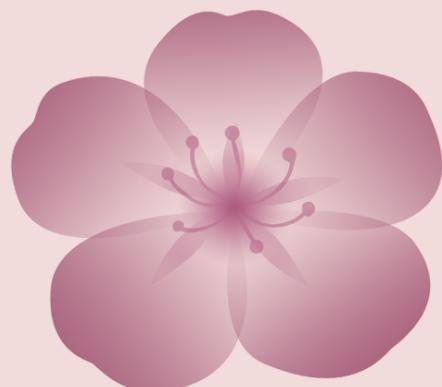


# MOMMY SCRUBBS



## BUSINESS PLAN



KATHY HINES

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## Executive Summary

Mommy Scrubbs, LLC is a Woman owned startup enterprise that seeks a single round funding of \$175K for expansion costs such as upgraded equipment, additional

prototyping, e-commerce site development and production, as well as 12 months of working capital.

The patent pending design creator, Kathy Hines, desires to attract investors for a 5% equity stake in the business for the sum of \$175,000. This figure includes the cost of additional industrial equipment in lieu of the standard equipment. Acquire additional human resources to increase inventory exponentially in the first quarter of operations and carry the company through the first year of operations.

Kathy Hines brings 30 years of bespoke design experience and industry knowledge to the company. Her years of bespoke custom creations has prepared her for this new venture and will set the stage for a very successful online retail enterprise.

### **Company Introduction**

In 2015, Mommy Scrubbs, LLC was formed. We began operations in May 2015 under the direction of its founder Kathy Hines.

Mommy Scrubbs™ is the creation of an innovative design patent, which support nursing and lactating mothers from all walks of life. The patent pending design allows nursing and lactating mothers to privately access their upper person with grace and style in any public or private setting.

The business venture was conceived to be viable for the following reasons:

- The medical apparel industry is constantly flourishing, but now with nursing and lactating mothers as the target consumer in various professions.
- Post-surgical attire for breast cancer treatment patients.
- Mothers are becoming more cognizant of the health factors that afford healthier brain development for their infants. (*See Research*)
- Creating an exclusive scrub line, which offers comfort while affording attentive care for newborns.
- Eclectic prints/fabrics in fun and professional styles along with a medical and business apparel line.

Mommy Scrubbs™ will blanket social media for maximum exposure to nursing and expecting mothers.

### **Product**

The (patent pending) application designed into each Mommy Scrubbs™ will allow respectful access for breastfeeding mothers while in private or public settings.

### **Production and Sales**

All revenue generated from sales will go towards overhead costs and put back into the business for continued growth in the area of production, additional human resources and equipment.

### E-Commerce vs. Storefront

Our business model will showcase our Mommy Scrubbs™ products on our proprietary e-commerce website exclusively for the following reasons:

- Global Presence via social media
- Inventory Control
- Eliminate shrinkage
- Eliminate overhead for storefront operation
- Reduce returned items
- Higher profit margin

### Medical Scrub National Statistics

The uniqueness of the Mommy Scrubbs™ targets a very specific consumer and should not be compared to daily medical scrub attire for employees within the medical industry. The creation of the Mommy Scrubbs™ will afford breastfeeding and lactating mothers with an array of stylish apparel, which is suited for their daily lives.

#### Market Size

- The U.S. retail market for medical scrubs in 2013 was \$1.5 to \$1.9 billion.
- Customer growth 2% per year (excluding inflation)
- Independent scrub retailers generated \$1.5 billion in sales in 2013.

#### Scrub retailers

- 2,500 – 3,200 scrub store locations in USA, according to estimates from larger suppliers.
- Thousands more mass merchandiser, office supply, general uniform; and college bookstore locations sell scrubs.
- Number of scrub stores has been stable for past three years, according to estimates from larger suppliers.

(Source: URA Scrub Market Study 2014)

#### Health care jobs that wear scrubs

2012 data	Number of jobs	Job Growth 2012 - 2022	Median Pay
Registered nurses	2,711,500	19%	\$ 65,470

Nursing assistant and orderlies	1,534,400	21%	\$ 24,400
LPNs and LVNs	738,400	25%	\$ 41,540
Medical Assistant	560,800	29%	\$ 29,370
Pharmacy Technician	355,300	20%	\$ 29,320
Medical and clinical techs	325,800	22%	\$ 47,820
Dental Assistants	303,200	25%	\$ 34,500
Radiologic and MRI technologists	229,300	21%	\$ 55,910
Dental hygienists	192,800	33%	\$ 70,210
Nurse anesth., midwives, practitioners	151,400	31%	\$ 96,460
All other scrub wear occupations*	2,015,400		
<b>Total</b>	<b>9,118,300</b>		

*Source: Bureau of Labor Statistics Occupational Outlook Handbook for Health Care Occupations. These are ten largest job categories that wear scrubs. Job growth in USA overall from 2012 to 2022 will average 11%. National mean pay is \$46,440.\* "All other" are dentists, PT assistants, sonographers and cardio techs, PAs, phlebotomists, vet techs; and half of home health aides, personal care aides, PTs, and veterinarians.*

### Where we sell?

- Mommy Scrubbs™ Online Store
- Birthing Hospitals
- Hospital Employee Fairs

### How we differ?

- Our operations will make (*bespoke*) scrubs for oversize customers
- Designed with a functional purpose versus simple work attire
- Can be used for day-to-day use, but designed for breastfeeding/lactating
- Personal touch (monogramming)

### Advertising

Our brand will be promoted primarily through social media with ancillary sales promoted through Etsy online store. Our social media specialist will engage consumers in real time daily.

- Brochures in OBGYN offices
- Pinterest
- Twitter
- Facebook
- Email Newsletters

### Marketing

Mommy Scrubbs™ will blanket social media for maximum exposure, catering to nursing and lactating mothers.

An online store will be created with a proprietary e-commerce website while adding Etsy as a portal through Pinterest with additional consideration using HSN and QVC for additional national exposure. In addition, the company will participate in statewide hospital fairs, which afford staffers to purchase merchandise through payroll deduction.

Our startup team has a social media specialist whose sole purpose is to create 100's of new contacts daily through social media posts and blogs. Finally, to accompany the exposure through our social media campaign, a sales specialist will canvass hospital campuses to promote our Mommy Scrubbs™ for their gift shops.

### **Technology Position**

The Mommy Scrubbs™ community will capitalize on our virtual web platform and provide helpful tips and links, CDC articles for download. This new community will engage nursing moms and encourage social interaction during their nursing period. Additionally, live chat rooms will be integrated for real time interaction and a blog portal will afford mothers a space to share personal experiences throughout their journey. By year two the company will offer webinars for our member whereby experts in the medical field will share important health and exercise tips and nutritional tips for mothers newborns. This type of consumer interaction will keep Mommy Scrubbs™ in the minds of our new clients and create new referrals to our product. (*See Research Below*)

The goal is to become more than just an online retailer but a resource magnet for moms.

### **Bases of Competition**

Medical scrubs are everywhere and accessible in hospitals, online stores and satellite stores. Some market segments offer unique prints, which add more appeal to the garment.

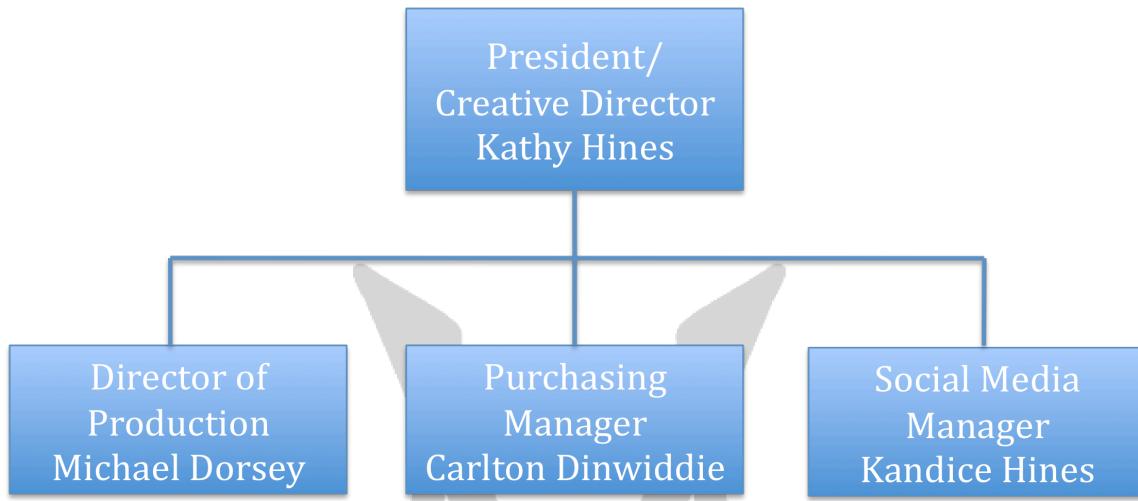
However Mommy Scrubbs™ differ from the competition; we only create nursing (lactating) scrubs with a specific market segment in mind. Our aim is to target mother's who are seeking fashionable work and professional attire, which can remain fully functional as a standalone fashion ensemble or comfortable active wear for daily use during the mother's nursing years and beyond.

### **Key Success Factors**

The main factors contributing to the success of Mommy Scrubbs™ are quality goods, dependable and fast service, and competitive pricing. Exposure through social media, hospital presence and website traffic are key factors to constant sells and growth. Exposure is the driver to our success.

## Operations

Company will function with a lean organizational structure as follows:



### Logistics: Inventory/Shipping/Distribution

The company will reduce its inventory costs with a proprietary e-commerce website by providing efficient supply chain management solutions for the company's logistics operations.

Orders are placed through the website, then produced on demand, package and shipped from home start up operations via UPS. All orders will be produced and within 24 hours of initial order and shipped via UPS per customer instructions.

### Administration, Legal and Accounting

The company's administrative functions such as HR and payroll will be initially outsourced to a third party vendor such as ADP or Paychex, in addition to accounting & finance practices. As the Company grows, Management will make a cost benefit determination of whether to bring these administrative functions in-house as the company grows. The company will also utilize third-party legal service providers for all legal needs.

### Location

To minimize initial overhead costs, over 600 square feet will be utilized from the founder's home location. The additional equipment will occupy the allocated space, which will support two additional seamstresses to assemble the bulk of the garments and (1) pattern technician. Kathy Hines will support manufacturing on an as needed basis once training is complete and Mr. Dorsey will support the day-to-

day operations with pre-package prep and shipping, supply ordering and maintenance scheduling.

## Equipment

### New Equipment

The very nature of apparel retail and manufacturing organization requires a substantial investment in different types of equipment of the venture. Because of the anticipated volume for the Mommy Scrubbs™ several industrial machines will be needed in lieu of the current household machines currently used to produce and manufacture the current startup inventory.

New Equipment	Units	Cost	Total Cost
Juki DNU-1541 Single Stitch	2	\$2799.00	\$5598.00
Juki MO-6704 Serger	2	\$2499.00	\$4998.00
PND-3000A Heated Vacuum Ironing Board	1	\$1999.00	\$1999.00
Electric Knife Shears	2	\$499.00	\$998.00
18" Deluxe Super Sealer	1	\$408.00	\$408.00
			<b>\$14,001.00</b>

### Current Equipment

Current Equipment	Units	Cost	Depreciated Cost
Juki Straight Stitch Machine	1	\$1900.00	\$800.00
Husqvarna Sewing Machine	1	\$2800.00	\$1400.00
Husqvarna Serger	1	\$3500.00	\$1999.00
Garment Steamer	1	\$200.00	\$100.00
			<b>\$4299.00</b>

### Inventory

Materials	Yards	Cost	Retail Cost
Fabric	200/\$8 per	(\$1600.00)	(\$1600.00)
Threads/Accessories		(\$240.00)	(\$240.00)
Finished Garments	Items	Cost Per Item	
Manufactured Inventory	100	\$70.00	\$7000.00
Earnings before utilities			<b>\$5160.00</b>

## Production

Production will be set up in an assembly line process. Each employee will specialize in one key area of production in order to achieve maximum proficiency during the manufacturing process. The goal is to produce (1) garment every 15 minutes with 4 completed every hour. During the course of a production day, which totals 6 hours per person for assembly production, the operations should produce 24 unit/garments per day.

## Cost of Manufacturing

During the first two months of operations, production will be tempered until training is complete and the launch date has been determined. Although a monthly goal will be set, we project a 4-month observation period to determine most of the variables that generate sales on a monthly basis.

We have calculated our monthly cost of doing business with the following 3 variables:

1. Labor Costs
2. Indirect Labor
3. Cost of Materials

(See Table)

Material costs	\$8.00	2 yards of fabric cut out pattern, assemble garment, presss, inspect, labeling, packaging.
Labor costs	\$7.00	
<b>Cost of Production</b>	<b>\$13.00</b>	

Note: This projection is based on per unit landed cost with a 10 minute assembly time.

Retail Unit Price	\$71.99
Production Costs	\$13.00

Profit before expenses	<b>\$58.99</b>
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Wholesale Unit Price	\$40.00
Production Costs	\$13.00

Monthly overhead equates to \$13,326.66  
Maximum average monthly production 480 units  
Average unit sale: \$71.99

Achieving maximum production x average unit sales price: Generates \$100,800 in potential revenue each month; with an annual 1.2 million in new sales at maximum production.

However, we will pace our growth in the first 2-months at an average of 440 units per month unless sales dictate otherwise. In this scenario 440 units x \$71 unit price = \$34,555 in monthly revenue.

### **Cost of Materials**

Presently we source all materials within the Dallas, TX local markets, but once operations commence we will secure our materials from a foreign source directly from a textile mill in Taiwan or China. Because of our desire to create exotic patterns and prints we will visit the Far East to establish this business relationship. This will reduce our production costs dramatically, while at the same time keeping production in the U.S. and preserving the quality and delivery of our product.

## **Management Summary**

### *Kathy Hines – President/Creative Director*

Currently, Kathy Hines is the only principal working on the venture in the capacity of creating a business plan and developing multiple prototypes for marketing purposes.

As president and CEO of the venture, Kathy Hines would be responsible for the overall development and strategic movement of the company and accounting. She will also retain the position as Creative Designer.

### *Michael Dorsey – Director of Operations*

Michael Dorsey will provide daily operational support with sales, inventory, management, and maintaining equipment to support the daily operations.

### *Carlton Dinwiddie – Purchasing Manager*

Carlton Dinwiddie will procure all necessary textile/fabrics and materials for production. In addition, assist with special promotions and road shows.

### *Kandice Hines – Social Media Manager*

Kandice Hines will be challenged with promoting the company through social media and provide website support. Mommy Scrubbs™ will maintain a presence on Facebook, Twitter, Instagram and Pinterest.

### **Strategic Placement**

Mommy Scrubbs™ main thrust will be to focus and develop a niche in the scrub apparel marketplace. Our goal is to have a presence in hospital novelty shops in conjunction with our online e-commerce presence. Pursue a presence on QVC within 24 months. A larger push will have us become a supplier for a major retailer by year 3, which will enhance the chance for the company to be acquired.

### **Financial Analysis**

In acquiring funding to get the venture moving forward, the main source thus far has come from the principal (Kathy Hines and friends). These sources and future investors will receive monthly income statements for the first year of operation and on a yearly basis for the following four years. The pro forma income statements will show monthly and yearly revenues and expenses for the first five years, thus giving investors a good indication of the profitability, sales, and expenses for the first few critical years of operation.

Along with the income statements, a balance sheet also will be issued to possible investors. The breakdown includes cash, accounts receivable, and other assets, as well as the liabilities to be incurred.

Finally, the break-even analysis shows at what point Mommy Scrubbs™ will be able to handle its fixed and variable costs and start making a profit. This chart will be based on sales over a twelve-month period, and indicates the amount of fixed and variable expenses needed-to-be-covered before making a profit is possible.

### **Pro Forma Income Statement**

The future pro forma income statement covering the first five years of operations will be broken down on a monthly basis for the first year to indicate the seasonality and expected fluctuations in revenues and expenses that could be overlooked if represented by only simple yearly figures.

### **Exit Strategy**

With the initial 5% equity stake of \$275K and the revenue generated from sales. Our aim is to create a fashion house for the nursing (lactating) consumers and subsequently prepare the company for acquisition within 5 years of full operations.

## Company Profile

Mommy Scrubbs, LLC  
Online Retail Store  
2300 McDermott Road  
Suite 200-103  
Plano, Texas 75025  
Owner: Kathy Hines  
Direct: 972-632-6530

## Further Research Study

Breast-feeding rates are on the rise in the United States. The Center for Disease Control and Prevention's 2013 Breast Feeding Report Card found that 77 percent of new mothers are breast-feeding their babies, up from 71 percent about a decade ago. And almost half of breast-feeding moms are continuing to do so for at least the recommended six months.

The new report tracked trends in breast-feeding rates from 2000 through 2010 across the country.

"This is great news for the health of our nation because babies who are breastfed have lower risks of ear and gastrointestinal infections, diabetes and obesity, and mothers who breastfeed have lower risks of breast and ovarian cancers," said CDC Director Dr. Tom Frieden said in a press release.

The American Academy of Pediatrics recommends that babies are exclusively breast-fed for about six months, and then given supplementary breast-milk for 1 year or longer.

The latest CDC report shows that in 2010, 49 percent of mothers were still breast-feeding when their child was six months old, and 27 percent were still doing so when they kid was 1-year-old. Back in 2000, rates were 35 percent and 16 percent respectively.

The results echo similar findings released by the CDC in February 2013. The CDC announced at that time that mothers who were still breast-feeding at six months increased from 35 percent in 2000 to nearly 45 percent in 2008. Breast-feeding rates also increased across all race and ethnic groups during the same period.

Breast-feeding helps provide protections for infants by giving them nutrients and antibodies. Not only is the milk easy for infants to digest, it's been shown to protect against disease. Breast-fed babies have lower rates of necrotizing enter colitis (a disease of the gastrointestinal tract that affects preterm infants), respiratory infections, asthma, obesity, Type 2 diabetes, Type 1 diabetes, childhood leukemia

and a type of skin rash known as atopic dermatitis. Decreased risk of sudden infant death syndrome (SIDS) has also been observed.

Recent studies have also shown that children who are breast-fed longer may be able to move up further along the social ladder and could possibly give.

Mothers can also benefit from breast-feeding. Nursing a child has been linked to lower rates of Type 2 diabetes, breast cancer, and ovarian cancer and postpartum in mothers. Breast-feeding can also help families save money on formula, help the mother bond with the child and moms are shown to miss less work if they nurse.

"Also, breastfeeding lowers health care costs," said the CDC's Frieden. 'Researchers have calculated that \$2.2 billion in yearly medical costs could be saved if breastfeeding recommendations were met. It is critical that we continue working to improve hospital, community and workplace support for breastfeeding mothers and babies and realize these cost savings,' he added.

The CDC said part of the increase in rates might be because more hospitals are encouraging the act by giving moms more time to bond with their children after birth. In 2011, 54 percent of hospitals allowed moms to have skin-to-skin contact with their children, and 37 percent allowed the newborn and the mom to share the same room. The percentages increased from 2008, when only 41 percent of mothers were allowed skin-to-skin contact, and only 30 percent could be roommates with their child.

A large, semi-transparent watermark logo is centered on the page. It features the words "Mommy Scrubbs" in a stylized, lowercase, cursive font. The letters are white with a slight shadow, and they are set against a light gray circular background that tapers to the right.