

Business plan DutchDry



Entrepreneurship in practice, 15-06-2012

Minor entrepreneurship spring 2012

University of Amsterdam

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1. Highlights

1.1 The Problem

All over the world people love to swim, whether it is at a crowded beach at Zandvoort or the Copacabana in Brazil. At the same time frequently you wear valuables with you, like a mobile phone, mp3 player, a car key and money. Leave a friend behind to protect your stuff or ask a neighbor to keep an eye on your belongings is an option to avoid being robbed. But what about taking your valuables with you into the water in our swimming short and leave your worries behind?

DutchDry envisions a life without worry for those who like outdoor activities and sports. Among other things this means that one should not have to worry about his or her valuables. DutchDry believes in providing customers with the ability to bring their valuables with them wherever they go, even in the water.

1.2 Our Solution

DutchDry offers a fashionable and high quality swim short with a waterproof bag that can be put away in a pocket on the back. The bag in the pocket is 100% waterproof and has the size of a smartphone.

Our solution is superior to other comparable products because we provide a swim short and a waterproof bag that fit perfectly together. Also the safe locking system and the unique location of the pocket at the back for a reasonable price, makes this product a must have.

1.3 Value Proposition and Business Model

Selling points are retailers, sport events and online. Affiliate sales based on multi-level marketing is an option that we would like to develop in different social environments and cities besides Amsterdam, i.e. we appoint one ambassador who represents DutchDry and works for us on commission. Our focus is on the personal touch since the salesperson is a key player in convincing and explaining to the customer the availability of taking your valuable stuff safely with you into the water.

DutchDry will launch its own web shop for sales and we will investigate the possibility of using existing web shops to sell our product. In this business model there is no personal touch of a salesperson. DutchDry will compensate this with a link to our high quality and convincing promotion video at www.dutchdry.com, where the product is explained and demonstrated.

Our business model is based on the sale of the combination of a high quality and fashionable swimming short, combined with a waterproof pocket. When necessary, DutchDry will replace the waterproof pocket up to five years after the sale. This policy is applicable when the customer can prove that the waterproof pocket is not 100% waterproof anymore.

Our product will have the following unique selling points:

- High quality materials
 - Most of the beachwear currently sold in the middle price segment is produced in China using low quality materials. We aim to find manufacturers of high quality fabric, preferably local (i.e. Eastern Europe) to eliminate shipping costs. Unless the price per yard is substantially lower in countries like China, India, Bangladesh or Vietnam, even when taking shipping into consideration.
 - We will distinguish ourselves from many competitors by producing a swim short with a stretch component. Meaning the fabric will be around 90% polyester and 10% spandex. This provides the consumer a lightweight, fast

drying short and the possibility to stretch a little bit makes it even more comfortable.

- Dutch image for marketing purposes
 - The Dutch are well known for “living with the water” and the water management that comes with it.
- Waterproof pocket on the backside
 - Waterproof pockets have been rare in beachwear and the successful ‘runners pocket’ (proven solution) on the backside of the shorts has not yet been applied to beachwear.
- Fashionable
 - We aim to produce a pair of swim shorts that has both a unique selling point (namely a waterproof pocket as well as a fashionable look. The shorts should have a nice and durable look and feel.
 - People have the desire to look good at the beach.
- Eco-friendly (tentative)
 - Depending on the material we choose, we could present our product as not being harmful to the environment. For example, polyester is often made out of recycled material. As our choice for a material partly depends on its cost, the choice for this feature is affected indirectly as well.

1.4 Keys to Success

DutchDry will contribute to the relaxed holiday feeling that all people love to have when they go for a place to swim, because with our swimming short you will never have to worry that your valuables get stolen. At the same time we will assure you that you look cool when wearing our short. We endeavour to provide an ecologically produced fabric, as we feel we should treat the environment responsibly. The comfort of the DutchDry swim short is a key component for the customer: light, fast drying and a little flexibility of the fabric is possible when it is needed.

During the production process we will be strict and clear in our requirement from the manufacturer. In other words we check on the production process a few times per week by calling our agent and travel to the manufactory (likely in Eastern Europe) to gather face-to-face information and show them our dedication to the product. After two prototypes made by the manufacturer, we have tested the quality of the fabric, the comfortability and the safety of the waterproof bag in the pocket of the swimming short.

When a batch of hundred swimming shorts is produced, we provide the customer a swimming short in a cool gift box or a big waterproof bag (for your wet swimming short and towel after swimming). Doing this we would like to give our customer the feeling that he or she bought more than just a swimming short.

Via Facebook, Twitter, Pinteret and e-mail we will maintain our customer relationships. Via these channels and also face-to-face meetings and events we continue to promote DutchDry and convince potential new customers about the benefits our product. Mainly that it is safe to stow your valuables in a 100% waterproof bag.

DutchDry swimshort - Feature overview



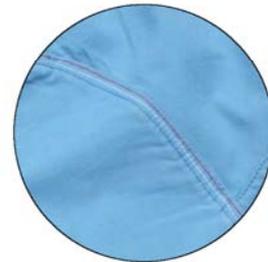
Fabric
(superlight, stretch, quick-dry)



Inside of belt
(Dutch flag)



Back pocket
(with zipper)



Stitching
(Dutch flag)



Waterproof bag
(durable, double seal, pocket security)



Strings
(multiple colors)

2. Line of Products or Services

2.1 Features

DutchDry aims to offer a product with a number of distinct features, which will allow the company to stand out from its competitors. First and foremost, the product offered is a pair of swim shorts. Its main distinct feature is that the pair of swim shorts comes with a special sealable and re-sealable waterproof pouch which can hold almost any mobile phone, mp3 player, or set of keys. The shorts and waterproof pouch are a perfect fit with each other. Furthermore, the pair of shorts will be made from high performance fabric. We set to choose a fabric that is both of high quality as well as durable. In order to differentiate us from most competitors even more we believe it is important to use sustainable materials like polyester made from recycled plastic bottles. This is for environmental reasons as well as our Corporate Social Responsibility (CSR) strategy. We believe a new and innovative product should also strive to be socially and environmentally responsible, minimizing its negative impact on the environment.

Apart from demands on sustainability and durability we have a number of other specific demands for our fabric. In order to be able to manufacture a high quality and comfortable to wear swim short, much depends on the quality of our fabric. Below a list of specific demands from our fabric:

1. Approximately 90% polyester and 10% spandex
2. 2-way stretch
3. Approximately 150 grams per yard
4. Woven
5. Price: < €5,- / yard (estimate)

The combination of above features adds up to a fabric and eventually a pair of swim shorts that is very light and will therefore dry extremely fast. The addition of (2-way) stretch means it will be very comfortable to wear and enhances freedom of movability of the person who wears it because the fabric will give way in four directions (side-to-side and up-down).

2.2 Price points

Prices are not yet specified as many features and details about the design are yet to be specified. The eventual production costs depend greatly on those details as every line of stitching; every complexity in the design is calculated and added to the total production cost by the manufacturer.

For this document we have set our production price to €18,- in all calculations. This is a variable price for one pair of swim shorts and is based on a first estimation by a manufacturing agent we have had extensive talks to. An amount of €6,50 is added to account for fixed costs. This is based on a production total of €100,-

Manufacturing cost:

Variable costs €18,-

Fixed cost € 6,50

Total manufacturing cost: €24,50

The total manufacturing cost indicate that the minimum sales price is €24,50. The economic model will be elaborated in more detail in chapter 6.

3. Market and industry analysis

3.1 Target market

With men becoming more conscious about their looks and swim shorts increasingly moving towards the casual clothing category¹, men will look for a brand that sets them apart from the established swim short brands. Outdoor and leisurewear have become a style statement for young people². With DutchDry we would like to introduce a young and dynamic brand to the swim short market. In effect this means we try to focus on an audience between the ages of 15 and 35. Additionally, we will only target males as the first swim short has a male fit and because we only focus on the Dutch market, they will most likely be living in the Netherlands.

Although we initially focus on males with the first swim short that we will introduce, females are still of great importance in our targeting. Not only do we intend to develop products that are meant for females, they also tend to affect the decision making process of men. This can either be direct (i.e. coming along when shopping) or indirect (i.e. mentioning their preferences in male clothing). Therefore we have also allowed females to fill out the questionnaire through telling them to imagine they would (help) buy a short for a male friend. To summarize, our target market for our first swim short will have the following characteristics:

- Ages between 15 and 35
- Male
- Living in the Netherlands

According to Statistics Netherlands the target market with the characteristics mentioned above will amount to about 2 million persons. In our survey this group is very well represented (n = 226 of 253).

In addition, we try to segment our target market based on price. The prices for swimwear differ a lot; they start at a few euro's ranging towards over a hundred euro's. However, by doing some initial desk research and asking around, we found that most customers will pay around 60 euro's or less. Based on this we made the following categorization in our survey which should capture the price segments best:

- €0 – €20 Lower price segment
- €21 – €40 Middle price segment
- €41 – €60 Higher price segment
- > €60 Top price segment

Moreover we intend to choose for the higher or top price segment for the following reasons:

- High quality materials with unique specifications; expensive materials
- High margin required to have it sold by retailers; retailers require a profit margin of at least 70%
- Positioning as a high quality brand; people expect quality products to be more expensive

Thus higher and top price segment represent swim shorts that cost at least more than €41,-. While filtering for the characteristics as discussed above, according to our survey, about 26% is willing to pay €41,- tot €60,- and 6% is even willing to pay €61,- or more (n = 83 of 226).

¹ <http://www.prweb.com/releases/swimwear/beachwear/prweb3615714.htm>

² Passport GMID - Men's Underwear, Nightwear and Swimwear

This means that 32% of the 2 million males between the age of 15 and 35 living in the Netherlands would fall into these preferred segments; 640 thousand people. We then correct this by the chance that they will buy a swim short which is based on their intentions they had indicated in the survey; this leaves about 350 thousand potential sales (a precise calculation can be found in the appendices).

Due to the London Olympics of this year it is expected there will be a higher demand for swim shorts than earlier years³. Due to the fact that we represent the Dutch image we could benefit from nation-to-nation events like the London Olympics and the UEFA Euro 2012 in Poland and Ukraine. Thus, we suggest that the demand this year will be 10% larger than under regular circumstances; 385 thousand potential sales.

3.2 Industry analysis

To be able to provide a consistent overview of the industry, we have chosen to follow the approach of Porter's five forces model.

3.2.1 New entrants

The entry barriers for new parties to introduce a swim short are fairly high as we are experiencing right now. The business is mostly based on scalability therefore not all entrants will find their business to be profitable, especially the smaller ones. However, for larger companies it is fairly easy to enter, this is best illustrated by the choice of several fashion brands to move into the market for swimwear and do so successfully (i.e. Björn Borg, H&M).

3.2.2 Substitutes

Within swimwear there are no fundamental differences, only minor ones like fabric, fit and style. However, there are certain categories among which customers generally do not switch but therefore do not act as direct competitors but rather like substitutes for each other. DutchDry falls in the category board short/surf short. Substitute categories are the swim slips and swim suits. As for the waterproof bags, there are substitute bags that can be worn on the body rather than attached to the swimwear. Furthermore, one could think of solutions like lockers that are available at the beach.

3.2.3 Customers

At the moment there are only few companies that offer a swim short with a waterproof pocket and all of them have several disadvantages. Thus if someone would look for a swim short with a waterproof pocket and not consider any substitutes then the bargaining positioning of the customer would not be really strong. However, the option for a waterproof pocket has not yet been widely known and the public has not yet been properly informed about the benefits this would bring to them. Therefore most people would not yet be readily pursuing the opportunity of having a waterproof pocket and in effect consider swim shorts that do not have this special feature. As long as they would not recognize the benefit of having a waterproof pocket they would have fairly strong bargaining position due to the large amount of alternative swim short they have. In addition, the waterproof bag perfectly fits with the swim short, reducing the search costs and allowing for the best experience. Customers could choose to opt for finding a waterproof bag themselves. However, as we have experienced ourselves, this can be quite hard. In effect, the bargaining position of the customer is not that strong.

³ http://www.just-style.com/analysis/the-swimwear-market-to-2014_id103386.aspx

3.2.4 Supplier

The suppliers for our product can be subdivided into two groups: one for manufacturing the short and one for manufacturing the waterproof bag. For both products there are many suppliers from different countries. A quick search on www.alibaba.com will already provide hundreds of suppliers. One of the main disadvantages at most of these manufacturers is that they only take large orders. Generally this means that the first order has to be somewhere between 600 and 5000 pieces. In effect, we as DutchDry are not able to tap into the same pool of suppliers as our larger competitors. It is actually quite hard to find a supplier who's willing to produce a first batch of 100 pieces. Manufacturers from several countries have been considered:

- Swim short; Poland, China, Turkey
- Waterproof pocket; USA, China, Sweden

Besides the suppliers of swim shorts, we also have to take into account the suppliers of the fabrics of which the shorts are actually made and the features that we would like to add (i.e. logo printing, strings, rings). Based on the meetings we had with people who are familiar with supply chain management, we have learned that most swim short manufacturers have their own suppliers for fabrics, features and packaging. Thus, we have done some digging into the prices for fabrics and features on the side, which we can use either for negotiation purposes or as potential suppliers when the suppliers of swim shorts lack these contacts. In the future we aim at customizing our own waterproof pocket in cooperation with a manufacturer, with a joint venture as a possible result. In this way we can provide the customer the perfect waterproof pocket and when upscaling our badge we hope that we can compensate the high start up costs that we have to make during this process.

3.2.5 Competitors

Although it is far from being generally accepted in the industry, there are several brands that offer a swim short with a waterproof pocket. Moreover, these shorts have generally several disadvantages in comparison to the solution that we offer. Examples of this are the fact that the waterproof bag is not removable, a very high price, or the shorts not being fashionable. Examples are Clam-ups, North Face, Speedo and O'Neill. However, like mentioned before, we believe most customers will not yet look specifically for a swim short that has waterproof pocket. Therefore we will be competing with several kinds of brands that offer swim shorts. Below you will find a general categorization of the brands that we will be competing with.

- Surf brands:
 - o These brands associate themselves mostly with outdoor water sports like surfing, kite-surfing and wakeboarding. Moreover, they also relate themselves to other outdoor sports like snowboarding and skateboarding.
 - Examples: O'Neill, Billabong, Quicksilver, Reef, Hurley, Rip Curl, Insight, Mystic
- General sports brands
 - o These brands are generally accepted to be represented in all sports and do not focus on any in particular. The strength of their brand actually lays in their ability to be recognized in multiple markets.
 - Examples: Nike, Adidas

- Outdoor brands
 - o These brands associate themselves with a general outdoor lifestyle rather than one that is specifically related to a sport. These brands can be considered to be rather conservative in the fashion expression but do take quality and practical use of the product into consideration.
 - Examples: North Face, Timberland, Gaastra
- Fashion brands
 - o These brands associate themselves with fashion and therefore mainly focus on the apparel of their customers. Often these brands have started in the regular clothing market and have moved to the swim wear at a later stage in time to be able to offer clothing for all occasions.
 - Examples: Vilebrequin, Marc O'Polo, Napapijri, Lyle & Scott, Björn Borg, Hugo Boss

3.3 Concluding statement

As noted before, we believe our target market for this year holds about 385.000 potential sales, with a total value of € 23.100.000,-. In addition, this number has to be corrected for seasonal fluctuations as swimwear sales is traditionally subject to the changing of seasons, we will do so at our financial analysis. As a preliminary estimation we will divide the total market value among the months.

4. Our strategy

4.1 Product or service design considerations

As pointed out above at point 2.1 DutchDry sets out to manufacture a product that is reliable, sustainable and fashionable all in one. The shorts need to breathe reliability in every aspect and every feature. If not, we believe no one will rely on DutchDry shorts to be a safe solution to store valuable items like phones and iPods and take that into the water. Therefore we cannot compete on price. As low prices are associated with low quality in the minds of the consumers, very few people might be willing to take a cheap product to safely store a valuable item like an iPhone. A higher product sales price will serve two purposes:

1. Allows DutchDry to actually use quality fabrics and features without losing all margins.
2. Acts as a marketing tool to convey that DutchDry is a quality brand and is therefore in a higher segment.

4.2 Partner/supplier/vendor agreements

Jean Paul Jaspers, manufacturing agent at Office Pasqualle, based in Jawor, Poland. Thusfar no formal contracts have been signed. We have had good informal talks with Jean-Paul Jaspers about manufacturing DutchDry swim shorts in Poland at a reasonable price

- A trustworthy supplier of waterproof bags is yet to be chosen. Currently we are in the process of selecting a waterproof bag that is most suitable for integration with our swim shorts. All options will have to be tested extensively on quality, durability and usability before we enter any agreement.
- Mystic, a Dutch swimwear brand has provided very useful information on branding and design and provided valuable market insights.

4.3 Marketing and sales strategy

As small and unknown new player it is very hard to compete on price or distribution with any of the big players. In mainstream retail we will most likely lose most –if not all- of our margin. That is simply something we cannot afford. As a new brand we will have to come up with low budget guerrilla marketing tactics to bring our product to the attention, in particular towards women.

The image that we envision for our product is an outdoor & water sports brand from the Netherlands. Furthermore, if possible (financially feasible), we would like to add an environmentally friendly aspect to it because of its outdoor (nature) image.

The Dutch “touch” contains the nostalgic feeling that we, as the Dutch, have had to deal with water for centuries creating massive water-defences to keep us safe. We would like to visualize this pride and approach (e.g. creating a commercial using old footage of people building the dykes and combining this with our high quality swim wear).

Marketing materials

- Lookbook: every fashion brand needs a book in which it presents its collection through gorgeous photographs.

- Website DutchDry.com
 - Made using WordPress
 - All different sizes with the logo and web links
 - Houses a webshop where consumers can order their own pair of DutchDry swim shorts, giftwrapping is optional.

Passive promotion

- Student magazines
 - Articles about holiday and surfing opportunities (i.e. student related associations, sports clubs, cultural organizations)
- Social media
 - Exposure by providing useful content (i.e. providing information about water sports events and Dutch ones in particular)
 - Viral video: using a viral video we can reach a potential audience of millions with very little resources.

Event promotion / Guerilla promotions

- Queensday (2013) watering
 - Water bottle filling service using a water hose at a central spot in the city. Adding stickers to the bottles as a reminder. We will wear our product and represent the Dutch surfer image.
- European Cup crowdsurfing
 - Crowdsurfing at big match viewings. Three carrying one of us on a surfboard (covered with DutchDry stickers) through the crowd.
- Festival promotion
 - Giving live demonstrations at summer festivals throughout the country using small inflatable pools which offer refreshment and a chance for us to bring a pair of DutchDry swimshorts to the attention. Also, visitors get a chance to test the waterproofness of our pouch in a fun environment.
- Amsterdam water fight powered by DutchDry (& sponsor)
 - A day in the hot summer bringing people together at a park for a large public water fight. Possibly providing water balloons sponsored by an external party
- Sticker promotion
 - Tagging objects (i.e. bicycle crates, boats, laptop logo's, fruit in the supermarket, dryers in bathrooms, in the toilet themselves, mirrors at haircutters) using bright orange stickers.
- Watering plants in the city while wearing shorts and using orange watering cans (i.e. the trees in the Vondelpark).

4.4 Distribution strategy

Continuing on the point made at the beginning of paragraph 4.3, elaborating on the fact that we, as a small new player cannot compete on price or distribution channels. For the very same reason we need to be creative in our marketing strategy, the same goes for our distribution strategy. Both marketing and distribution strategies have to be in line with each other. There is no set strategy as of yet but it will be a combination of those stated below.

Webshop

Our website DutchDry.com will serve as a webshop where consumers can order a pair of swimshorts online. It is relatively easy to set up a webshop and the costs are relatively low.

We have already purchased a domain and are looking into the right software to build the site, as well as a Homeshopping Benchmark, giving our the status of safe and trustworthy online retail channel.

Retail

Having our shorts in retail stores all over the country is arguably the best way to capture a substantial share of the market. As a start-up our main problem is small numbers, which does not permit us to offer a generous margin of at least 2.5 to major retail outlets. We suspect this margin to be demanded by major retailers. With our cost price (€24,50) in mind and added to that a margin of 2.5, the retail price of one pair of DutchDry swim shorts will be $24,50 \times 2,5 = €61,25$. We believe a price of €61,50 is good for a quality product but this price does not include a profit margin for DutchDry thus the cost price is too high. Until we manage to scale production to our advantage and drive costs down, mainstream retail is not for us.

Boutique retail

Apart from mainstream retail there is a larger probability that small boutique retail outlets will allow us to showcase our product at their store for a smaller margin. DutchDry essentially offers a special, niche product, therefore we need to approach specialty boutique stores in the start-up phase. As demand from those stores may rise we can make better estimates on future production and perhaps scale to our advantage, which would bring a good margin for a mainstream retailer closer to our attainable objectives.

Multi-level marketing

We plan to use a number of influential people in beach and water loving groups to influence their peers. We seek to approach these people (think surfers, windsurfers, kitesurfers, sailors, etc.) and have them sell our product to those directly around them, offering a commission for each pair of swim shorts sold. We believe this strategy could work very well for us, especially because we have to convince consumers about the quality of our product and that it can actually be used to take your phone into the water. Consumers will have to experience it before they are convinced, is our belief. Using this strategy we can influence a great number of people through strong interpersonal relations, given that people are generally more likely to buy something that is recommended by their peers. It also builds a relationship with our brand.

4.5 Service strategy

Aftercare will be our main focus with respect to the services that we intend to provide. This will be done in two ways. First of all, we will offer a five year warranty on the waterproof bag which means that we will replace the bag free of charge when it does not appear to work properly due to manufacturing errors. Secondly, we will provide customers the opportunity to buy additional bags and strings to modify the product(s) they have bought.

4.6 Source of competitive edge

At DutchDry we understand that maintaining a sustainable competitive advantage in a very competitive market is a hard think to do. However, we believe that our integration of good design with a waterproof pouch is such a Unique Selling Point that we have to capitalize on being first. Being first and doing it right means we want to be identified as being 'the brand with the waterproof pocket'. When we achieve to successfully capitalize on that image we are perceived to be the originators and all new players as copycats.

The likeliness that big brands will jump into the market of swimwear with waterproof bag is not perceived as great, as we know some have tried but considered it a too big of a risk.

However we will have to take into account that there is always a possibility that one or more of the big players on the market will jump at it. Therefore DutchDry needs to invest a lot in new innovative solutions for under water storage and continue to capitalize on that while maintaining a good price-quality offering.

5. Organizational summary

Team DutchDry consists of four members with various backgrounds. Majors in Marketing, Economics, Communication Science and Human Geography gives our team the strength to focus and analyse topics based on different levels on comprehension. Our different insights and qualities contribute to a balanced team performance.

Harmen Vuijk	CEO	Human Geography	harmen@dutchdry.com
Vincent Huissen	CFO	Economics	vincent@dutchdry.com
Sjoerd Addink	CMO	Marketing	sjoerd@dutchdry.com
Jan te Kieft	COO	Communication Science	jan@dutchdry.com

5.1 Organizational structure

Our company has a division of tasks based on four roles: CEO, CFO, CMO and COO. Each individual is empowered and responsible to perform his own tasks. During the meetings at Tuesday and Friday we discuss each task and all four members will finally form an agreement according to each topic.

The CEO is responsible for the team process and the overall communication. He will prepare and lead the meetings and is responsible that each team member is aware of his responsibilities and deadlines. Creating a good work atmosphere by listening to and supporting each team member and be the primary contact person for the group and the coach is also his duty. The CFO manages all the current and future financial related topics. In our company he is also responsible for the purchase of the waterproof bags. The role of our CMO is to lead all marketing and promotion elements linked to DutchDry and the creation and maintaining of the website. Finally the COO is assigned to lead the decisions according to the fabric and the design of the swimming short. The production and distribution process is his task as well, the CEO is responsible of finding the right manufacturer in this process.

5.2 Compensation scheme

Each team member earns an equal 25% of the profit made by the sales of every single swimming short. Each team member has invested an equal amount of money before the production process. Our minimal goal is to sell enough shorts to reach our break-even goal described in chapter 6.

Sales commissions can be giving to a third party according to affiliate sales. They operate in other inner circles as we do and for each swim short sold they receive 20% of the profit, the other 80% profit is for DutchDry. When no sales are made, no commission is provided.

5.3 Coordination and Decision-making Rules & Policies

When decisions conflict and lead to suboptimal performance DutchDry will give each team member the same amount of authority to decide over current problems or future plans. This process is guided by the CEO and he is responsible to create an environment to come up with a solution for the problem. The solution with the majority of the votes will be the answer to the problem, saying that each executive officer has an equivalent power in the decision making process. Due to the even number in our team, a tie after a vote is possible, if so the CEO has the authority what to decide.

5.4 Statement regarding Company ownership

Regarding to the company ownership each of the founders of DutchDry owns an equal one fourth of the ownership of the company. Each share consists the initial 25% of the start-up/ fixed costs paid by each team member. According to our system that each team member has equal power in the decision making process, we will vote and decide if one team member is not fully participating and contributing to the team anymore. If so, as a team we can decide that less profit will be earned for that individual. Applying this will only occur in extreme situations. If one of the founders decides to leave the company, the remaining three team members have the right to make the first bid on his share. The team can decide to continue at the equal divided system where each member at this point owns one third of the companies share. The other option will be that two members possess each 25% and the other member the remaining 50%, which will lead to more power for the latter.

5.5 Contact list of our partners

First name	Surname	Core job
Munise	Can	Creative input designs
Robert	Gladon	Former agent of Mystic
Amber	Hulst, van der	Designer prototype 2
Jean Paul	Jaspers	Manufacturing agent (responsible for prototype 4)
Mark	Knotsenberg	Designer Mystic (Dutch surf brand)
Yona	Mansfeld, van	Creatieve input designs
Gino	Marengo	Designer: creator of the pattern, technical design and prototype 3
Cas	Prins	Creatieve input for logo DutchDry
Toon	Segers	Fashion input
Pieter	Verbruggen	Coach
Leny	Verwey	Startercase: Aid in (financial) contract
Willem	Wezenberg	Possible Investor
Ria	Zwart	Digitization of the pattern

6. Financial plan

6.1 Start-up funding requirements

Because we are in contact with manufacturers who want DutchDry to pay in advance, the Start-up funding requirements will be relatively high. So we see the whole first batch of 100 shorts as start-up costs. Above these product start-up costs a small amount of overhead costs will be added to the start-up requirements. We decided not to make the marketing cost part of the start-up funding requirements because we do not need it necessarily to sell our first shorts. In the table below we will estimate and describe these costs.

Costs	Unity	Cost per unit in €	Amount	Total costs in €
Website	yearly	30	1	30
Design Event	per event	100	0	0
Prototypes	per protoype	35	4	140
Pattern	per pattern	16	1	16
Shorts	per short	19	100	1900
Transport costs	per batch	90	1	90
Waterproof pockets	per pocket	5	100	500
Digitalize pattern	per pattern	75	1	75
Testin fabrics	per testround	30	1	30
Testing waterproof bags	per testround	30	1	30

Total start-up requirements in € 2811

Now the costs are explained, we will explain how these initial costs are financed. We planned to do this first investment ourselves and all four team members make equal contributions of €602,75 each. Via this method we keep control over all the DutchDry equity and profit rights.

6.2 Break-even analysis

Because DutchDry is dealing with relatively high start-up and fixed costs we will try to make a break-even analysis based on these costs. As explained above we are obliged to buy all the 100 shorts from our manufacturer. Therefore, our goal is selling all the shorts. That is why we calculated a break-even price. Compared to the start-up cost above there is one extra cost in this paragraph; the marketing cost. We have to convince our customers that our pocket is waterproof so we want to invest in customer relationships. Total marketing budget throughout the minor will be €50.

$2861/100 = €28,61$. Of course this result can be reached in different ways. In the table beneath we sketch a few scenarios.

Break-even at total costs €2861

Amount of shorts sold	Price in €	Total sales in €
100	28,61	2861
75	38,15	2861
50	57,22	2861
47	60,87	2861

This way we can vary with prices to reach the same break-even goals. Hopefully in the future we have more influence on our cost of goods sold.

6.3 Projected cash-flow

In the table below the cash flow statement from DutchDry. In this early stage we do not know much about future developments, which is why much numbers are zero. Because all payments in and out are done directly, accounts receivable and accounts payable are both zero.

Projected cash-flows	Min or	Q3 (2012)	Q4 (2012)	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)
Expected number of shorts sold	0	75	25	100	150	300	50	200
Cash flow from operating activities								
Net income	3539	5995	889,75	3559	5338,5	10677	1779,5	7118
Increase account receivable	0	0	0	0	0	0	0	0
Increase accounts payable	0	0	0	0	0	0	0	0
Increase inventory	0	0	0	0	0	0	0	0
Total cash flows from operations	3539	5995	889,75	3559	5338,5	10677	1779,5	7118
Cash flows from investing activities								
Purchase of pattern	0	0	0	0	0	0	0	0
Design Event	0	0	0	0	0	0	0	0
Total cash flows from investing activities	0	0	0	0	0	0	0	0
Cash flows from financing activities								
Loan	0	0	0	0	0	0	0	0
Owners investment	2461	0	0	0	0	0	0	0
Repayment investments	0	2461	0	0	0	0	0	0
Total cash flow financing activities	2461	2461	0	0	0	0	0	0
Cash flow								
Cash flow	6000	8456	889,75	3559	5338,5	10677	1779,5	7118
Compound Cash flow	4000	14456	15345,8	18904,75	24243,25	34920,25	36699,75	43817,75

6.4 MBV spread sheet

Our MBV spread sheet, or in other words our profit and loss forecast is quite simple. For the first period we only have to take the start-up cost requirements and add the marketing cost to that. Expecting that we sell all the 100 shorts for a price of €60. The table below shows our profit forecast. We calculated with a variable cost per short of €20.

MBV Spreadsheet	
	in 2012
Sales	5995
Cost of goods sold	-2400
Gross profit	3595
Operating expense	
Transport	-90
Pattern	-16
Marketing	-50
Website	-30
Prototypes	-140
Digitalize pattern	-75
Testing fabrics	-30
Testing waterproof pockets	-30
Developping waterproof pocket	0
Other Overhead	
Total operating expense	-461
Net income from operations	3134
Other revenu and expenses	
Net income before taxes	3134
Less income tax 0%-	
Net income	3134

Because we applied for Starterscase and are accepted we don't have to pay any taxes. In this statement there is a relatively high profit to sales ratio: $3134/5995 =$ approximately 52%. This mainly caused by the high margin of €22,-. Since we did not speak to any potential retailers or other sales channels this margin is still a rough expectation.

7. Contingency plan

DutchDry heavily relies on two trends that are strongly connected: the first one is the fast growing smartphone possession in the Netherlands and the second one is the maybe even faster growing dependency of people towards the smartphone. Next to the rising smartphone dependency people do not want to leave their valuables alone on the beach. Our need arises mainly from these two trends given the fact that smartphones and other valuables are not waterproof.

When for example all the valuables become waterproof the DutchDry loses a big part of his market potential. How are we going to react to such developments? In this case we can sell the short without the integrated waterproof pocket and instead only with the pocket on the back, that normally holds the waterproof pocket. So you can still bring your precious goods in to sea, carefree. DutchDry now really becomes a running short transformed for swimming.

What about the situation in which smartphone use drops or smartphone reliance drops? In both cases the need for DutchDry also falls. How are we supposed to react? In that scenario DutchDry should maybe focus more on the broader picture of valuable products. The valuable products that have to stay dry, like cameras, bankcards, remote car keys and passports should also be protected by DutchDry swimwear. In order to do this we have to broaden our value proposition and marketing campaign.

When the needs of smartphone or valuable use itself do not change there can still be a large threat; namely competitors. On this moment we are in our market, given price and product design the only provider of a waterproof swimming short. But when for example our first batch of 100 is an overwhelming success, more competition can arise, even well established brands can decide to produce some product close to that of DutchDry. We do not have any patent on the technical features of the DutchDry so only three possible reaction strategies remain: The first one is accepting the challenge and rely on the specific value proposition of DutchDry, our short looks very cool and we hope that people still want to buy it instead of the competitors short. Second solution could be collaboration with the competitor and find ways to together produce and sell the DutchDry, this solution off course is highly dependent of the competitors' offer. The same goes for the third solution; selling DutchDry to a third party.

8. Expansion plan

Expansion plan

Although DutchDry was founded only recently, its ambitions are great and we intend to position it as the first Dutch brand in swimwear with a waterproof pocket to enter the world stage and set itself apart from the competition. Thus, this means being available in multiple countries, with a wide assortment for both males and females, offering great quality, technology and fashion.

Our current target market is limited to the Netherlands, which is rather small market due to, among other things, the weather conditions. Therefore we intend to expand abroad to countries whose markets for swimwear are much larger. Examples of this are Italy, France, Spain, Australia, USA and Brazil. In order to enter these markets we are considering several expansion strategies. First of all, we are thinking of expanding and professionalizing our webshop and increasing its reach. This would support our efforts of affiliate marketing. Second of all, we could consider contacting local swimwear shops at the main cities of these larger swimwear markets and offering them unique dealerships. A third option would be to showcase our short in large existing webshop while paying a fee (i.e. Bol/Amazon). A final option would be partnering with a more established brand. There could be several ways of doing so:

- We could become a sub-brand
- We could be endorsed
- We could become a testing brand

The last option of partnering with a more established brand is the most challenging but at the same time would also provide the most opportunities to grow the brand quickly and realize the ambitions that DutchDry pursues. Some examples of the advantages that such a partnership could have can be found below:

- Use of an established distribution network
- Access to new markets (increasing market potential)
- Access to market knowledge
- Potential brand exposure
- Opportunities to expand quickly
- Potential financial backing

At the same time we should be well aware of the complications it might bring. There are several disadvantages to think of when entering a partnership besides it could go wrong as a whole. Examples of these disadvantages can be found below:

- Increased external influence
- Reduced creative freedom
- Reduced available margin

Whether such an established brand would be interested depends on our initial success in the Netherlands. Moreover, when we are seen as a threat or when we have knowledge that they would like to obtain, they might also be more interested. Our knowledge of combining technology with fashion might for instance be deemed as valuable. Other possible assets that could be of value are the potential group of loyal customers and the network of stakeholders that was built while setting up the business.

Besides looking for new ways to sell our current product we are also thinking of expanding the line of products that we offer. We are considering developing a swim short that is meant

for females, adjusting it to the female the model while offering the same advantages. The design would probably differ as well, but the image of the DutchDry remains the same (i.e. high quality fashionable swimwear with a Dutch touch). Other products that we are considering are detachable waterproof pockets for swim short of other brands or backpacks with waterproof pockets.

9 Appendices

Appendix #: Most relevant survey results

