

Business Plan

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karine arabian PARIS

“The shoe for Women made by Women”

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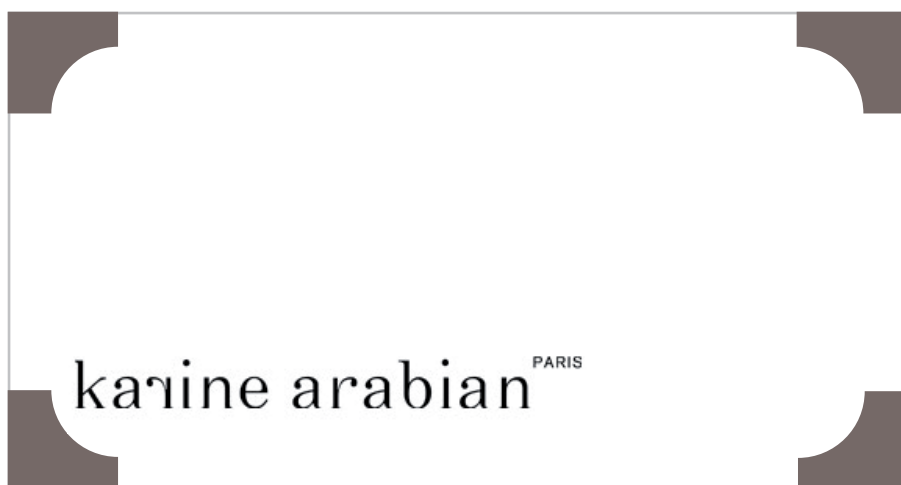
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I Executive Summary

Francisca Berlin, Jahnam Vievien Kerp and Laura Shepard founded the brand Karine Arabian in 2012. The founders came together with a vision to create a shoe brand for women with the focus on the needs and demand of a woman's world.

With the Business/Management background of the incorporators, they have a good fundamental to build and manage this kind of company.

Francisca Berlin, Co-Founder and CEO of Karine Arabian, holds an Bachelor's degree in International Management with a major in Marketing and International Trade. During her studies, she spent six months in Bangkok, Thailand and gained exclusive knowledge of the Asian market. Moreover, she worked in an advertising agency for seven years. By being part of the creative department, Francisca Berlin acquired valuable experiences which will help the brand to enter any market in the most efficient way possible. Before deciding to move to Paris, she was the assistant of a store manager in an upscale Boutique in Duesseldorf, Germany (Buckels & Belts). There, Francisca Berlin was responsible for the e-commerce, the visual merchandising of the windows, and the seasonal ordering process.

Jahnam Vievien Kerp, Co-Founder and COO of Karine Arabian, obtained her undergraduate degree in Business Sciences at the University in Trier, Germany. Previously, she studied at the EDHEC Business School in Lille and lived in France for approximately one year.

During her studies Jahnam Vievien Kerp worked as a sales associate in various branches (e.g. perfumery, trade shows and boutiques). Most recently she gained specific knowledge of the luxury market while working for Louis Vuitton in Cologne, Germany. She was active in the sales area and responsible for the clientele in terms of customers care and special reservations.

The specific insight of the luxury market and her knowledge about the French culture/market, makes Jahnam the ideal Chief Operating Officer (COO) for Karine Arabian.

Laura Shepard, Co-Founder and CCO of Karine Arabian, has graduated with honors from Southern Methodist University and holds a Bachelor of Arts degree in Advertising and Fashion Media. She worked approximately 1,5 years as a retail sales associate for Love Tennis (an upscale tennis boutique) in Dallas, Texas. Additionally, Laura Shepard gained various insights in the interior design field (Janet Rice in Dallas, Texas) and worked for the Mercedes Benz Fashion Week Swim in Miami, Florida. In the position of the Chief Commercial Officer for Karine Arabian, Laura Shepard will lead the company to a successful image due to her previous engagements in social media marketing companies (Vive Media in Dallas, Texas) and The Fashionistas (fashion event planning company).

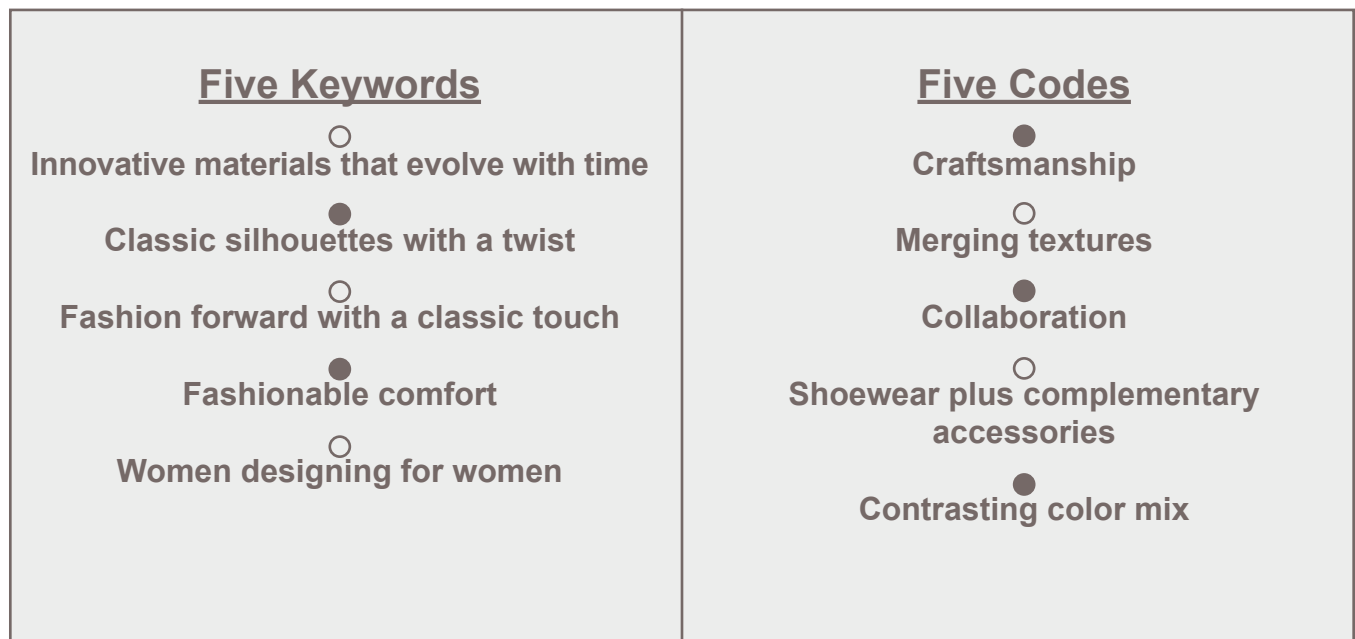
Currently Francisca Berlin, Jahnam Vievien Kerp and Laura Shepard are postgraduates in MBA Fashion Business in Paris, in order to improve and specify their managerial knowledge in the international Fashion Industry.

Since the three founders of Karine Arabian do not have an exact knowledge of the design branch, Francisca, Jahnam and Laura researched the industry for a professional designer who can fulfill all the requirements and join their brand. After a careful examination of the market they came across Karine Arabian. The native Armenian designer was born and raised in Paris by her family, which were well known for their craftsmanship in the shoe sector. After Karine Arabian graduated from ESMOD and Studio Bercot in Paris, she started to work for Swarovski and Chanel.

With her diversified experiences in the high-end sector and her heritage in craftsmanship, she is the best choice for the brand Karine Arabian.

I.i Creative Universe

Karine Arabian brings classical and timeless shoe art together with a contemporary use of materials and colors. The comfortable, chic, premium quality shoes with a womanly touch of rock'n'roll are the key elements of the brand. Fine attention to craftsmanship and luxury materials make the Karine Arabian products inevitable for every woman's closet. The slogan: "The Shoe for Women Made by Women," communicates the core characteristic of the brand.



I.ii Name of the Brand

The name Karine Arabian stands for inheritance craftsmanship, explicit knowledge of the high-end market and first class quality standards. The decision to make use of the company's designer's name was only logical. Not only because her inspirations and creations will be seen in every collection throughout the merchandise but also because no other name would be appropriate to express and embody the brand's attributes (fashionable comfort, high quality and femininity) more than hers.

The brand logo, **karine arabian** is made of a classical font, with "feminine curves" and a little twist regarding the "r" in **karine**. The logo represents Karine Arabian (the designer) and the aspect of a classical design with a little "edge".

I.iii Brand Statement

Karine Arabian offers a wide range concept for high quality shoes, handbags, small leather goods and accessories with a variety of signature features such as diverse types of leather, asymmetrical silhouettes plus a modern mixture of materials and colors for independent women, especially designed by women.

I.iii Strategy

Introducing Karine Arabian to the Parisian market is our first step into making the brand locally known. We chose this specific location since the brand's designer knows the market, the consumers needs and desires very well. Additionally, the co-founders gained a profound knowledge of the French market due to their previous studies.

We are planning to open one flagship store in the 9th district of Paris, near the Boulevard Haussmann, the Galleries Lafayette and Le Printemps. This flagship store will present the brand Karine Arabian in all facets possible. It will carry the whole collection and give the consumer the opportunity to get the brand's overall feeling.

Not only the store but also the showroom and the operating offices (HQ) will be situated in the same building, to work more efficiently and to have control over the events in store.

This way potential retailers can visit not only the showroom but also the flagship store, to get a direct sense of the feeling and the atmosphere of the brand.

With the beginning of the second year, we will present the collections to various department stores in Paris to obtain a good placement in the market, to enhance customers' awareness of the brand and to become stable and well known in the shoe industry.

The advertising strategy of the brand consists of a social media mix, advertisements and editorials in various fashion magazines, billboards around the city and occasional in-store events.

In the foreseeable future (4-5 years) we will expand to other European markets e.g. Milan, Italy and Duesseldorf, Germany to make Karine Arabian a well know shoe brand in Europe.

However, to ensure the high quality and the "know-how" of craftsmanship, production will be made in France. In doing so, Karine Arabian can always control and guarantee the highest level of quality and production standards.

II Brand, Vision, Mission

II.i Positioning

We will position Karine Arabian as a high quality shoe and accessory brand that is made by women for women. Karine Arabian is attainable luxury, providing high quality leather pieces produced in France. Karine Arabian offers two different lines. The line „*Intemporel*“ consists of mainly classical pieces which will only differ in shapes and colours according to the season. Some of the shoes in that line will be kept very simple in order to have some iconic items that will remain the way they are over the years. This line varies from ca. €550 to €800. The line „*Évolutive*“ offers “trendy items“ with a composition of different materials and styles. „*Évolutive*“ is available from €300 to €500. This differentiation in lines will allow us to attract women who have different preferences and therefore to reach a broader target market. Nevertheless, Karine Arabian will not be positioned as the “trend setting“ brand. The brand is more presented as a classical label with a twist in terms of material mix, shapes and colours.

II.ii Target Market

Karine Arabian’s target market are women aged from 30 to 50, living in an urban city such as Paris or similar metropolises. These women are business professionals who are either single or working mothers in small families with no more than three children. They are interested in art and culture and hold a post graduate degree, making €60,000 - €100,000 a year.

Karine Arabian’s target are women who are looking for high-quality, chic, work appropriate shoes. They work hard but still maintain a social life, and are looking for shoes that give them comfort but don’t compromise in terms of style and look. Because of their busy work schedule, these women do not have time to shop frequently and therefore like to purchase smaller quantities of high quality items. Karine Arabian’s target market is not a group of spontaneous shoppers. These women shop when they have a purpose and do not spend money frivolously. They are loyal to the brands that meet their standards and remain faithful long-term customers.

II.iii Product Range

Our product range consists of shoes and matching accessories. All products are made of different kinds of high quality materials such as leather, suede, satin or wool and will be produced in France. The brand ensures the high quality by providing the supplier with the best materials possible. All materials are carefully selected and precisely checked by Karine Arabian.

Both lines of Karine Arabian (*Intemporel* and *Évolutive*) will contain shoes and accessories.

Shoes

We are offering boots, low boots, wedges, high heels, pumps, peep-toes, flats, and sandals, in a price range from €300 to €800 with an average price of €400 depending on the materials and the production process behind it.

Materials most commonly used are calf skin leather, suede, patent leather, and exotic skins like snake leather (Python), crocodile leather or ostrich leather. Our shoes will be divided into the two different lines „Intemporel“ and „Évolutive“.

The line „Évolutive“ will be in a price range of €300 to €500 and focused on women who like trendy pieces and who change their taste over the seasons. These affordable luxury shoes will mainly be out of leather but also combined with some exotic leather parts.

The „Intemporel“ line aims on attracting women who are willing to spend more money in order to buy a timeless piece with a high quality that they can wear over years. This line will range from €500 to €800 and the shoes will have a high percentage of exotic leathers. The heel or the bottom of the shoe is mainly made of wood, a mixture of different gums or leather as well. The buckels of the shoes are mainly made out of metal (gold / silver / bronze).

Accessories

Besides shoes, we are also presenting different styles of bracelets and bangles in every collection in both lines. The bracelets are only made out of leather and are aimed to match a specific shoe or as a great gift opportunity for those who want to have little piece of Karine Arabian without spending more than 120€. The prices start at €60 and go up to €115. Again the more expensive bracelets are made of exotic leathers and are a real eyecatcher.

II.iiii Geographical Extension

Initially the brand Karine Arabian will be built up in France, starting with a flagship store in Paris. In addition, we will sell our products, with a focus on shoes, to department stores in Paris (Galeries Lafayette, Printemps, Le Bon Marché), which we will facilitate by having a showroom in the building of our boutique, and by being represented in the important trade shows throughout France (Première Classe and Who's Next).

In the case of providing products to department stores, we are considering to only sell our shoe collection in order to ensure the consumer's desire to visit the Karine Arabian flagship store to get a full sense of the overall available product range. This is also a reason, besides the costs, why we will not launch an e-commerce channel in the first year of the brand. Nevertheless, we will have a webpage to keep the customers updated and to inform potential customers about the brand globally.

After making Karine Arabian a well known brand in Paris, France, we plan to expand to Milan, Italy, and Duesseldorf, Germany by opening flagshipstores in these European metropolises.

After the launch of the brand is successful in the two countries mentioned above, we will spread out in these markets (Munich, Germany and Florence, Italy).

However, we do not want to over saturate the market with too many store locations. We are ensuring to maintain the “small brand feel“, focusing on high quality production rather than mass production.

III The Industry

In the retail shoe industry, fashion trends and personal income drive demand. Small companies face challenges competing against large shoe chains, but can succeed by selling specialty products, providing excellent customer service, and catering to smaller, local markets. The profitability of individual companies varies based on how their pricing compares with other stores, and how effectively products are merchandised¹.

III.i Overview of the Industry

France is one of the biggest fashion leaders in the European Union. The people living in France, especially those situated in urban areas, are concerned with fashion trends and their overall appearance, thus leading to more spending on fashion items. In France, the consumption of footwear in 2008 was €8.4 billion which was an increase of 0.2% per year since 2004. To put that in terms of volume, the Frenchman bought 352 million pairs of shoes in 2008, which translates to 5.7 pairs per capita and a spending of €134 on shoes per year. In Fact, France is one of the main consumers of footwear in Europe, the EU average spending on footwear each year is only €100 per capita.

The footwear industry is divided into four main product groups: casual footwear, sports footwear, formal footwear, and evening footwear. These groups are further segmented by gender. Women's footwear accounted for 55% percent of sales in France, a value of €4.6 billion in 2008. This large amount is partially because the number of working women has seen an upward trend in recent years. According to Eurostat, the ratio of working women grew from 58% to 61% from 2004 - 2008. Furthermore, the most substantial increases were in women aged 25-54, which is something that has triggered demand for shoes. When shopping for footwear, the French woman is looking for style and comfort. She also wants something that she can get the most use out of, i.e. a shoe that can be worn to work, lunch, dinner and celebration².

¹ Hoover's Online. Rep. no. 5661. Hoover's Inc., 2012. Web. 28 Oct. 2012.

² CBI Market Survey: The Footwear Market in France. Rep. CBI Market Information Database, May 2010. Web. 02 Nov. 2012. <www.cbi.edu>.

III.ii SWOT Analysis

Strengths

Products

- Superior price-performance ratio
- Matching accessoires in every collection
- Comfortable without compromising style
- High quality standard

Brand

- Strong brand statement:
“The Shoes for Women designed by Women“
- One Flagship Store + Showroom + HQ in Paris (rarity / functionality / convenience / control)
- Speaks to universal needs of target consumer's worldwide

Production

- Superior quality inspection through manufacturing in France
- Inshore outsourcing / co-contracting (in France)

Weaknesses

Products

- No e-commerce channel in the first year

Brand

- No presence in the international market

Production

- Maintain the same price level throughout fluctuation in commodity costs

Products

- Entering other markets is easier due to standardized product range

Brand

- Collaborations with other designers/brands
- Shoe market is flooded with men designing shoes for women with a “manly mindset“ consequently women ask for something according to their needs = **COMFORT&STYLE**

Brand

- Difficult to maintain consumers permanent attention due to oversaturation of the industry
- Established companies with more financial resources + brand recognition in the luxury shoes market

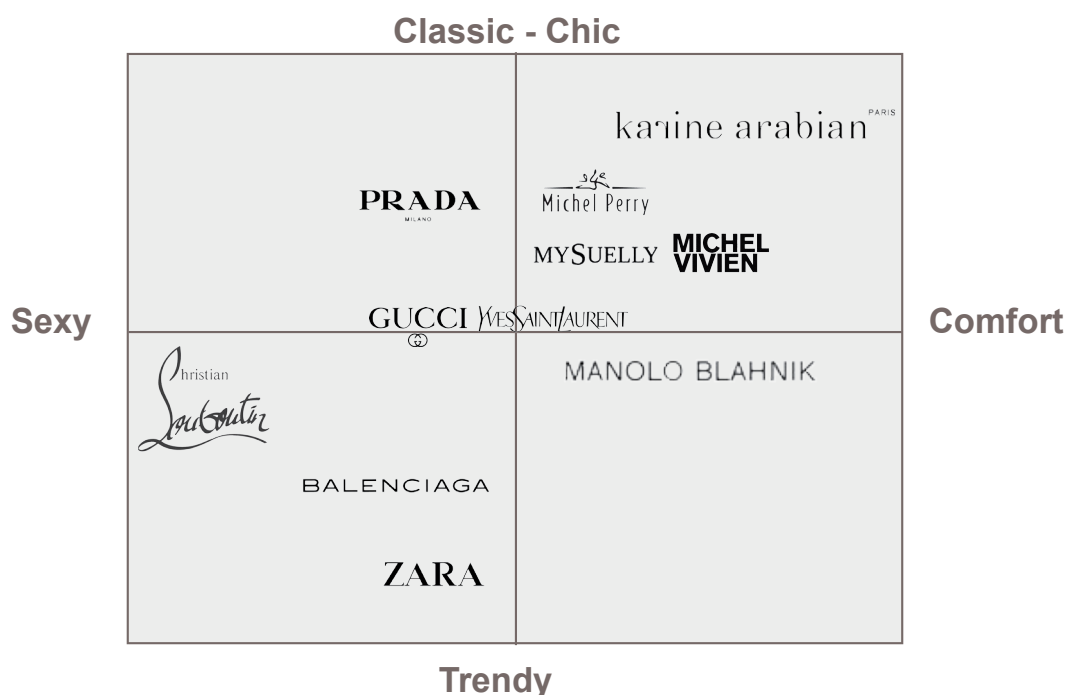
Production

- Costs of commodities

Opportunities

Threats

III.iii Mapping



IV Competitive Analysis

As it can be seen on the prior page, the brand Karine Arabien has many direct and indirect competitors. The next part will give a closer insight into the three direct competitors, which were found significant throughout previous research.

IV.i Michel Perry

Michel Perry shoes are inspired by the Rock'n'Roll / Punk era in London and at the same time classicism in art history. Michel Perry was born into a family of shoe-makers. He established his own line in 1987 and his designs quickly became popular within the fashion community. He currently has two boutiques in Paris, and one store in London. His shoes are also sold at department stores and boutiques in Asia, Russia, New York City, amongst other locations. Michel Perry does not have its own e-commerce webpage, nevertheless the brand is available on various websites. The price of the shoes vary from €330 - €750, with an average price of €500. The designs are bold, colorful and often involve a combination of textures and colors.

IV.ii Michel Vivien

Michel Vivien is known for his timeless designs and impeccable skill. He creates “*beautiful shoes for beautiful women,*” according to his webpage. His shoes can be considered sensual and elegant. His footwear line consists of a variety of styles with an emphasis on low boots and sandals come summer. His shoes range in price from €375 - €900. His designs also include kitten heels, pumps, and flats. Suede and leather are the primary materials used in his line, with neutrals or jewel tone colors for winter collections, and brighter colors used in his summer lines. Michel Vivien is carried at many retailers across France and can be found at nine stores in Paris specifically (*Les Galeries Lafayette, Le Bon Marché, and Merci*). Throughout the globe, the line is sold across Europe, in diverse locations in Japan and Dubai plus two metropolitan cities in the United States (New York City and Los Angeles). In addition, a few online retailers carry the line as well.

IV.iii MySuelly

MySuelly is a French brand inspired by the femininity and elegance of the 1950's. Known more for their handbags than shoes, MySuelly's products can be described as simple, elegant, and high quality. MySuelly's shoe line includes low boots, moccasins, menswear style oxfords, pumps, and wedges. Shoes range in price from €270 - €410, but the majority are under €360. MySuelly's shoes are primarily made of leather and suede and are generally muted, neutral colors. The shoes are sold in five stores in Paris, including the department stores Les Galeries Lafayette and Le Bon Marché. They are also sold at various locations across Europe, Asia and the United States. In addition, the products are available at selected online retailers and through the MySuelly website. However, MySuelly does not have its own brick and mortar boutique in Paris or elsewhere.

IV.iii Conclusion

In comparison to its direct competitors, Karine Arabian is at an advantage because of the strong brand mission “Shoes Designed by Women for Women.”

Michel Perry, Michel Vivien, and MySuelly all have male head designers, and this difference between them and Karine Arabian is a significant point of distinction for the brand.

In relation to Michel Vivien, Karine Arabian will be positioned as a brand providing shoes made of high quality materials but for a lower price. Furthermore, Karine Arabian’s collection offers a more classical style than the edgy shoes of Michel Perry. The price point of Karine Arabian is on the same level as MySuelly; however, Karine Arabian’s products are classic with a trendy flair as opposed to the overall traditional, neutral styles of MySuelly.

V Five Year Plan

V.i Commercial Strategy

1st - 2nd Year Flagship Store/Atelier | Showroom | Headquarters | Webpage | Wholesale

Karine Arabian will start out with a flagship store in the 9th district of Paris around the Boulevard Haussmann and the high-end department stores (e.g. Les Galeries Lafayette, Printemps and Le Bon Marché). We chose this “upscale” area in order to clarify the position of Karine Arabian and to ensure that we will reach our target market.

We are planning to incorporate the flagship store, the atelier, the showroom and the headquarters in the same building, to assure a close relation between the executives and the “day to day business” not only in the office but also in-store. This way the implementation of our strategy and the communication with the sales associates will be facilitated and the initial steps of the brand can be observed and maybe improved in the most efficient way.

As a unique way to distinguish our brand from our competitors, the atelier of Karine Arabian will be established within the flagship store. This gives the customers the opportunity to witness the craftsmanship in the process of creation.

To make sure that the brand will be successful as a luxury brand and to save start-up costs in the beginning, we are launching a webpage without an e-commerce channel. The webpage will contain the look-book of our two lines; all information about the brand Karine Arabian, and it will keep our customers updated on the latest collections in-store, events and new openings.

Moreover, our fall/winter collection 2013 of shoes will be presented in one department store (Printemps) in Paris when we start out our brand. It is important, especially in the beginning, to be present for the “consumer-eye” and draw attention to the brand.

2nd – 3rd Year Wholesale Presence | Tradeshows | E-commerce

During the second and third year of Karine Arabian we will set up the e-commerce channel on our webpage, to generate a higher turnover and to serve to the customers around Europe who became aware of the brand over the last year.

Furthermore, we will be present in two major tradeshows in Paris; Première Classe “[...] is the essential event in the creative world of Paris.”¹

and Who`s Next “All the sectors of fashion accessories are represented according to a rigorous and qualitative selection criteria, and are dedicated to a ready-to-wear distribution.”²

¹ <http://www.premiere-classe-tuileries.com/> Accessed on November 28, 2012

² <http://theshow.whosnext.com/premiere-classe/> Accessed on November 28, 2012

It is important for us to keep Karine Arabian as a luxury brand; therefore we have to filter carefully the different offers from retailers to keep the name only in high-level boutiques and department stores (e.g. Les Galeries Lafayette, Printemps, Le Bon Marché, etc.). Beyond our presence at different trade shows, we will invite preferred retailers to our showroom to get a feel for the whole collection. Due to the fact that the showroom and the store are situated in one building, the buyers will also get a feel of the brand and see the ambiance of the flagship store and how we want to communicate the brand.

4th – 5th Year Expansion in Europe (Germany and Italy)

After establishing Karine Arabian in France, we will enter other parts of the European Union. Duesseldorf, Germany and Milan, Italy would present the first two target markets in the fourth/fifth year of the operation.

We are taking these two markets into consideration because they are the closest to the French market in terms of overall cultural aspects and consumer behavior. In choosing Germany and Italy we will not need to adjust our products. Moreover, we would be able to maintain the production process in France, as the only production location, and deliver throughout Europe on a lower cost level and to always ensure the quality of the products.

We will enter these markets by opening two flagship stores and by being present in one major department store in each city (Rinasante, Italy and Koe-Galerie, Duesseldorf). According to the success of the brand in the two countries, we will expand further to different cities in Germany and Italy (e.g. Munich and Florence).

V.ii Communication Strategy

1st - 2nd Year Advertising | Public Relations | Events | Social Media

During the first two years, we will focus on generating awareness of the Karine Arabian brand and the launch event through targeted advertising and focused public relations efforts. We will hire both, an advertising agency and a public relations firm and will work closely with them to ensure that the advertising and PR is consistent with the mission of our brand. However, in the second year we will also be launching our e-commerce channel on the Karine Arabian website, so we will need to allocate portions of our budget to increase our online advertising. In the second year we will keep the same overall advertising and public relations strategy, but focus more of our efforts on publicizing the launch of the online shopping channel.

Advertising

It is important that our initial advertising efforts effectively communicate the key aspects of Karine Arabian so that it is correctly positioned in their minds from the start. We will be advertising Karine Arabian as a lifestyle shoe brand and we will also be selling the idea of fashionable comfort. Quality is a major benefit of Karine Arabian's products so this will be a major emphasis that will be sold in the message.

Furthermore, we will make sure the advertising campaign incorporates the core mission of the brand: "Shoes for Women by Women". Our advertising strategy will include advertising on the websites of French fashion magazines such as Numéro, Vogue, and InStyle approximately two months before the launch of our brand. In addition, we will have billboard and poster advertisements in the Paris metros. Also, we will use search engine optimization (SEO) in accordance with our website to make sure that Karine Arabian will be very visible in any web search related to the brand and what we sell.

For the first year we will be advertising heavily, but after the one year anniversary of our launch, we will minimize the advertising dollars that are spent on magazine ads and instead focus more on our online advertising, public relations, and social media to maintain our brand image and continue to generate awareness of the Karine Arabian brand. In the second year in particular, we will use online advertisements and social media to publicize the launch of our e-commerce channel.

We will also have our advertising agency put together our lookbook each season, which will result in the production of two each year.

The agency will be responsible for organizing the photo shoot and design and layout of each lookbook.

Public Relations

Because public relations and social media cost much less than general advertising we want to focus a large part of our efforts on them. When we launch we will get in touch with various magazines in France such as Numéro, Vogue, Elle, Harper's Bazaar, W, and InStyle and send them samples in the hopes of being able to get free advertorials.

We also know the importance of an online presence so we will also send samples to online bloggers such as Leandra Medine of “The Man Repeller,” Scott Schuman of “The Sartorialist,” and Alix of “The Cherry Blossom Girl.” We will continue to send samples to these journalists with our second collection in the following year.

Events

The PR agency that we hire will also be responsible for planning and executing the launch party and the “soft open” for press, which will precede it. The launch party will feature a trendy, up and coming Parisian band to highlight the fact that although Karine Arabian is a very classic brand, there is also a trendy side. The event will feature catering by an Armenian restaurant, to highlight the importance of Karine Arabian’s culture and background and the role it plays in her designs. Also, we will have models walking around during the event wearing Karine Arabian’s shoes and accessories. They will wear simple, all black clothing to keep the focus on the products.

The “soft open” the week before, will be a smaller scale, simpler event, without the band and the catering. It will be for members of the press only, specifically magazine editors and bloggers, and we will distribute gift bags at the end of the event with our look-book and a leather bracelet for each person. This way they can take these items home and have them when they are writing their stories about the event. Furthermore, the same models participating in the launch party will also be at the “soft open” wearing Karine Arabian’s shoes and accessories. These two events will serve as the formal debut of Karine Arabian to the public.

During the second year, we will continue to have in-store events to ensure that we continue to keep our retail customers, the press, and buyers involved in the world of Karine Arabian. We will host anniversary parties each year to recognize the achievements of everyone working for the company and also to thank our customers for giving us their business. Furthermore, we will host fashion shows in our showroom during every fashion week to allow buyers and press to get a look at the new season’s collection.

Social Media

Having a social media presence is extremely important because it allows the brand to connect with its customers, engage the audience in a virtual conversation about the brand and keep consumers up to date on the brand and its products. Karine Arabian’s staff will create a Facebook page for direct interaction with consumers and will also maintain active Twitter, Instagram, and Pinterest accounts. These social media outlets will be especially useful in the weeks leading up to the launch of the brand. We will start interacting with potential customers and build up anticipation for the launch of this new company.

3rd Year Advertising | Public Relations

In our third year of business, we plan to continue these efforts in order to maintain our presence in the French market. We will also host a variety of in-store events to uphold consumer interest in our brand.

Advertising

The advertising will follow the same plan as in our first two years in Paris, with advertisements on the websites of women's fashion magazines and posters in the metro. Furthermore, we will continue to maintain an active social media presence. Our advertising agency will also continue producing our seasonal lookbooks in the third year.

Public Relations

We will maintain a consistent public relations strategy and continue sending samples of our collection to press for each season. We will also have events in our store centered around the debut of our collections each season.

4th – 5th Year

In the fourth and fifth years of Karine Arabian, we will expand to Milan, Italy and Dusseldorf, Germany. The advertising and public relations strategies in these cities will remain consistent with the strategy used for the launch of our initial store in Paris. The only differences will be the specific magazine websites that the ads are placed on and which press outlets we send samples and invite to the launch event. At this time we will reduce advertising spendings in Paris but continue to maintain online ads, PR, and social media efforts there.

VI Financial Analysis

Looking at the first five years of our brand, we will not have a profit in the first year due to the high start-up costs and also the fact that we will only have one collection. In the following years, our net income will gradually increase each year. After completing our calculations regarding our net income, cash flow, and balance sheet, we are asking for a loan of €6,000,000 in order to cover all of our expenses throughout the five years.

Production Costs

Our brand has high production costs because it is important to stay in line with the vision of our company and use high quality and exotic materials and also to keep production in France. This will ensure that not only the production is of the highest quality but also that we can easily oversee the production at every step.

As we are launching our brand in September of the first year, we will only have our fall/winter collection for our boutique and one department store. This will amount to a total production cost of €204,980. In comparison, in year four and five, we will have a total production cost of approximately €1.5 million. This shows the growth and expansion of our company throughout Europe with an overall of two boutiques and two department stores in Italy and Germany.

In the first two years of production, we will pay the costs 100% up front, but as we develop a relationship with our suppliers and producers, we will pay 50% up front and 50% one month later. This will not change with our expansion into Germany and Italy as we will maintain production in France.

We are also expecting a three month delay in payment from our customers (department stores) as we are just a start up business. We have accounted for this in our cash flow and are aware of the fact that we need to prepare for unexpected situations, which is a primary factor in the calculation of our need in terms of the loan.

2€50,000 in key money for each store, and €96,000 in rent per year, for each store. We will also have operational costs involved with running our stores such as stationary, and one time costs such as computers, and furniture, which in total will be double the amount we spent for the launch of our flagship store in Paris. The cost for the interior design and furniture for both stores will amount to €200,000 in total, and the cost for stationary will be €4,000 for both locations.

Communication

In the second year, we will launch the e-commerce channel of our website, and incur a significant cost from the development and establishment of the site. This will come to a total of €300,000 which will include all of the technology and staff involved in the process of launching our online boutique. A large budget of €1.25 million each year for communication is essential for the launch of Karine Arabian because the success of our company depends immensely on consumer awareness of the brand.

Advertising in the first year is an investment in our brand, and builds a strong initial brand image which will help when we expand across Europe. The €1.25 million per year will cover the costs of the advertising agency in terms of the research, development, and conception of our strategy. It will also be used for the actual costs of the media involved with our ad campaign. Furthermore, our advertising agency will produce our lookbook each season and a portion of the budget will be allocated for the photoshoot, graphic design, and printing. We will implement the same strategy and budget when we expand our brand into Germany and Italy.

Public Relations

Our Public Relations budget is €10,000 in order to cover the costs of both the planning and execution of the launch party, and also the sending of our samples to the press, and relations with the press in general. The amount spent per year will triple when we launch our brand in Germany and Italy as we will need to work with specific publications in these areas to publicize our brand.

Looking to the future...

When looking at the figures, it is evident that we are profitable in years two and three, but although our sales will continue to grow, the net income in years four and five will not be high. This is due to the fact that we are opening our new boutique locations in Milan, Italy and Dusseldorf, Germany in those years. However, although expenses will be high in these years, once the stores are established, our overall profits will begin to multiply. By the sixth year of our brand, there will be three flagship Karine Arabian boutiques, representation in 5 department stores and an e-commerce website. Through this multitude of distribution channels, our brand has the potential to obtain a greatly increased profit.

- ANNEXES -
karine arabian^{PARIS}

Production Plan

Karine Arabian is a luxury brand and puts its main emphasis on high quality. In order to provide that incomparable quality we will produce the brand's shoes and accessories in Europe, France.

Europe in general has a good reputation when it comes to craftsmanship and "work – manner".

Since we as a company are not starting out as huge corporations, we will outsource our production to a French shoe manufacturer to keep the investments for production at the lowest point possible.

Since we are engaged in an inshore outsourcing relation, and design our own products, it is only logical to do a co-contracting agreement with the supplier. By that, we will equip the supplier with our material and provide him with the technical files needed to produce the products for our brand.

We will visit various leather fabricators all over Europe (e.g. Maison Fey, Paris) to get the best quality materials. Additionally we will visit tradeshows specialized in leather fabrication (e.g. Le Cuir á Paris).

Based on the fact that our supplier is located in France it will be easier for the design team to communicate with the supplier, to travel to the factory to guarantee the quality, and to check the manufacturing process more frequently.

Besides that, the company will not have additional shipping costs to pay and customs requirements to take care of. Another advantage of the inshore outsourcing for Karine Arabian is the ensured delivery of the collection on time.

Retro Plan

6 Months before launch

- Sign a lease for the flagship store
- Hire a contractor to do any necessary renovations
- After the designs for the first collection are finished, gather materials and fabrics from suppliers after visiting various locations and trade shows

5 Months before launch

- Take materials, fabrics, and technical files to manufacturer to begin the production of the products
- Continue overseeing renovations of the retail space
- Hire interior designer to help with the design of the store

4 Months before launch

- Begin installation of light fixtures, appliances, bathroom, security, etc in retail space
- Obtain samples of the product to send to magazines
- Hire advertising agency to come up with a campaign to announce the launch of our brand and store opening

3 Months before launch

- Work with visual merchandiser to design window displays and figure out how the products will be merchandised within the store
- Purchase all necessary furnishings and paint walls
- Hire a publicist to start gaining media attention for the launch of the brand and store opening and start planning the launch event itself

2 Months before launch

- Begin the advertising campaign
- Obtain first shipment of the product to inspect the quality and design guidelines
- Secure caterers, music, and everything else that is required for the launch party
- Via the PR agency, send out press releases to magazines and newspapers announcing the launch
- Interview and hire sales associates for the store
- Work with interior designer to continue furnishing the retail space and finalize the design with the visual merchandiser

1 Month before launch

- Train sales associates and confirm employee schedules
- Stock the store with the product and merchandise the items in store and windows
- Increase advertising and PR efforts
- Send out invitations for the launch party and “soft-open“
- Organize a “soft-open“ for the press
- Get in touch with the model agency and hire models for the launch and “soft-open“

2 weeks before launch

- Install window display
- Confirm guests attending to the launch party
- Get everything ready for the “soft-open“ for the press
- Work with interior designer to apply any last minute touches to the interior of the store
- Get the models into the showroom, do a fitting, and practice the performance

1 week before launch

- Last minute adjustment in store
- “Soft-open“ for the press
- Do another staff meeting, explain again all the important facts about the brand, products and procedures

Launch of the brand karine arabian

Balance Sheet (Year 0; 1)

karine arabian^{PARIS} Balance Sheet at time 0

LIQUID ASSETS		SHORT TERM DEBTS	
Cash	2.990.000	Loans	
Stocks	0	Suppliers	0
Customers	0	Others	0
Others	0	MID TERM DEBTS	
NON LIQUID ASSETS		Loans	3.000.000
Investments	0	CAPITAL	
Immobilizations (keymoney)	0	Initial Capital	0
Immobilizations (brands)	10.000	Undistributed profit	
TOTAL	3.000.000	TOTAL	3.000.000

karine arabian^{PARIS} Balance Sheet at time 1 (31st of Dec)

LIQUID ASSETS		SHORT TERM DEBTS	
Cash	2.643.701	Loans	0
Stocks	0	Suppliers	0
Customers	0	Others	0
Others	0	MID TERM DEBTS	
NON LIQUID ASSETS		Loans	3.000.000
Investments	0	CAPITAL	
Furniture	100.000	Initial Capital	10.000
Immobilizations (keymoney)	100.000	Undistributed profit	
Immobilizations (brands)	8.000	PROFIT/LOSS	-22.700
NEED IN WORKING CAPITAL	135.599	TOTAL	2.987.300
TOTAL	2.987.300		

Income Statement

karine arabian ^{PARIS}	Year 1	Year 2	Year 3	Year 4	Year 5
Production	809.968	2.255.640	2.408.965	5.496.320	5.735.975
Stock	0	0	0	0	0
Sales	809.968	2.255.640	2.408.965	5.496.320	5.735.975
Sales Cost	781.788	673.053	709.928	1.513.078	1.570.715
Gross Result	28.180	1.582.588	1.699.038	3.983.243	4165260
Amortizations	22.000	22.000	22.000	72.000	72.000
Expenses	1.260.650	1.260.900	1.260.900	3.033.700	3.033.700
EBIT	-1.254.470	299.688	416.138	877.543	1059560
Taxes	0	119875	166455	351017	423824
Net Income	-1.254.470	179.813	249.683	526.526	635.736

Cash Flow 1st Year (Jan - July)

karine arabian ^{PARIS}	Jan	Feb	March	Apr	May	June	July
Previous Balance	2.900.000						
Sales							
Sales VAT incl Boutiques + E-	0	0	0	0	0	0	0
Sales VAT incl Department St	0	0	0	0	0	0	0
New Capital	0						
Loans		0	0	0	0	0	0
Total ressources	2.900.000	0	0	0	0	0	0
Operation costs							
Production cost	204.980	0	0	0	0	0	0
Supplies	0	0	0	0	0	0	20.000
Electricity	0	0	0	0	0	0	0
Indirect charges							
Rent	0	0	0	0	0	0	10.000
Others							
PR	2.000	0	0	0	0	0	2.000
Communication	250.000	0	0	0	0	0	250.000
	0						
Stationnery	0	0	0	0	0	0	0
Interior Design / Furniture	0	0	0	0	0	0	50.000
Total Charges	456.980	0	0	0	0	0	332.000
Taxes&Personnel							
Salaries	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Taxes on salaries	1.650	1.650	1.650	1.650	1.650	1.650	1.650
Taxes on profits	0	0	0	0	0	0	0
VAT collected	0	0	0	0	0	0	0
VAT recuperable	0	0	0	0	0	0	0
VAT to be paid	0	0	0	0	0	0	0
Amortizations							
Amortizations	0	0	0	0	0	0	0
Total Charges incl T&A	463.630	6.650	6.650	6.650	6.650	6.650	338.650
Monthly balance	2.436.370	-6.650	-6.650	-6.650	-6.650	-6.650	-338.650
Balance EOM	2.436.370	2.429.720	2.423.070	2.416.420	2.409.770	2.403.120	2.064.470

Cash Flow 1st Year (Aug - Dec)

August	Sept	Oct	Nov	Dec	TOTAL
0	130.267	130.267	130.267	130.267	521.067
0	0	0	0	28.368	28.368
0	0	0	0	0	0
0	130.267	130.267	130.267	158.635	3.449.435
0	301.500	0	0	0	506.480
0	0	0	0	0	20.000
0	1.500	0	0	1.500	3.000
10.000	10.000	10.000	10.000	10.000	60.000
0	0	0	0	6.000	10.000
0	0	0	0	750.000	1.250.000
500	0	150	0	150	800
0	50.000	0	0	0	100.000
10.500	363.000	10.150	10.000	767.650	1.950.280
5.800	14.600	14.600	14.600	14.600	99.200
1.914	4.818	4.818	4.818	4.818	32.736
0	0	0	0	0	0
0	0	25.532	25.532	25.532	76.597
0	0	71.148	1.989	1.960	75.097
0	0	-45.616	23.543	23.572	1.499
0	5.500	5.500	5.500	5.500	22.000
18.214	387.918	-10.548	58.461	816.140	2.105.715
-18.214	-257.651	140.814	71.806	-657.506	1.343.719
2.046.256	1.788.605	1.929.419	2.001.225	1.343.719	

Cash Flow 2nd Year (Jan - July)

karine arabian ^{PARIS}	Jan	Feb	March	Apr	May	June	July
	1.343.719						
Sales							
Sales VAT incl Boutiques + E-	130.267	130.267	146.445	146.445	146.445	146.445	146.445
Sales VAT incl Department St	0	0	0	0	0	136.344	0
Loans	0	0	0	0	0	0	0
Total ressources	1.473.986	130.267	146.445	146.445	146.445	282.789	146.445
Operation costs							
Production cost	387.750	0	0	0	0	0	0
Supplies	0	0	0	0	0	0	0
Electricity	0	0	1.500	0	0	1.500	0
Indirect charges							
Rent	10.000	10.000	10.000	10.000	10.000	10.000	10.000
Others							
PR	2.000	0	0	0	0	0	2.000
Communication	250.000	0	0	0	0	0	250.000
E-Commerce	60.000	0	0	0	0	0	60.000
Stationnery	0	150	0	150	0	150	0
Total Charges	709.750	10.150	11.500	10.150	10.000	11.650	322.000
Taxes&Personnel							
Salaries	14.600	14.600	14.600	14.600	14.600	14.600	14.600
Taxes on salaries	4.818	4.818	4.818	4.818	4.818	4.818	4.818
Taxes on profits	0	0	0	0	0	0	0
VAT collected	31.092	25.532	25.532	28.703	28.703	28.703	55.427
VAT recuperable	0	139.111	1.989	2.254	1.989	1.960	2.283
VAT to be paid	31.092	-113.579	23.543	26.449	26.714	26.743	53.143
Amortizations							
Amortizations	1.833	1.833	1.833	1.833	1.833	1.833	1.833
Total Charges incl T&A	762.094	-82.177	56.294	57.851	57.965	59.645	396.395
Monthly balance	711.892	212.444	90.151	88.594	88.480	223.144	-249.950
Balance EOM	711.892	924.336	1.014.487	1.103.082	1.191.561	1.414.706	1.164.756

Cash Flow 2nd Year (Aug - Dec)

August	Sept	Oct	Nov	Dec	TOTAL
146.445	213.408	213.408	213.408	213.408	1.992.834
0	0	0	0	163.254	299.598
0	0	0	0	0	0
146.445	213.408	213.408	213.408	376.662	3.636.151
0	332.750	0	0	0	720.500
0	0	0	0	0	0
0	1.500	0	0	1.500	6.000
10.000	10.000	10.000	10.000	10.000	120.000
0	0	0	0	6.000	10.000
0	0	0	0	750.000	1.250.000
0	0	0	0	180.000	300.000
150	0	150	0	150	900
10.150	344.250	10.150	10.000	947.650	2.407.400
14.600	14.600	14.600	14.600	14.600	175.200
4.818	4.818	4.818	4.818	4.818	57.816
0	0	0	0	0	0
28.703	28.703	41.828	41.828	41.828	406.583
63.112	1.989	67.473	1.989	1.960	286.111
-34.409	26.714	-25.645	39.839	39.868	120.472
1.833	1.833	1.833	1.833	1.833	22.000
-3.007	392.215	5.756	71.090	1.008.769	2.782.888
149.452	-178.807	207.651	142.318	-632.108	853.263
1.314.209	1.135.401	1.343.053	1.485.370	853.263	