NORTHERN ILLINOIS UNIVERSITY

Building My Own Business: A Feasibility Study

A Thesis Submitted to the

University Honors Program

In Partial Fulfillment of the

Requirements of the Baccalaureate Degree

With University Honors

Department of Management

By

Brie Zabor

DeKalb, IL

May 11, 2002
Capstone Title: (print or type):

[Handwritten: Bonding my own Business: a Feasibility Study]

Student Name (print or type):
BRIE ZABOR

Faculty Supervisor (print or type):
DR. REEDLEY

Faculty Approval Signature:
[Handwritten: Dr. Lyn Reedley]

Department of (print or type):
Management

Date of Approval (print or type):
9 May 2002
HONORS THESIS ABSTRACT
THESIS SUBMISSION FORM

AUTHOR: Eric Zabor

THESIS TITLE: Building My Own Business: A Feasibility Study

ADVISOR: Dr. Neely

DISCIPLINE: MGMT

PAGE LENGTH: 40

BIBLIOGRAPHY:

PUBLISHED (YES OR NO): LIST PUBLICATION:

YEAR: 2002

ILLUSTRATED:

COPIES AVAILABLE (HARD COPY, MICROFILM, DISKETTE):

ABSTRACT (100-200 WORDS): See attached sheet
Abstract

My project was to conduct a feasibility study to examine whether or not my idea for a new business was possible. My idea was to open a discount, designer clothing store in DeKalb, Illinois. I began my study by defining and researching how to actually conduct a study and explaining the benefits and features of my products and services. Next I analyzed the industry in which my business would be operating. Third, I defined who my target market was and who my customers would be. Fourth, I conducted a focus group and reported the results. Lastly, I investigated how I would finance this idea and what resources I already possess. After taking all of these factors into consideration, I felt that my business idea was not feasible and that I would need to start this process over again until I found an idea that satisfied all of these conditions.
# TABLE OF CONTENTS

## Introduction

- What is a feasibility study? ......................................................... 1
- What are its components? ......................................................... 2
- What is the next step? ............................................................... 3

## Would I be a successful Entrepreneur?

- Common Characteristics of a Successful Entrepreneur .................. 3
- My goals .................................................................................. 6

## What are the Products and Services I am offering?

- Background ............................................................................. 6
- What are the features and benefits of the product/service? .......... 7
- What product developmental tasks must be undertaken, and what is the timeline for completion? .................................................. 8
- How are these products/services differentiated from others in the market? ................................................................. 9

## What is the Industry like?

- Background ............................................................................. 10
- Economic Conditions ............................................................... 11
- What are the demographics, trends, and life cycle stages of the industry? ................................................................. 12
- Favorable Trends ................................................................... 13
- Unfavorable Trends ................................................................ 14
- Statistics on DeKalb County and DeKalb City ....................... 16
- Are there barriers to entry? ....................................................... 17
- What is the status of technology and R&D expenditures? ...... 18
- What are typical profit margins in the industry? ...................... 18
Who are my competitors? ................................................................. 18

Who are my Customers and what Market am I serving?
  What are the demographics of the target market? ...................... 22
  What are DeKalb’s demographics? ............................................. 22
  What is the customer profile?
  and Who is the customer? ...................................................... 24
  How am I different than my competitors? .............................. 25

What are the Results of the Focus Group discussion?
  What is a focus group? ............................................................ 27
  How did I develop my focus group? ........................................ 27
  What were the results? ........................................................... 29

How am I going to Finance this?
  Background ............................................................................. 31
  What are the start-up capital requirements? .......................... 31
  What are the working capital requirements? ......................... 34
  What are the fixed-cost requirements? .................................. 34
  How long will it take to achieve a positive cash flow? ........... 34
  What is the break-even point for the business? .................... 35

What Resources do I already have? ............................................. 36

Conclusion: Is this Really Feasible? ............................................. 37

References and Works Cited
INTRODUCTION

I have been interested in starting my own business long before I even began college. It seemed logical that in order to really make money and enjoy what you do, you need to be your own boss and in control of your own success. I have watched relatives and friends enjoy the wealth they have built; I have also watched them fail and go out of business. Still, it is something that captures my interest and seems like one if the not the only pathway to success, prosperity, and job fulfillment.

Now that I have recognized my desire to begin my own business, I must take a look at the actual feasibility of starting such an endeavor. One thing I have quickly realized as I stare at a mound of research, this is not going to be an easy project and there is a great amount of information I must gather. My first step, and the basis of this project, is a feasibility study.

WHAT IS A FEASIBILITY STUDY?

When one wants to start a particular business or begin a new project, a very wise first step to take is to conduct a feasibility study. A feasibility study is a systematic approach to discovering whether or not a business or business idea is likely to be a success or a failure. Beginning a business is very risky. According to the Small Business Administration’s website at www.sba.gov, only sixty-six percent of new businesses stay open for at least two years, fifty percent at least four years, and forty percent at least six years. These sobering facts illustrate the need that one must seriously investigate as much information available to them as they can before plunging into their new business.

A feasibility study determines what is practical, doable, or possible. It can be interpreted in a variety of ways and "there are no right or wrong answers in a feasibility
study-only informed evidence that an idea will fail or succeed" (Baxter 2). Before I dedicate massive amounts of time into developing my business, I want to be confident that it is worth pursuing.

According to Kathleen Allen, in *Growing and Managing an Entrepreneurial Business*, the feasibility analysis will answer these questions: "Are there customers and a market of sufficient size to make the concept feasible? Do the capital requirements to start, based on estimates of sales and expenses, make sense?" (120). The different components that I will be examining will answer these questions.

**WHAT ARE ITS COMPONENTS?**

Whether or not I would make a suitable entrepreneur is the first area I will be examining. I will compare my goals and my characteristics to typically successful entrepreneurial personality characteristics. Next, I will begin discussing what products and services I hope to offer. In this section I will outline what my plans are and display the benefits of the business. The third section will be taking a look at the industry in which I will be operating. I will examine facts and statistics of the area in which I hope to begin my business. I want to confirm that the industry will support my business.

Identifying who the customer is and what market I will be operating in will be my fourth section. The goal of this section is to determine if the market is of an adequate size to support my business. The fifth section, which stems from the fourth, will report the results of my focus group research in which I interview potential customers for their input. Sixth, I will examine the financial issues involved in a start-up company. What money is necessary and my initial expenses will be analyzed. From this section, section seven will examine what resources I already have to take into account. Lastly, after
exploring these seven sections, I will determine if I believe my business is feasible or not. If it is feasible I would move on to the next step.

WHAT IS THE NEXT STEP?

If, after completing my feasibility analysis, I decide this is a business venture I would like to pursue, I will begin the business plan. The feasibility study is a great starting point to decide whether or not to go ahead with an idea. It is not as detailed or complete as a business plan.

The business plan is generally the tool one uses to put their business in action. It outlines the details of how one creates and begins operating their new company. Especially in requesting loan money, a business plan is displayed to interested third parties. It moves beyond recognizing that the business is possible and seeks to discover how to implement the business. The sections usually discussed in the business plan include the business concept, the management team, the market analysis, the process analysis, the organizational plan, the marketing plan, the financial plan, the growth plan, and the contingency plan, according to Kathleen Allen (126). The business plan changes as the business begins and grows to reflect what is actually happening.

WOULD I BE A SUCCESSFUL ENTREPRENEUR?

COMMON CHARACTERISTICS OF A SUCCESSFUL ENTREPRENEUR

A significant factor in determining the feasibility of my business is whether or not I would make a suitable entrepreneur. Successful entrepreneurs have been studied and found to possess certain characteristics. It is important to point out the difference between an entrepreneur and a small business owner. From what I have gathered, an entrepreneur takes advantage of opportunities. They want to grow and build wealth. They are more
likely to take managed risks and have a vision as to where they would like to see their company grow. There are few solid definitions of what an entrepreneur is because there is often conflict as to the meaning of the word itself. A small business owner, in contrast, is focused on maintaining their small business. They are happy with the size of the company and do not usually try to take risks or take advantage of a growth opportunity. I am striving to become an entrepreneur. Here are some common traits of successful entrepreneurs that I have compared with my own traits:

*From "How to do a feasibility study: the first step in starting a small business" by Dr. Michael Reilly and Dr. Norman Millkin (3).

<table>
<thead>
<tr>
<th>The Characteristic</th>
<th>Degree to which it describes me</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typically are Decision Makers</td>
<td>Very much like me</td>
</tr>
<tr>
<td>Enjoy Taking Charge</td>
<td>Very much like me</td>
</tr>
<tr>
<td>Want to Master their Financial Destiny</td>
<td>Very much like me</td>
</tr>
<tr>
<td>Are Organized, Independent and self-confident</td>
<td>Very much like me</td>
</tr>
<tr>
<td>Are Hard Workers</td>
<td>Very much like me</td>
</tr>
<tr>
<td>Come from a Small Business Background</td>
<td>Not like me</td>
</tr>
<tr>
<td>Can Take Criticism and Rejection</td>
<td>Mostly like me</td>
</tr>
<tr>
<td>Have Specialized business ability from Experience or Education</td>
<td>Mostly like me</td>
</tr>
<tr>
<td>Are Determined or Persistent</td>
<td>Very much like me</td>
</tr>
<tr>
<td>Can people to people to Shore-up weakness.</td>
<td></td>
</tr>
<tr>
<td>Are good Judges of Character and Talent.</td>
<td>Mostly like me</td>
</tr>
</tbody>
</table>
**According to these studied characteristics, I feel I am a great candidate for a successful entrepreneur. There are other areas that have been studied that I am consistent with, too. For instance, I am able to deal with a lack of security. Probably because I am just starting out in life, I feel that I do not have much to lose if I do not succeed. After**
graduation, I will be living with my parents. My costs will be contained because I do not have any serious bills with the exception of my student loans. I also have an internal locus of control; I believe most events in my life are under my control. This is important because I believe the success of my business depends on me and not on external factors such as the economy, the customers, etc.

MY GOALS

A main reason that most people want to become entrepreneurs is not for money, but for the satisfaction of running their own business and being in control. Doing what I love is important to me. I realize that becoming an entrepreneur will require working much harder than most people, and even earning less money. But still, my goal is to have something of my own. I want to know that I am investing time, money, and life into what will make me happy and which I can solely reap the rewards for. What makes me an entrepreneur, not a small business owner, is that I want to take advantage of my enterprise. I want it to grow and I want to plan its future. It is my goal to be a successful entrepreneur and become immersed in my profession.

WHAT PRODUCTS AND SERVICES AM I OFFERING?

BACKGROUND

In considering what type of business I would like to begin, I chose an area that I am very interested in- discount fashion merchandising. My concept is to open a discount brand name fashion outlet within DeKalb. I would like to offer clothing that is both of high quality and fashionable design from reputable designers at a reasonable cost.

Products will include, but are not limited to: blouses, sweaters, knit shirts, active wear, pants, jeans, shorts, skirts, suits, dresses, coats, swimwear, lingerie, shoes,
accessories, and jewelry. Women and men's clothing will be available. I think it is important to address a wide range of apparel products because people shop for different reasons. I want to accommodate my customers when they are looking for outfits to wear to work, out at night, to a dance, to a wedding, or just to wear everyday.

As I am building my inventory, I will begin with classic styles. Outfits that one can wear to the office and out at night that are elegant and trendy will be the basis of my inventory. As those begin to grow, I will be able to build on my products, offering more extreme styles and special occasion products.

Designers I would like to target include: Ralph Lauren, Guess, Gucci, Prada, Bebe, Liz Claiborne, Donna Karen (DKNY), Anne Taylor, Versace, Versailles, Express, Bebe and Giorgio Armani among many others. There are lots of brands that I am open to. As long as they are of high quality and in style, I will offer them in my store.

The design of my outlet will rely on its cost structure. I would like to make clothing from top designers available to people who do not want to pay top designer prices, but want top designer clothing. The layout of my actual structure will reflect cost savings; the atmosphere will be simple. Decoration will be minimal, the store will not leave much open space, and there will be little need for salespeople. Servicing customers will be very important, but not necessarily in a direct sales person role.

The name of store will be called Brie's Designer Warehouse.

WHAT ARE THE FEATURES AND BENEFITS OF THE PRODUCT/SERVICE?

Providing access to fashionable, top of the line clothes at reasonable costs is the main benefit of Brie's Designer Warehouse. It is increasingly difficult to purchase fashionable clothing without paying premiums. Let It Be, a local clothing store on
campus, is the closest retail store to offering stylish clothing. The clothes, will trendy, are not of high quality, and are overpriced, in my opinion. Many persons are left with this as one of the only alternatives in the DeKalb area.

Brie's will also be convenient. Customers will be able to find what they need without traveling to malls that are, at least, a half-hour to forty minutes away.

Brie's Designer Warehouse will also serves as a source of entertainment. Many people shop seeking deals and as a source of entertainment, not necessarily looking for anything in particular. I want to make Brie's the place where customers come in searching for "finds". When friends are socializing and make plans, I want them to say, "let's stop by Brie's and see what they have." It needs to be fun.

WHAT PRODUCT DEVELOPMENT TASKS NEED TO BE UNDERTAKEN AND WHAT IS THE TIMEFRAME FOR COMPLETION?

One of the biggest challenges is going to be finding my suppliers. As a beginning entrepreneur, I do not have the bargaining power of a large retail giant, such as TJ Max or Marshall's. I need to find ways to pickup pieces through the designers or through department stores that have the designer clothing in excess. Building my inventory is going to take a great deal of time and investigation. I would like to allow myself at least two months to build before opening.

Finding an adequate location is going to be a significant challenge. I need an area that is well recognized and in close proximity to Northern Illinois University, preferably on Lincoln Highway. Every once in while I see a vacant store; I do not think it will be difficult finding the physical location. It is going to be more difficult finding the perfect location with the perfect price.
Buying other supplies is another concern. Clothing racks, dressing rooms, cash registers, etc. will need to be purchased. I can order most of these from online as long I receive adequate financing. Putting the actual store together and thinking of all the supplies I will need is taxing. I do not want to start my first day and realize I do not have any receipt paper.

My ultimate timeframe to be up and running is three months. I think that it will probably take me two months to come up with a sound business plan and convince potential lenders that I am worth the investment. I will give myself another month to find a location, format it to my needs, purchase supplies, and find inventory.

**HOW ARE THESE PRODUCT/SERVICES DIFFERENTIATED FROM OTHERS IN THE MARKET?**

This refers back to my previous statements. Nowhere in DeKalb is there a place that offers top designer clothing at affordable prices. TJ Max is the closest competition. They carry various designers, but are limited in the extent of their collections.

Occasionally, I will spot DKNY, Kenneth Cole, or Polo clothing. One really needs to search.

This is also differentiated because the store will be more geared toward young adults and middle-aged adults. Many college students purchase expensive clothing and purchase those pieces almost many miles away from DeKalb. I will be addressing a market that is neglected.
WHAT IS THE INDUSTRY LIKE?

BACKGROUND

The retail industry, in total, has experienced different fluctuations in the past few years. The success of retailing is dependent on consumer confidence, especially in retail apparel. People's willingness to spend money on pricier goods such as designer clothing, cars, stereos, etc., reflects current economic conditions such as the employment rate and interest rates. Retail companies, in general, have been growing at an average rate nationally compared to other industries, mostly due to increases in population, according to the Occupational Outlook Handbook. For example, discount variety stores have experienced a one and a half percentage increase in revenue growth within the past year, but have suffered a half of a percent loss in net income growth (Hoovers Online).

Industry data specifically supporting discount apparel locations seem positive. Major off-price apparel chains such as TJ Max, Marshall's, and Dress Barn, they are experiencing, as a whole, almost a nine percent increase in sales a year (Hoovers Online). This reflects a higher percentage than just discount variety stores. Laura Ivy and Margaret Claughton attest in Trade and Consumer Team, “Apparel makers have been weakened by consumers’ growing penchant for penny-pinching. Discount mass merchants… have come into favor with the buying public that has increasingly less time and money” (2).

The $375 billion apparel industry (Hoovers Online) may best be described as tricky. Its fickleness has brought great prosperity to some retailers while driving other big names out of business. Montgomery Ward and Bradlees, two major department stores, have both declared bankruptcy within the past two years. At the same time, Kohl's Corporation, a major discount retailer, has been experiencing substantial growth.
ECONOMIC CONDITIONS

One of the most obvious factors to consider in assessing an industry is the broad economic condition. At this point, the economy is not expanding at the high rate characteristic of the late 1990s, but many experts are optimistic for the future. The US economy has been declared in a recession since March 2001 (US Business Reporter). Job layoffs, slowdowns in manufacturing, and high consumer debt definitely do not stimulate consumer buying.

UNFAVORABLE ECONOMIC CONDITIONS (Retail Industry Channel)

- "The stock market crash of 2000 brought a significant slowdown in retail sales of most types and led to a dull holiday season."
- Slowly increasing unemployment rate.
- Weakening consumer confidence
- Growing number of store closings.
- "Decreasing levels of consumer household wealth due to stock portfolios and 401K plans that have seen huge losses in the past year"
- Volatility in global markets
- Consumers defaulting on credit card balances due to high debt levels
- Intense competition among retailers, causing competitive pressure including aggressive pricing.

FAVORABLE ECONOMIC CONDITIONS

- Low personal savings rate which is interpreted as a high personal expenditure rate
- Low interest rates
- Low inflation
• Decreasing consumer household wealth is partially offset by the increase in real estate holdings (The Economist 11).

In terms of economic conditions, it appears that the unfavorable category outweighs the favorable. The harshest trends, that will be me the most difficult for me, are the growing unemployment rate and the intense retail competition. Consumers are over spending the little disposable income they have accrued. Apparel is going to be one of the last purchases necessary as persons loose jobs. The remaining consumers in the market have the power to search among available competing retailers.

WHAT ARE THE DEMOGRAPHICS, TRENDS, AND LIFE CYCLE STAGE OF THE INDUSTRY?

DEMOGRAPHICS OF THE DISCOUNT APPAREL INDUSTRY

Consumers have become more value conscious and are switching from department stores to discount stores, which will be a definite benefit to Brie’s Discount Warehouse. Many customers can find goods at discount shops that are similar to those found in department stores for a much lower price.

Shifting demographics are believed to have attributed to slow holiday performance for retailers. Older persons tend to buy fewer pieces of clothing as they age and this not good news. The baby boomer generation will be in the midst of their 50’s within the next few years.

The increase of women working decreases their ability to casually shop. This results in shops needing convenient locations. This can be a positive because I hope to market on the convenience of traveling to Brie’s Discount Warehouse.
versus traveling over forty minutes away to Fox Valley Mall. I have listed other favorable and unfavorable trends below that I believe a direct impact on the success of my business.

FAVORABLE TRENDS (Retail Industry Channel)

- Problems for traditional, full-price stores
- Supremacy of the discount store chains.
- Some weakening of 'category-killer' superstores
- Continuous changes in demographics, tastes and fashions.
- Advances in management information systems.
- Easy availability of consumer credit.
- Dwindling appeal of the major mall.
- Entertainment as a major draw to the retail environment.
- Growing trends towards casual clothing. (Also a negative).
- There are more "wannabe" luxury consumers (About Online).
- Self-indulgence is increasing and gift giving decreasing (About Online).
- Customers are more interested in quality names with a history (About Online).
- Footwear sales have been strong.
- Convenience is a huge factor in determining where one will shop. (Coming to Brie's Discount Warehouse vs. traveling to Fox Valley Mall).

UNFAVORABLE TRENDS (Retail Industry Channel)

- Continued decline of 'Mom and Pop' stores
- Sophistication and success of direct-marketers
- Growth and Sales on the Internet
• Increased competition from international companies in the US market.

• The demand for luxury products has been high in the past few years, but is now experiencing a downturn due to profit losses and downgrades (About Online).

• Trends have been very important and change quickly. The retail industry has learned to control their inventory and respond quickly to changes in trends. (US Business Reporter)

WHAT DO THESE TRENDS MEAN?

These trends present both opportunities and threats to Brie’s Discount Warehouse. Even though the positive trends outnumber the negative, the negative seem to have more of a severe impact. The main result, though, is that among intense competition from a variety of sources, discount apparel is in higher demand. It is the trend right now as opposed to full price merchandising.

There are three trends that are the most critical to considering starting up. First, I plan to make my store a source of entertainment where one can leisurely browse. Entertainment is now a draw to retail environments; this is going to help my business grow. Second, there are more ‘wannabe’ luxury consumers. I will be offering designer merchandise that typically wealthier persons would buy. Now average people from a reasonable income bracket can purchase my products.

Next, although consumers have moved to penny-pinching, they still require quality goods and products will satisfy both conditions. Lastly, designers have been shown to be loosing their bargaining power. At one time they had the
freedom to choose their retailers and how much of their retailers floor space was needed for their products. I can take advantage of their losses.

The negative trends pose a serious threat to the success of Brie's Discount Warehouse. This is mainly in the form of competition and how consumers are buying their products. I will expand in a few short sections on the intensity of rivalry in which my small company may not be able to compete. It appears that the retail giants are controlling the scene, stifling out smaller independent companies.

LIFECYCLE

Many would consider the retailing industry, as a whole, as a mature and slow growing industry. According to US Business Reporter, "These factors mean companies will have to do a better job of managing their operations. Specifically, retailers must close unprofitable stores, locate in regions with faster growth, and manager their inventory better". The article continues to state that, "This will mean consolidations, divestitures, and bankruptcies of smaller retail players". In this respect, the market appears very cutthroat for a newly established business.

Even though, retailing, in general, may be mature, I think there remains an opportunity for growth among discount stores. There has been great success for discount fashion retailers. This concept is described better as approaching maturity rather than being in the mature market. TJ Max, Marshall's and Value City (who will be evaluated later) are examples of successful retailers most similar to my concept.
STATISTICS ON DEKALB COUNTY (US Census Bureau) as of 1997

Population: 88,969

Number of Clothing and Clothing Accessory Stores: 25

Sales in Clothing and Clothing Accessory Stores: $20,197,000

STATISTICS ON DEKALB CITY (US Census Bureau) as of 1997

Population (Census 2000): 39,018

Number of Clothing and Clothing Accessory Stores: 15

Sales in Clothing and Clothing Accessory Stores: $14,493,000

Total Retail Sales in general: $375,320,731

Per Capita Retail Sales: $10,556

DISTRIBUTION OF RETAIL EXPENDITURES

- GENERAL MERCHANDISE
- FOOD
- DRINKING/EATING
- APPAREL
- FURNITURE, H.H. & RADIO
- LUMBER, BLDG. & HARDWARE
- AUTOMOTIVE/FILLING STATIONS
- DRUGS/OTHER
One could interpret these results two different ways: as an indication of a threat or an opportunity. I choose the latter or the two, the more positive approach. Apparel makes up such a small percentage of sales of in DeKalb it is obvious to me that persons are traveling outside of DeKalb to purchase clothing. Brie’s Discount Warehouse offers convenience, entertainment, and quality merchandise that DeKalbians are trying to find elsewhere.

ARE THERE BARRIERS TO ENTRY?

There are going to be barriers of entry to any business. I expect a competitive reaction from the DeKalb stores. Maybe they will temporarily lower their prices or offer brands similar to mine. The biggest barrier, however, is going to be the cost of capital. Getting enough money to begin my business and purchase inventory could possibly keep Brie’s Discount Warehouse out of the market.

WHAT IS THE STATUS OF TECHNOLOGY AND R&D EXPENDITURES?

Technology has been used in this industry to improve efficiency and the timely reaction to changing trends. From the standpoint of the retailer, I will not be involved in the actual creation of the clothing, which is increasingly relying on automation. The technology I will be working with will serve as a tool to help control inventory and keep financial records. “Retailers are using more technology to enhance efficiency and low costs. They will reduce bloated inventories, improve purchasing and forecasting, and reduce out-of-stock problems” (US Business Reporter). I would like to achieve these
desired results by utilizing a barcode system. Each piece of inventory I have will be tracked and analyzed.

WHAT ARE TYPICAL PROFIT MARGINS IN THE INDUSTRY?
According to Hoovers Online, the following reports industry ratios for discount variety stores.
(Current as of March 2002)
PROFITABILITY RATIOS OF DISCOUNT VARIETY STORES:

<table>
<thead>
<tr>
<th>Gross Profit Margin</th>
<th>28.600%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Profit Margin</td>
<td>4.210%</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>2.360%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>14.200%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>5.700%</td>
</tr>
<tr>
<td>Return on Invested Capital</td>
<td>9.200%</td>
</tr>
</tbody>
</table>

WHO ARE MY COMPETITORS?
My competitors are not only going to be apparel clothing stores located in DeKalb, but will come from a variety of different sources.

DEKALB COMPETITORS:

Let it Be
854 Wets Lincoln Hwy
815-748-0099
Clothing, Shoes, Body Jewelry, Candles, Posters, Gifts and more!
Mon - Sat 10am to 11pm; Sun 10am to 10pm.

Maurice’s
260 E. Lincoln Hwy
815-758-5688
Men’s and women’s fashions catering to those with a 20-something attitude and a desire for reasonably priced clothing.
Mon - Sat 10am to 6pm; Thurs till 8pm; Sun 12 to 4pm

TJ Max
2353 Sycamore Rd.
815-756-1400
Hours are 9:30-9:30 Monday - Saturday and 11-6 on Sunday

Old Navy
2347 Sycamore Rd.
815-756-2193
Hours are 10-9 Monday - Saturday and 11-6 on Sunday

Encore Clothing
153 E. Lincoln Hwy
815-748-3113
Current styled resale clothes for women, children and men.
Mon - Sat 10am to 6pm; Sun 12 to 5pm; Open till 8pm on Friday during the Summer!

LanSir’s on Lincoln
112 E. Lincoln Hwy
815-758-0671
Men’s & women’s clothing, dress, business, casual, tailor specialist; tux sales & rentals. Mon - Fri 10am to 6pm; Thurs till 7pm; Sat 8am to 2pm; closed Sun

Appearances
110 S 1ST
(815) 748-5082

Ducky’s Formal Wear
323 E LOCUST ST
(815) 754-7703

The Clothes Horse
147 N 2ND ST
(815) 756-3862

TJ Max and Let It Be would be considered my two greatest competitors. TJ Max just entered DeKalb this past fall and could not have made a better decision. Their success is what inspired me. (note: I am not imitating them). DeKalbians swarmed in on their opening night; people were fighting to look at the racks. TJ Max offers clothing for men, women, and children from no-name designers and high quality brands at a reasonable cost. Other products include shoes, house wares, accessories, handbags, and lingerie. They have advantages such as economies of scale, location, and buying power that I would not have. They have the ability to drive prices down that I might not be able to compete with.
Let It Be is a small business that caters to mostly college students. They have stylish clothes that are very trendy. The main lines they carry include Baby Doll, Steve Madden, and Doc Marten. They are, however, overpriced. They are the only location, in my mind, in DeKalb that offers NIU students cute clothes to go out in. Many students enjoy ‘scoping’ out what is new at Let It Be and browsing their merchandise. It is these students that I would like to attract. I feel people go there because of a lack of options. Their service is not anything to hope for, but their location is ideal. Even though Let It Be offers similar merchandise, I do not think it would be difficult to compete with them on a price basis.

OUT OF DEKALB COMPETITORS

Many students and residents of DeKalb travel to several nearby malls, all of which are at least forty minutes travel time from the heart of the city. One example is Fox Valley Mall in Naperville, IL. Fox Valley offers many different apparel stores that serve a variety of needs. They have major department stores like Marshall Field’s and Sears, but also have fashion stores like Express, Banana Republic, Gap, Abercrombie and Fitch, etc. Another mall, offering similar stores, is Cherry Valley on the edge of Rockford, IL.

OTHER COMPETITORS

Other competitors that are making a significant impact on retailing include mail order catalogs and Internet sites. E-commerce allows DeKalb residents to purchase merchandise online creating the convenience of not traveling to a major mall. Even though E-commerce has suffered in the past few years with disappointing stock drops across the board, it is still a major contender. Direct marketers sell directly to the
consumer. According to the Retail Industry Channel, "This competition from direct-marketers is a point worth remembering: Every dollar reaped by a non-store direct-selling is a dollar taken away from a sale that would have been rung up in a retail store." Also, auctioning sites, like E-bay, have gained in popularity. Persons can buy designer items, new and used, by bidding on this site.

Mail order catalogs such as L.L Bean and Victoria Secret have many loyal customers and are considered an effective marketing tool. According to the US Business Reporter, "This has proved to be an effective tool since retailers can segment specific offers to specific customers." The flashy discounts on the cover lure in buyers. But consumers are apprehensive to order clothing without trying it on. Often time, it is difficult to return a product as well.
WHO ARE MY CUSTOMERS AND WHAT MARKET AM I SERVING?

WHAT ARE THE DEMOGRAPHICS OF THE TARGET MARKET?

It is not possible for me to target all markets in the population. I have limited myself to consumers who I believe have the purchasing power to obtain my goods and the interest in my products. Ideally, preferred features will be as follows:

<table>
<thead>
<tr>
<th>Income/ Household Income</th>
<th>- $50,000-$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>18-45</td>
</tr>
<tr>
<td>Race</td>
<td>NA, anyone interested in designer clothing</td>
</tr>
<tr>
<td>Education</td>
<td>College graduates/ in progress college students</td>
</tr>
</tbody>
</table>

WHAT ARE THE DEMOGRAPHICS OF DEKALB?

These are the demographics that are listed by the Census Bureau and DeKalb’s Chamber of Commerce. They reflect all of DeKalb County.

| Population                        | 89969 | 100.00% |
| Population of One Race            | 87570 | 97.33%  |
| White Alone                        | 78704 | 87.48%  |
| Black/African American alone      | 4084  | 4.54%   |
| American Indian and Alaska Native Alone | 197  | 0.22%  |
| Asian Alone                        | 2087  | 2.32%   |
| Native Hawaiian/ Other Pacific Islander | 58  | 0.06%  |
| Some other Race Alone             | 2440  | 2.71%   |

| Population of those 18 yrs and older | 68400 | 100.00% |
| Population of One Race             | 67580 | 98.80%  |
| White Alone                         | 60548 | 88.52%  |
| Black/African American alone       | 3266  | 4.77%   |
| American Indian and Alaska Native Alone | 143 | 0.21% |
| Asian Alone                         | 1827  | 2.67%   |
| Native Hawaiian/ Other Pacific Islander | 47  | 0.07%  |
| Some other Race Alone              | 1749  | 2.56%   |

| Total Males                        | 44086 |
| Females                             | 44883 |

| Median Age                         |       |

22
The desired demographics have a suitable match with the demographics of DeKalb County. DeKalb provides a decent sized population. I am not focusing in on race, because I feel that my products would satisfy any racial group. It is important to note, though, that I do not have a very diverse market. 87% of DeKalb residents are white.

The age group I am seeking is relatively broad because I believe designer fashions intrigue young and middle-aged consumers. It is positive that half of the population is the age group I am seeking.

One of the greatest assets in DeKalb is the amount of students provided by Northern Illinois University. I am seeking their education level because they will be more likely attracted to designer clothes than, for instance, DeKalb's blue-collar workers. Designer clothes will appeal to them, but they may have the means to buy true designer priced clothing.

The biggest hindrance represented in these facts is the average income of each DeKalb household. This is big obstacle because I am seeking wealthier people to buy my products. I would need to figure out a way to make a way for designer clothing to be worth spending their disposable income on.
WHAT IS THE CUSTOMER PROFILE? WHO IS THE CUSTOMER?

A customer profile describes customers that I feel I will be most likely serving and who I would feel most comfortable serving. This means knowing my customer. It includes the demographics mentioned above, customer needs, customer problems or issues they are trying to solve, and their dislikes and likes.

The customers can be described as young to middle-aged men and women. They are DeKalb residents and NIU students. They enjoy looking good, but not spending a fortune. They are people that care a lot about fashion and want to either follow the latest trends or look elegantly conservative.

When forming a customer profile it is difficult, as I indicated before, to classify my potential consumers. I can say that they are mostly likely people who want to make a good impression. They may be self-conscious or may just be aware of the importance of their appearance.

Basically the customer profile will include men and women between 18 and 45 years of age, from middle class and upper middle class status, and can be either married or single. I would assume that most of my customers are single.

Their need: To feel good about what they are wearing, but not guilty for spending too much money. I may also be filling the need for entertainment. As I mentioned in my product/service section, they will be filling the need to killing time. It can be a place to stop off with your friends or one’s family when they are visiting.
Likes/Dislikes: My customers like high quality items. They are annoyed with items that consistently fall apart or do not wash well. Even though I will be targeting high quality items, I will be avoiding some dry clean only items. I believe that customers may get annoyed with having to dry clean pants and shirts. Suits, dresses, etc. are a different story.

Behavior: The behavior, or lifestyle, I expect of my customers is an active one. They desire clothing for that can be worn at worn for work or play. This includes casual clothing for school or daily use, formal and informal work clothing, dressed up and fashionable nighttime clothing, and play clothing for going to places such as the beach or taking a vacation. The customer may occasionally need a formal outfit for a work party, reception, wedding, or dance.

The customers are active and engage in a multitude of behaviors

HOW AM I DIFFERENT FROM MY COMPETITORS?

I plan on being different from my competitors in several ways. For one, very few competitors in DeKalb can come close to the quality of goods that I will be providing. The closest competitor, within DeKalb, will be TJ Max. TJ Max has an array of choices; not all clothing is of decent brands or high quality. Often one must sort through to find anything.
It is my goal that the goods I am selling will not be overpriced. There may some expensive goods in monetary value, but I aim for them to be less costly than full retail. Let It Be's clothing is expensive, but does not have the brands or styles to backup the pricing. I want my customer to get a much better product for a similarly priced good they would find at Let It Be.

I will be offering goods that will not even be available in DeKalb. Certain brands will not be carried within DeKalb stores or even really carried at the closest malls. Convenience and cost effectiveness with separate me from my competition. I am taking almost an integrated approach between low cost leadership and differentiation, weighing heavier on a differentiation approach.
WHAT ARE THE RESULTS OF THE FOCUS GROUP DISCUSSION?

WHAT IS A FOCUS GROUP?

Discussing with a focus group is a great way to test out a potential product or new business idea. A focus group is comprised of representative sample of potential customers (Allen 297). Engaging in discussion with focus group members will allow me to see if there is an interest in my type of retail store.

There are many factors to consider when forming a focus group. The top considerations are planning, recruiting, moderating, analysis and reporting (Krueger 5). Focus groups are well thought out, logical plans that seek to meet a certain purpose. It takes a great deal of time to organize and conduct a sound focus group.

Here is a list, according to Planning Focus Groups, of topics that need to be covered when planning a focus group:

- Personnel and Budgeting
- Deciding on the Degree of Structure
- Deciding on the Group Composition
- Deciding on the Group Size
- Deciding on the Number of Groups
- Setting up the Sessions

HOW DID I DEVELOP MY FOCUS GROUP?

I would like to point out first that my focus group was conducted purely for personal benefit to gain insight into potential customers reactions. I realize that my participants were limited in terms of demographics and psychographics, but I still value
their opinions. Traditional focus groups would have encompassed a broad range of consumers.

**General Planning**

Purpose- To gauge possible consumers response to opening a discount brand name outlet and what suggestions they might have.

Personnel/budgetary resources- None, about $25-$30 for pizza/pop.

Structural level- Relatively unstructured. I present the question, but we are open to discuss anything relevant to the topic.

Participants- I would have liked my participants to have been men and women from 18 to 45 years old from a middle class background. However, my participants turned out to be mostly women ages 18-23 from middleclass and uppermiddleclass backgrounds. My participants were 75% female.

Interview Guide Questions- I asked the following questions after giving the participants the background of my business idea:

WHAT DO YOU THINK ABOUT THE AVAILABILITY OF (CLOTHING) SHOPPING WITHIN DEKALB?

HOW OFTEN DO YOU SHOP IN DEKALB? OUTSIDE DEKALB?

WHERE DO YOU SHOP IN DEKALB? OUTSIDE DEKALB?

HOW MUCH MONEY DO YOU SPEND A MONTH ON CLOTHES?

WHAT BRANDS, IF ANY, DO YOU TYPICALLY BUY?

WHAT DO YOU CONSIDER TOO EXPENSIVE FOR A PIECE OF CLOTHING, REGARDLESS OF QUALITY?

WHAT DO YOU THINK OF WHEN I SAY THE WORD CUSTOMER SERVICE?
WOULD YOU SACRAFICE SERVICE FOR COST SAVINGS WHEN BUYING CLOTHING?

PLEASE GIVE AN EXAMPLE OF YOUR BEST/ WORST SERVICE EXPERIENCE.

HOW INTERESTED WOULD YOU BE IN A DISCOUNT DESIGNER OUTLET?

WHAT WOULD BE THE PROS OF OPENING THIS BUSINESS?

WHAT WOULD BE THE DRAWBACKS?

WHAT WOULD YOU TELL YOUR FRIEND/ FAMILY MEMBER ABOUT THIS BUSINESS?

IF YOU WERE RESPONSIBLE FOR RUNNING THIS STORE, WHAT KEY POINT WOULD YOU STRESS IN AN AD CAMPAIGN?

Group Size - I reached my ideal group size. It was relatively thirty people.

Number or Groups- There was just one group.

Location- Delta Zeta, 1010 Blackhawk Dr. DeKalb, IL 60031

Date- April 22, 2002

WHAT WERE MY RESULTS?

There was an overwhelming response and almost everyone agreed that DeKalb does not offer enough shopping locations.

About 90% of those interviewed attested that they do the majority of shopping outside of DeKalb. When they do shop within DeKalb it is usually every other month.

Those that shop for clothing in DeKalb usually visit either TJ Max or Let It Be, as I expected.

The main competitor outside of DeKalb is Fox Valley Mall.

The majority of my participants claimed that they spent $100-$200 a month on clothing.

The majority of brands preferred include Express, Abercrombie & Fitch, and Bebe.
I was rather surprised and happy with the results of what each person felt was too expensive for a piece of clothing. On the low end with relatively few supporters, $50 was considered too expensive. The average was $80-$100; the high end reported $200.

I was surprised again when I questioned the participants on customer service. Most reported that they would sacrifice customer service for cost savings. Numerous persons also reported that they felt good customer service is defined by the salesperson finding them a correct size or locating one at a different store. Pushy salespeople and people that followed them around were considered top annoyances.

To put this all together, I gained quite a bit of positive input. For one, the participants were willing to spend more money than I previously expected. They also seemed to prefer salespeople to keep their distance until they are needed which is how I planned to run my store. I estimate that the monthly figures they gave me were off. I bet that they may only spend a hundred or so dollars on clothing, but their parents spend money as well. All in all, the results were optimistic.

The participants seemed very receptive to my business idea. The last several questions were met with encouraging and supportive answers. The participants seemed excited about the prospect of somewhere to get decent clothing in DeKalb. They would have described as a cool new store opening in DeKalb. They felt that they would emphasize cool clothes at a decent price in their advertising campaigns. They felt the biggest obstacles and drawbacks would be finding the right clothing.
BACKGROUND

Now that I have decided what I want to do and what business I want to run, it is time to see if this is financially possible. I will need a certain amount of money to get Brie's Discount Warehouse on its feet. I am going to try to make this as inexpensive as possible. I will buy the minimum amount of inventory possible and lease my location. As Brie's Discount Warehouse grows, I will be able to invest in the location and myself.

The estimates that I am giving are rough. Of course, there are probably areas that I am overlooking and that is why I have included an other section.

I have found that operating within DeKalb is relatively inexpensive compared where I have lived in the North Chicago suburbs. I visited DeKalb's Guide to Real Estate online and investigated the commercial property prices. Rarely did a site exceed $160,000, which completely surprised me. It was very difficult for me to obtain information on leasing and insurance prices. I was unable to get any hard data. I, therefore, estimated based on my familiarity with DeKalb's apartment prices and what I have learned from word of mouth. I actually overestimated, assuming I would get half the space of my apartment for twice the cost. I will be working on the corner of Michigan and Oak St. in the midst of Chicago when I graduate and we pay ninety dollars a square foot a month!

There are so many factors to consider when determining financing. I will not be going into a full forecast of sales because, at this point, my estimate would not be very accurate. I will also not be going into cash management, but would like to mention that I will be operating on a cash method, not an accrual (accounting) method. I feel more comfortable recognizing revenues and expenses as they actually happen. Another thing, I
will be using the FIFO inventory valuation method to initially record my inventory assets. I will do this because, while not having the tax savings of LIFO, my profits will appear greater than under the LIFO method. Especially in the eyes of my lender, anything that boosts the value of my company at this time is a positive.

When I visited the DeKalb Chamber of Commerce I received a list of banks in the area that are available to lend money. My plan would be to show them a detailed business plan, complete with my resume and financial history, as well what other requirements they may have, to receive an unsecured loan. Starting out at this point in my life, with no real experience, I would expect some severe difficulties trying to find a lender. Even though I have good character, I do not have any collateral and I am in debt with student loans. I believe they would view me as not having the capacity to pay them back.

The business plan will more clearly identify what kind of financing I need and how I plan on keeping my records. Right now, I just want to get a feel for how much money I am going to need and how long it is going to take for me to turn a profit based on my ideal revenues.

WHAT ARE THE START-UP CAPITAL REQUIREMENTS?

Please see my attached chart on my expected expenses for the first two months. I do not think that I will be making profit after the first two months, but my expenses will have tapered off. I will no longer be purchasing one time items, like clothing racks, and will be focusing on fixed costs. Either way, I want enough money for my business to survive. I want it to be profitable and begin paying back the principal of my loan amount within the first year.
WHAT ARE THE WORKING CAPITAL REQUIREMENTS?

The retail clothing business experiences a great deal of fluctuation in sales, especially during holiday seasons. In order to compensate for this, I would like to qualify for what is known as bridge financing. This will allow me to build up my inventory of merchandise for high volume periods and pay it off within the next month. There are certain different kinds of bridge financing. I find a revolving credit line with my bank will be the most beneficial. A revolving credit line provides a set amount of money available to borrow. A $50,000 line would be sufficient.

WHAT ARE THE FIXED COST REQUIREMENTS?

HOW LONG WILL IT TAKE TO ACHIEVE POSITIVE CASH FLOW?

This is quite a difficult question to answer. There are so many different conditions that my business will be responding. But if all goes as plans

WHAT IS THE BREAK-EVEN POINT FOR THE BUSINESS?

The break even formula: \[ \text{BE} = \frac{\text{Fixed Costs}}{\text{Contribution Margin Ratio}} \]
WHAT ARE THE WORKING CAPITAL REQUIREMENTS?

The retail clothing business experiences a great deal of fluctuation in sales, especially during holiday seasons. In order to compensate for this, I would like to qualify for what is known as bridge financing. This will allow me to build up my inventory of merchandise for high volume periods and pay it off within the next month. There are certain different kinds of bridge financing. I find a revolving credit line with my bank will be the most beneficial. A revolving credit line provides a set amount of money available to borrow. A $50,000 line would be sufficient.

My working capital requirements allow me enough liquidity to pay off short term liabilities with short term assets. Working Capital = Current Assets - Current Liabilities. I would like my working capital to be around $2,000 to make me feel comfortable. In order to do this I have to make more money than my variable and fixed costs together.

Projected Sales:
200 pieces a month at ~$100/piece $20,000

WHAT ARE THE FIXED COST REQUIREMENTS?

My fixed cost requirements are those bills that I will pay each month regardless of how much merchandise I sell. Here is a list:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasing</td>
<td>2000</td>
</tr>
<tr>
<td>Insurance</td>
<td>500</td>
</tr>
<tr>
<td>Utilities (including phone)</td>
<td>200</td>
</tr>
<tr>
<td>One Employee Salary</td>
<td>600</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>500</td>
</tr>
<tr>
<td>General Supplies</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>3900</td>
</tr>
</tbody>
</table>

Variable Cost: Assume I buy each piece for roughly $50/each.

HOW LONG WILL IT TAKE TO ACHIEVE POSITIVE CASH FLOW?
This is quite a difficult question to answer. There are so many different conditions that my business will be responding. But if all goes as plans I estimate that it will take a little over two years to pay back my loan and about three months to receive positive cash flow.

WHAT IS THE BREAK-EVEN POINT FOR THE BUSINESS?

The break even formula: \[ \text{BE} = \frac{\text{Fixed Costs}}{\text{Contribution Margin Ratio}} \]

Contribution Margin Per Unit = $100 - $50 = $50
Fixed Costs = $3900
Profit = $50 \times 200 - 3900 = $6100
Break Even = 0 = 50x - 3900
= 78 pieces at $50 = $3900
WHAT RESOURCES DO I ALREADY HAVE?
This graph documents available cash. It does not include any possible loans that I may qualify for.

<table>
<thead>
<tr>
<th>Cash</th>
<th>$1,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Graduation Money</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Credit Cards</td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>MasterCard</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>Discover</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>Possible money from parents</td>
<td>$ -</td>
</tr>
<tr>
<td>Possible money from other family members</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Assets available to sell for cash (car, jewelry)</td>
<td>$4,000.00</td>
</tr>
<tr>
<td>Total available start up money</td>
<td>$13,000.00</td>
</tr>
</tbody>
</table>
CONCLUSION: IS THIS REALLY FEASIBLE?

After analyzing all of the data I have given you it is time to decide whether or not this business idea is feasible. To put it simply, after all of this work, I am not confident. I do not feel this business concept is feasible.

I do feel that parts of my plan are feasible. According to the industry profile and the results of my focus group, there is an opportunity for a clothing retail store. There is definitely a need in DeKalb and there are potential buyers. Designer clothing is not the outlet that would be practical. It applies to a limited segment of the market and the inventory expenses are very high. The income profile of DeKalb is too low and I believe that consumers would not want to spend their disposable income at Brie’s Discount Warehouse even though I am off-priced retailer. Without sufficient demand, it is not reasonable to expect to turn a profit. Perhaps if my business was located in the Naperville area, I would be able to utilize the trends towards the wealthy ‘wannabes’ and capitalize on the high-income profile.

The biggest obstacle is going to be finding the suppliers. At this point, it is very difficult to purchase designer clothing at a low cost. I do not have the buying power of retail giants such as Kohl’s and TJ Max. Finding suppliers will be the biggest, most significant challenge next to finding financing. A potential solution to this problem might be offering only designer second hand clothing. But, again, I would be traveling all over Chicago to find my inventory.

After taking all of this information into consideration, it is time for me to move back to the drawing board and start over again. As disappointing as this may seem, it is worth knowing now that this is not feasible before I spend any money on the project.
That is the point of this study. It is hard not to have a self-serving bias in which I interpret results to reflect the benefits of my business concept. It is important to be honest and logical otherwise there is no point to a feasibility analysis. It may seem that all of this was a huge drain of time; it wasn’t. Now I can take the knowledge that I have gained from this study and test out another business idea. Eventually I will find one that satisfies me and will I will even allow me to make some money.
Resources


Hoovers Online. 8 April 2002 < www.hoovers.com/industry/snapshot/profile/0,3519,42,00.html>.

Hoovers Online. 8 April 2002 <www.hoovers.com/premium/comp_data/2/0,2151,11432,00.html>.


U.S. Census Bureau. 8 April 2002 <http://factorfinder.census.gov>
