the cause of the defect, we will attempt to make changes to the manufacturing process to drastically reduce the frequency of this defect from occurring. After this has been done, we will explain to employees the new method that will be used and encourage them to inform us of any issues they find with it.

Operations Exhibit 9: Inventory, Suppliers and Distribution

RAW MATERIAL INVENTORY & SUPPLIER SELECTION *If your organization does not have raw material inventory, please check this box*: ☐NA

Item(s)	Supplier Name & Location (City, State, Country)	Reason for selecting this supplier	Supplier lead time (in days)	Frequency of replenishment (in days)	System of Management	Mode(s) of Transportation
Cotton	Fabric Wholesale Direct (Syracuse, New York, United States)	This supplier was decided because they carry a large array of high-quality cotton fabrics that we need for a very affordable price.	3-7 Days	14 Days	Fixed Order Interval	☒ Highway ☐ Rail ☐ Waterway ☐ Air
Thread	Sewing Machines Plus (San Diego, California, United States)	This supplier was decided because they carry the specific cones of thread that are used in our embroidery machine, and they sell it for an inexpensive cost.	7 Days	14 Days	Fixed Order Interval	☒ Highway ☐ Rail ☐ Waterway ☐ Air
Boxes	ULINE (Dallas, Texas, United States)	This supplier was chosen because they have boxes of all sizes, so we can mass order the boxes that we need in wholesale since all of our boxes will be the same size.	1 Day	3 Months	Fixed Quantity System	☒ Highway ☐ Rail ☐ Waterway ☐ Air
Stickers	ULINE (Dallas, Texas, United States)	This supplier was chosen because they have stickers of many sizes that we can customize and by them in bulk.	1 Day	3 Months	Fixed Quantity System	☒ Highway ☐ Rail ☐ Waterway ☐ Air

	Finished goods produced (per hour)	Frequency of shipping finished goods	Average level of Finished goods inventory on site	Amount of safety stock on site
At the end of Year 1	16	Every Monday, Thursday	192 boxes	NA (We are a make to order business)
At the end of Year 2	20	Every other day	160 boxes	NA
At the end of Year 3	25	Every other day	200 boxes	NA
At the end of Year 4	32	Every day	128 boxes	NA
At the end of Year 5	35	Every day	140 boxes	NA

FINISHED GOODS INVENTORY *If your organization does not have finished goods inventory, please check this box*: ☐NA

What is the lifespan of your finished goods inventory?	☒NA	
How will you manage perishability of Finished Goods Inventory?	☒NA	

DISTRIBUTION *If your organization does not require distribution, please check this box*: ☐NA

Name of transportation provider/carrier	Reason(s) for selecting this provider/carrier	Frequency of Pick Up / Drop off
USPS and UPS through Pirate Ship	We chose this service because they have great offers for small businesses and have software to make the shipping process much easier for us.	Every Monday, and Thursday excluding holidays

Exhibit 10: Capacity

	Demand (per hour)	Capacity (per hour)	Utilization (%)	Hours of Operation	Bottleneck name and description	How will you manage /adjust the bottleneck to ensure you can appropriately serve or supply your customers?
At the end of Year 1	15.16	20	75.80%	2,080	Sewing Join fabrics together to complete clothing item	Not necessary.
At the end of Year 2	19.63	20	98.15%	2,080	Sewing Join fabrics together to complete clothing item	Not necessary.
At the end of Year 3	24.66	40	61.65%	2,080	Sewing Join fabrics together to complete clothing item	We will be purchasing four more machines (one for each piece of clothing) to keep up with demand.
At the end of Year 4	31.71	40	79.28%	2,080	Sewing Join fabrics together to complete clothing item	Not necessary.
At the end of Year 5	34.40	40	86.00%	2,080	Sewing Join fabrics together to complete clothing item	Not necessary.

Show your calculations for the following parameters at the end of Year 1.

Hours of operation/ month	Demand/month	Demand/ hour	Capacity/month	Capacity/hour	Utilization
160=8*5*4	**2,627.75=31,533 /12**	**15.16=31 ,533/(52 *8*5)**	**3,200=20*(8*5*4)**	**20**	**75.80%=15. 16/20**

Additional resources (beyond your bottleneck) must be allocated appropriately to support operations. Identify which resources have a significant impact on capacity at start up and describe why these are appropriate amounts of resources at start up.
The additional critical resources in our manufacturing process are fabric cutters, sewing machines, and an embroidery machine. It is appropriate for us to have four fabric cutters because they are able to produce 100 units per hour which exceeds the demand. It is appropriate for us to have four sewing machines in year 1 because they can finish 30 units per hour which exceeds demand. Finally, it is appropriate for us to have one embroidery machines because it can complete 45 units per hour which exceeds demand.
Describe adjustments you will make as resource requirements vary with time. Be specific regarding which key resources (beyond your bottleneck) will be adjusted, when and how. If you will make multiple adjustments, explain each.
The only adjustment that will be necessary will be purchasing more sewing machines. We plan to do this in year 3; purchasing four more machines that year, which will allow us to meet demand for the next few years.

How will you manage seasonality? *If your organization does not have seasonal demand, please check this box*: ☒NA

Exhibit 11:

Pro Forma Income Statement	Date Ending 2023	Date Ending 2024	Date Ending 2025	Date Ending 2026	Date Ending 2027
Sales Revenue	**$ 2,364,660**	**$ 3,062,292**	**$ 4,102,367**	**$ 5,275,580**	**$ 5,723,524**
COGS	996,758	1,290,826	1,621,150	2,084,774	2,261,790
Gross Profit	**$ 1,367,902**	**$ 1,771,466**	**$ 2,481,217**	**$ 3,190,806**	**$ 3,461,734**
Operating Expenses					
Salaries and Wages	$ 641,462.00	$ 686,040.00	$ 745,732.00	$ 810,604.00	$ 881,130.00
Payroll Tax Expenses	$ 57,802.14	$ 61,819.06	$ 67,197.91	$ 73,043.53	$ 79,398.62
Employee Benefits and Retirement	$ 100,196.36	$ 107,159.45	$ 116,483.34	$ 126,616.34	$ 137,632.51
Advertising and Promotion Expense	$ 500,000.00	$ 336,852.08	$ 451,260.39	$ 580,313.85	$ 629,587.69
Rent Expense	$ 70,560.00	$ 70,560.00	$ 70,569.00	$ 70,560.00	$ 70,560.00
Research and Development Expense	$ 10,000.00	$ -	$ -	$ -	$ -
General Insurance	$ 40,000.00	$ 40,000.00	$ 40,000.00	$ 40,000.00	$ 40,000.00
Website Expense	$ 15,000.00	$ 5,000.00	$ 5,000.00	$ 5,000.00	$ 5,000.00
Licenses & Taxes	$ 9,167.47	$ 11,483.59	$ 15,383.88	$ 19,783.43	$ 21,463.22
Office Expense	$ 5,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00
Depreciation Expense	$ 1,465.33	$ 2,687.90	$ 3,104.47	$ 2,587.46	$ 2,353.35
Utilities Expense	$ 30,907.50	$ 30,907.50	$ 43,270.50	$ 43,270.50	$ 43,270.50
State and Local Taxes	$ 112,167.93	$ 145,260.19	$ 203,459.77	$ 261,646.10	$ 283,862.20
Total Operating Expenses	**$ 1,593,729**	**$ 1,499,770**	**$ 1,763,461**	**$ 2,035,425**	**$ 2,196,258**
Earnings Before Interest and Taxes	**$ (225,827)**	**$ 271,696**	**$ 717,755**	**$ 1,155,381**	**$ 1,265,476**
Interest Expense	$72,216.48	$72,216.48	$72,216.48	$72,216.48	$72,216.48
Earnings Before Taxes	**$ (298,044)**	**$ 199,479**	**$ 645,539**	**$ 1,083,164**	**$ 1,193,260**
Income Tax Expense	-	-	-	-	-
Net Income (Loss)	**$ (298,044)**	**$ 199,479**	**$ 645,539**	**$ 1,083,164**	**$ 1,193,260**
Operating Cash Flow	$ (307,267)	$ 162,827	$ 574,480	$ 921,229	$ 1,078,021
Free Cash Flow	$ (319,396)	$ 153,387	$ 557,352	$ 906,690	$ 1,065,834

Statement of Retained Earnings					
Beginning Balance of Retained Earnings	**$ -**	**$ (298,044)**	**$ (286,146)**	**$ 226,458**	**$ 1,309,623**
Net Income (Loss)	$ (298,044)	$ 199,479	$ 645,539	$ 1,083,164	$ 1,193,260
Dividends to Stockholders					
Ending Retained Earnings	**$ (298,044)**	**$ (98,564)**	**$ 359,393**	**$ 1,309,623**	**$ 2,502,882**

Exhibit 12:

Pro Forma Balance Sheet

	As of Inception Date	Date Ending 2023	Date Ending 2024	Date Ending 2025	Date Ending 2026	Date Ending 2027
ASSETS						
Current Assets						
Cash and Cash Equivalents	$ 2,066,405	$ 1,686,922	$ 1,777,534	$ 2,269,006	3,118,020	4,123,824
Accounts Receivable	-	61,481	79,620	106,662	137,165	148,812
Inventory	-	99,676	129,083	162,115	208,477	226,179
Total Current Assets	$ 2,066,405	$ 1,848,079	$ 1,986,236	$ 2,537,783	$ 3,463,662	$ 4,498,815
Fixed (Long-Term) Assets						
Machinery and Equipment	13,595	13,595	13,595	24,387	24,387	24,387
Buildings	-	-	-	-	-	-
Total Gross Fixed Assets	$ 13,595	$ 13,595	$ 13,595	$ 24,387	$ 24,387	$ 24,387
Less: Accumulated Depreciation		$1,465.33	$4,154.33	$7,258.33	$9,847.33	$12,200.33
Net Fixed Assets	$ 13,595	$ 12,130	$ 9,441	$ 17,129	$ 14,540	$ 12,187
Total Assets	**$ 2,080,000**	**$ 1,860,209**	**$ 1,995,677**	**$ 2,554,911**	**$ 3,478,202**	**$ 4,511,002**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Current Liabilities						
Accounts Payable	-	205,308	317,492	433,835	514,410	608,676
Accrued Salaries and Wages	-	24,672	26,386	28,682	31,177	33,890
Accrued Payroll Taxes and Benefits	-	2,223	2,378	2,585	2,809	3,054
Current Maturity of LT Debt	72,216	72,216	72,216	72,216	72,216	72,216
Total Current Liabilities	$ 72,216	$ 304,419	$ 418,472	$ 537,318	$ 620,613	$ 717,836
Long-Term Liabilities						
LT Debt minus Maturities	$ 457,784	$ 385,568	$ 313,351	$ 241,135	$ 168,918	$ 96,702
Total Liabilities	**$ 530,000**	**$ 689,987**	**$ 731,823**	**$ 778,453**	**$ 789,531**	**$ 814,537**
STOCKHOLDER'S EQUITY						
Common Stock	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
Retained Earnings	0	(379,778)	(286,146)	226,458	1,138,671	2,146,464
Total Stockholders' Equity	**$ 1,550,000**	**$ 1,170,222**	**$ 1,263,854**	**$ 1,776,458**	**$ 2,688,671**	**$ 3,696,464**
Total Liabilities and Stockholders' Equity	**$ 2,080,000**	**$ 1,860,209**	**$ 1,995,677**	**$ 2,554,911**	**$ 3,478,202**	**$ 4,511,002**

Exhibit 13:

Pro Forma Statement of Cash Flows

	As of Inception Date	Date Ending 2023	Date Ending 2024	Date Ending 2025	Date Ending 2026	Date Ending 2027
Cash Flows From (For) Operations						
Net Income	$ -	$ (379,778)	$ 93,632	$ 512,605	$ 912,213	$ 1,007,793
Depreciation	-	1,465	2,688	3,104	2,587	2,353
Changes in Current Assets						
Increase in Accounts Receivable	-	(61,481)	(18,138)	(27,042)	(30,504)	(11,647)
Increase in Inventories	-	(99,676)	(29,407)	(33,032)	(46,362)	(17,702)
Changes in Current Liabilities						
Increase in Accounts Payable	-	205,308	112,184	116,343	80,575	94,266
Increase in Accrued Salaries and Wages	-	24,672	1,715	2,296	2,495	2,713
Increase in Accrued Payroll Taxes and Benefits	-	2,223	154	207	225	244
Net Cash Flow From (For) Operating	$ -	$ (307,267)	$ 162,827	$ 574,480	$ 921,229	$ 1,078,021
Cash Flow (For) From Investing Activities						
Fixed Asset Purchases		(13,595)	-	(10,792)	-	-
Net Cash Flow (For) From Investing	$ -	$ (13,595)	$ -	$ (10,792)	$ -	$ -
Cash Flow From (For) Financing Activities						
Issuance of Common Stock	$ 1,550,000	$ -	$ -	$ -	$ -	$ -
Long Term Debt Borrowings	530,000	($72,216.00)	($72,216.00)	($72,216.00)	($72,216.00)	($72,216.00)
Dividends Paid to Stockholders	-	-	-	-	-	-
Net Cash Flows From (For) Financing	$ 2,080,000	$ (72,216)	$ (72,216)	$ (72,216)	$ (72,216)	$ (72,216)
Net Change in Cash	$ 2,080,000	$ (393,078)	$ 90,611	$ 491,472	$ 849,013	$ 1,005,805
Beginning Cash Balance	0	$ 2,080,000	$ 1,686,922	$ 1,777,534	$ 2,269,006	$ 3,118,020
Net Change in Cash	$ 2,080,000	$ (393,078)	$ 90,611	$ 491,472	$ 849,013	$ 1,005,805
Ending Cash Balance	$ 2,080,000	$ 1,686,922	$ 1,777,534	$ 2,269,006	$ 3,118,020	$ 4,123,824

Exhibit 14:

Baby Blimp Notes to Financial Statements

Note 1: Accounting methods

Baby Blimp uses MACRS depreciation with 150% declining balance and over a 9-year ADS recovery period for all fixed assets. Class life of 9.

Note 2: Assumptions

- Employee benefits and retirement includes health insurance, retirement funds, COLA, and a simple IRA and is approximately 16% of total employees' salaries and wages.

- The inventory balance at the end of each year is assumed to be 10% of the forecasted COGS.

- Accounts Receivables reflect delayed or declined payments, which are typically 2.6% of online purchases

- Accrued salaries and wages are assumed to be two-weeks' of the annual salaries and wages.

-The accounts payable are assumed to be terms of net 30.

Note 3: Investment capital

The initial start-up costs are funded with a SBA 504 bank loan through the Atlantic Union Bank in Lexington, VA. The loan is for $530,000 with an interest rate of 6.5%, paid off over a period of 10 years. We will also be using funding by angel investors for other start-up costs, amounting to $530,000 for 14% equity in the company. Finally, the founders of Baby Blimp LLC will be using personal funds equaling $1,050,000 for further start-up costs for the business.

Note 4: Capital investment

Our initial capital investments include a Happy Embroidery Machine, four sowing machines, and 4 fabric cutters, which amounts to $13,595. Our other capital investment occurs in year 3 when we purchased 4 more sowing machines at a cost of $10,792, in order to meet forecasted demand.

Note 5: Risks

Risk related to the economy: The state of the economy as of 2022 could affect the demand of our product, as we are currently in an inflationary period, therefore people are spending less on subscriptions due to the increase in prices of necessities (ex. food, rent, gas, etc.).

Risk related to market: We are entering a mature market so there is a risk that consumers willing not be willing to pay for a 3-month subscription. There is also a risk consumers would rather continue to shop in store for baby clothes. Our forecasted sales and units are dependent upon the demand for our product and whether we can sell the forecasted units, which could be a risk if our target market does not have a demand for our product.

Risk related to available skill: There may be skilled labor-related risks, as we need skilled and experienced workers to be able to operate the machines in an efficient and precise manner in order to create quality and uniform products.

Risk related to inputs and quality: Although we have quality assurances in place during out production, our product may not live up to customer expectations. One issue that may arise from this risk, is the inconsistency of our products quality due to human error.

Exhibit 15:

Financial Ratios Table

	Date Ending 2023	Date Ending 2024	Date Ending 2025	Date Ending 2026	Date Ending 2027	Industry Average Ratios
Liquidity Ratios						
Current Ratio	6.07	4.75	4.72	5.58	6.27	1.70
Quick Ratio	5.74	4.44	4.42	5.25	5.95	0.70
Operating Cycle	401.50	376.05	282.29	219.51	202.33	349.40
Leverage Ratios						
Debt/Equity	0.59	0.58	0.44	0.29	0.22	3.08
Times Interest Earned	-4.26	2.30	8.10	13.63	14.96	3.40
Asset Management Ratios						
Inventory Turnover	10.00	11.29	11.13	11.25	10.41	1.20
Receivables Turnover	38.46	43.41	44.04	43.27	40.03	5.80
Fixed Asset Turnover	173.94	238.08	380.37	397.12	361.47	25.50
Profitability Ratios						
Gross Profit Margin	57.85%	57.85%	60.48%	60.48%	60.48%	54.30%
Operating Profit Margin	-13.01%	5.42%	14.26%	18.66%	18.87%	29.50%
Return on Assets	-0.19	0.05	0.23	0.30	0.25	9.10
DuPont Analysis						
Net Profit Margin	-16.06%	3.06%	12.50%	17.29%	17.61%	19.00%
Total Asset Turnover	1.27	1.59	1.80	1.75	1.43	2.46
Equity Multiplier	1.45	1.58	1.50	1.35	1.25	8.70
Return on Equity	-32.45%	7.41%	28.86%	33.93%	27.26%	76.00%

Business Valuation (Year 5)	
Industry P/S Ratio (Multiplier)	0.683333333
Projected Revenue	$ 5,723,524
Estimated Evaluation	$3,911,075.05

Exhibit 16:

Liquidity

Baby Blimp LLC maintains a current ratio that is above the industry average for all five years. Our quick ratio is also above the industry average for all five years, which indicates that we can pay off our short-term expenses. Lastly, our operating cycle is above the industry average for years 1 and 2, but remains below the industry average in years 3, 4, and 5. This is due to a faster rate at which we can convert our inventory to cash.

Financial leverage

Baby Blimp LLC has a significantly lower debt/equity ratio than the industry average for all five years, as most of our growth does not rely on borrowing. This is because we wish to allocate cash to other aspects of our business, using a portion of our revenue rather than depending on debt.

Asset management

The inventory turnover remains above the industry average for all five years, as we hold 10% of our projected demand for the following year, in our inventory at the beginning of each year. Our receivables turnover ratio is above the industry average in all five years, which means, we collect our accounts receivable more frequently than the industry. The fixed asset turnover is above the industry average for all five years because our company doesn't include substantial fixed assets such as property and land within the first five years of operations.

Profitability

The company's gross profit margin is above the industry margin in all five years, which indicates, our company is more financially stable and can cover costs more efficiently. The operating profit margin remains below the industry average in all years, but it does increase each year, this is due to our high operating costs, especially in the first year. The return on assets is below the industry for all five years because we hold a lot of cash and cash equivalents, and this also decreases our risk in liabilities. From these three ratios, we conclude that Baby Blimp LLC is going to be less profitable than the industry in the first five years of operations. We expect to decrease our operating costs and to take more profitable risk on our investments in order to generate profitability that is closer to the industry average.

DuPont Analysis

The profit margin, asset turnover, equity multiplier, return on equity are below the industry for all years. As the years go on all our ratios increase and become closer to the industry average which is a result of our net income increasing after year 2, expanding production, and increasing our prices. We then are able to cover our costs and maintain/manage our assets.

Valuation method

Our valuation is based on the price to sales ratio of the industry applied to the projected revenues. Our industry price to sales average ratio is 0.68, which we found by averaging the P/S ratios of Carter's, Gap, and Children's Place. By using this ratio as our multiplier of the industry average for revenue we then get a projected year 5 revenue of $5,723,524.

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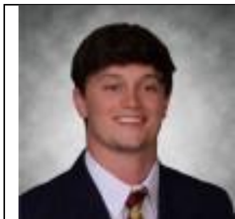
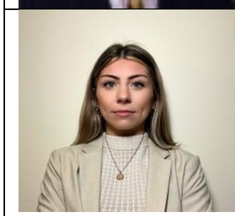
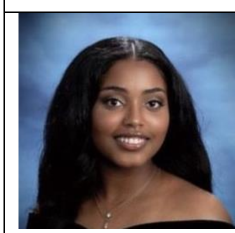
	**Evan Purdy** I am from Freehold, New Jersey. I am an Economics major concentrating in Socioeconomics. Outside of class I am heavily invested in my home sports teams such as the New York Knicks and New York Giants. I love to spend time with my family and friends doing various fun activities.
	**Liv Moum** I am from Richmond, Virginia. I am a Marketing major within the College of Business and a sister of Sigma Kappa. My hobbies include exercising, spending time with my friends, cooking/baking, and going on hikes around Harrisonburg.
	**Samantha Barnett** I am from Norfolk, Virginia and I am an Accounting Major at JMU. My hopes are to start out in public accounting then one day work in government accounting and assist with the Congressional budget. When I am not fully occupied with school, I enjoy taking film photos, scrapbooking, and cooking for friends.
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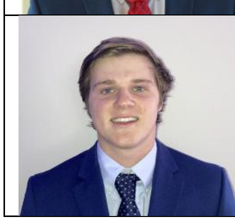	**Grayson Combs** I am from Lynchburg, Virginia and I am currently studying marketing. In my free time, I like to go hiking and enjoy the outdoors. I also watch baseball and basketball.

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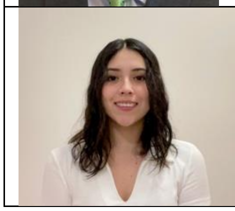	**Sabrina Torres** I am from Chantilly, Virginia. I am currently majoring in Business Management with a concentration in Human Resources Management. I love to travel and spend time with friends and family.