

# 1.0 Executive Summary

## 1.0.1 Introduction

*Tidy Tots®*is a start-up company founded in Rensselaer, New York, an area widely known as Tech Valley. The business manufactures a "hybrid" cloth diaper and is positioned to revolutionize the diaper industry. The *Tidy Tots* product is a patented cloth diaper with a flushable liner, which bridges the gap between disposable and cloth diapers. *Tidy Tots*first robustutility U.S. patent was issued June2012 and a second utility patent was issued November 2014. Additional utility patents are pending in the U.S., as well as internationally.  A design U.S. patent issued June 2015. *Tidy Tots®* cloth diapers, as well as *Flushies®*the disposable diaper liner, are trademarked. All *Tidy Tots’* intellectual property is well protected.

## 1.1 Objectives

**The Objective of Tidy Tots® & Flushies®**

The *Tidy Tots*comprehensivebusiness plan is a road map to obtaining 5% market share of the 8 billion dollar diaper market in the U.S. each year. Additionally, *Tidy Tots* will be positioned to be acquired. Analysis has identified Kimberly-Clark and Proctor & Gamble as prospective buyers.

*Tidy Tots* management structured their strategy to achieve business profitability in 2016. The utility patents underscore huge differentiation(s) for comparable products within the market, positioning the company for success. The addition of a snap version introduced in the 3rd quarter of 2015 will significantly increase sales, as the industry sells snap covers 10 to every 1 Velcro diaper cover sold. Other enhancements include the improved No Folds and Boosters to 4 plies of organic hemp; will result in easier experience with less financial investment for families.

Key to the management plan is perfecting a cover with snap closures, re-designing No Folds and Boosters with extra layers of absorbent hemp. Implementing a marketing campaign targeting millennial customers through social media is a strategic part of gaining brand recognition. Production capacity can quickly be ramped up as needed. The current manufacturing facility can increase production as much as 1000 units per month of each product. Herkimer’s relationship with upstate N.Y. ARC manufacturing facilities, positions *Tidy Tots* to respond quickly if demand exceeds manufacturing facilities capabilities.  

## 1.2 Mission

**Tidy Tots’ Mission: Shaping a brighter tomorrow through providing a better diaper for our children, their families, and the planet. Inspiring and supporting socially conscious business.**

*Tidy Tots’* product line offers a superior experience; bringing families a Hassle Free green lifestyle. Our focus is on parents who are economically and environmentally savvy.  *Tidy Tots* wants to change the landscape of modern diapering.

### 1.2.1 Overview-High level

Through extensive research, we identified the top three turn-offs to cloth diapering. With that in mind, we designed our diaper with *hundreds* of details that work hard together to provide today's busy parents with an easy natural solution to diapering their little one. *Tidy Tots* is a significantly different cloth diaper.

**Tidy Tots’ Solutions To Families’ Top Three Issues With Cloth Diapering:**

**Ick Free -** Flushies® liners fasten securely around the hemp No Fold Diaper so there is no shifting or bunching. Simply remove the liner and flush away the mess.

**Rash Free -** Organic hemp No Fold Diapers and Boosters are naturally anti-microbial, means that no bacteria can grow. Flushies® liners are made of cornstarch, a natural remedy for diaper rash.

**Leak Free -** Patented covers features include water resistant trim that prevents wicking. Deep gussets and flaps keep messes totally contained.

## 1.3 Pricing Strategy

The *Tidy Tots* sales forecast is driven by a comprehensive sales and marketing plan. The *Tidy Tots* gross profit is positioned at considerable margin, which for the purpose of this business plan is based on current volume supply pricing. Sales volume requirements will drive down production costs and facilitate efficiencies. Suppliers offer substantial discounts associated with larger orders; and management of supply and production will help to maintain a healthy profit margin.

The *Tidy Tots* pricing strategy takes into account factors that include the results of our comprehensive study of the global cloth diaper market. Diapers were ordered and evaluated from the United Kingdom, China, Sweden, Australia, Canada and other countries. Factors such as performance and price were assessed to determine an appropriate price point for the *Tidy Tots* diaper brand. The competitive landscape is monitored frequently to maintain competitive positioning of *Tidy Tots* product line within the diaper market.

The *Tidy Tots* diapering system has clear differentiation in the market; and therefore **value-based pricing** was used to determine the final sale price for all *Tidy Tots* components.

**Note:** The razor/razorblade model: Flushies® consumable product can provide repeat sales and marketing opportunities over the course of several years.  Management evaluated providing cloth components at a low cost price point, to ensure the sales high margin Flushies®. However, management’s analysis indicates value based pricing is appropriate for cloth components as a result of clear differentiation within the market.

## 1.4 Keys to Success

**Market Differential:** *Tidy Tot*s® products are so revolutionary; it essentially created a new market segment.

**Quality:** *Tidy Tots* are made with exceptional high quality materials and workmanship to ensure the longevity and durability of all components. The longer the product components remain in service, the more Flushies® are purchased.

**Warranty:**  Superior warranty will drive trust in brand.

**Customer Service:** Focus on superior customer service brings brand recognition, especially *within the diaper industry that does not value customer service*.

**Expanding and Emerging Markets:** *Tidy Tots* is manufacturing in the U.S. for North American distribution, and selecting other strategic locations, as the global marketing plan is launched.

**Production Management:** Accurate production planning, cost control, and accurate budgeting are needed to ensure the financial health of the business.

**Profitability:** Concentration only on growth, while neglecting profitability, must be avoided.

# 2.0 Company Summary

## 2.1 Company Ownership

**Company Ownership:**  Sandra Beck is the sole owner of *Tidy Tots*®. Ms. Beck has made significant personal investments to date.

## 2.2 The Company

*Tidy Tots’* main office is located at 24 Rose Lane, Rensselaer, New York. *Tidy Tots, LLC* was created in July 2009 in the state of New York. Currently, our strategy involves subcontracting the manufacturing and product distribution. This strategy allows us to be lean; as we incur expenses only when planned and eliminates non-productive monthly overhead. We have forged strong relationships with several firms which work seamlessly as a cohesive team.

## 2.2.1 The Team

**CEO: Sandra C. Beck -** Sandra C. Beck, with a successful exit from a technology company, founded *Tidy Tots®.* The company is solely owned by Ms. Beck, CEO, who has made substantial personal financial investments in the company. She developed the patented diaper system and manages all related business operations from product development to manufacturing and distribution. (Refer to Appendix A)

**Corporate Attorney: Timothy P. Morrison, Whiteman, Osterman & Hanna LLP -** Mr. Morrison currently advises management on legal issues such as company corporate structure, agreements, fund raising and other corporate matters.

**Patent Attorney: John Boger, Heslin Rothenberg Farley & Mesiti P.C. -** John Boger of Heslin Rothenberg Farley & Mesiti P.C. prepared the patent applications for the United States Patent and Trademark Office, as well as the International filings. Kristian E. Ziegler was added to the patent team and both attorneys remain responsible for ongoing patent related legal matters. United States and International applications were published at the end of 2010. *Tidy Tots*firstutility U.S. patent issued June 2012 with a second utility patent issued November 2014. Additional utility patents are pending in the U.S.A., as well as internationally.  A design U.S.A. patent issued June 2015.

**Manufacturing & Distribution:** - Herkimer Industries, LLC. HARC Facility - *Tidy Tots®* cloth components are currently manufactured in upstate New York, at a facility located in Herkimer. Production capacity can quickly be accelerated as needed; and, the facility can accommodate doubling production in line with the next 18 months sales projections.  The relationship(s) between the manufacturer and other (HARC) manufacturing facilities in upstate N.Y., positions Tidy Tots to respond quickly if demand is greater than anticipated. *Tidy Tots* also benefits from large UPS shipping volume discounts earned by HARC facility from having multiple HARC facilities across the country. Customers are charged $4.95 per order which covers the majority of our UPS costs to ship product to purchasers from web sales.

**Flushies®:** Bambino Mio - *Tidy Tots* flushable liner is produced to our specifications in the United Kingdom, from Bambino Mio Limited Brixworthm, Northampton NN6 9EU.

## 2.3 Company History

*Tidy Tots* started many years ago with a simple question: What would it take for today’s busy parents to choose cloth diapering? After extensive market research and focus groups we filed our first patent in 2007. From her past experience working with manufacturers, and empowering them to earn industry leader status, Sandra Beck knew, the key to success was to produce a superior product with clear market differentiation, while simultaneously exceeding customer expectations.

# 3.0 Diaper History

## 3.1 The Disposal Diaper

**History and Today’s Addressable Market -** Disposable diapers did not appear on the scene until the 1970’s.   The early versions were made of wood pulp, cellulose wadding, fluff cellulose, or cotton fibers as the absorbent agent. These early disposals were bulky and the materials did not absorb a large amount of moisture considering their weight. In fact, they held only 100cc of fluid. Disposable Diaper technology has evolved over the past 45 years and newly developed absorbent agents can now hold many times their weight.  Today, disposable diapers are extremely absorbent and designed to hold 500cc of fluid. Disposables are marketed with numerous versions to target specific consumer requirements.  These features, to name a few, include sizing, designer coloring and motifs; and re-useable closures. These innovations have enabled disposables to capture a large share of the diaper market. According to a study conducted by the Real Diaper Association, Americans spend $8 billion dollars on disposable diapers each year (<http://www.realdiaperassociation.org/diaperfacts.php>). Kimberly Clark and Proctor & Gamble are the two largest brand name manufacturers, and their sales account for nearly 80% of the market. Private label manufacturers that produce store brands and generic diapers account for the remaining 10%.

### 3.1.1 Environmental Impact of Disposable Diapers

* The Real Diaper Association estimates that 27.4 billion disposable diapers are used each year in the United States.
* Disposable diapers account for 10% of the waste in U.S. landfills.
* Studies have indicated disposable diapers may take up to 500 years to biodegrade.
* Disposable diapers, which usually contain solid waste, are one of the leading causes of ground water contamination.
* The average baby will use 6,000 disposable diapers in the first 24 months of diapering.

There is a trend of families preferring natural products for their babies, and an increased awareness of the environmental impact of disposable diapers. *Tidy Tots* cloth diapers offer a positive choice for conscientious families. *Tidy Tots* model empowers businesses selling disposable diapers to enter into a new market segment which will net them larger profits.

## 3.2 Cloth Diapers

**History and Today’s Addressable Market -** Cloth diapers dominated the market until the early 1970’s. Cloth diapers had a layered cotton design and families fastened them with diaper pins; while plastic pants were used to keep the moisture from clothing.

Today’s cloth diapers fall into a couple of categories, and the more features, the higher the price. The most economical are flat and pre-fold diapers which are usually made with cotton or hemp, and the pre-fold have additional center layers. These diapers require the use of an outer cover to contain the moisture. Fitted diapers are easier to use, as there is no need to fold, and may consist of leg and waist elastic, and closures. These diapers also require the addition of a cover. Covers come in various styles and fabrics and provide the moisture barrier for the flat, pre-folds and fitted diapers. All-In-One diapers consist of a cover with an absorbent component that is attached. The All-In-One diapers require washing the entire diaper each time it is used. All-In-Two diapers include several styles comprised of a cover with a variety of separate absorbent components.

# 3.3 Competitive Analysis

## 3.3.1 Cloth Diapers Product Comparison

***Cloth Diapers*:** Today's diaperscome in various designs and types.Whether they are simple pre-folds utilizing pins and plastic pants or designed with multiple layer and snaps, they all require the same cleaning method of scraping the solid waste and pre-soaking the material before washing. In fact, several firms sell a sprayer hose that attaches to the toilet; so the diaper can more easily be scraped and rinsed prior to soaking and washing.

**Flushable Liner Sheets:** Other diaper companies’liners are placed between the cloth diapers and the baby, but are not secured. Baby movement causes the liner to bunch up and results in the solid waste soiling the cloth diaper it was intended to protect.  The caretaker must still deal with solid waste in contact with the cloth component.  In addition, most of these liners are rough, as friction is how they attempt to limit the bunching and shifting.

The recurring theme through all the diaper blogs and reviews is that parents want a natural and environmentally friendly solution that fits their busy lifestyle.  *Tidy Tots* provides an easier cloth diaper that uses significantly more sustainable resources, and a modular design that saves drying time.  The flushable liner saves significant time and creates a cleaner process.   Moreover, the flushable liners place the solid waste where it can be treated properly; significantly reducing groundwater contamination from disposal diapers tossed into landfills.

## 3.4 Cloth Competitors

The cloth diaper market has multiple competitors that range from small mom and pop operations to large companies that have been able to capture market share through marginal differentiation, branding and design.

## 3.4.1 Top Three Cloth Diapers

Comprehensive analysis from internet search terms, identify three companies that have emerged as market leaders. These companies are privately held and annual revenue data is not readily available. (Competitive analysis on cloth diapering companies are performed at least twice a year.)

**bumGenius -** bumGenius offers an All-In-One diaper with a copycat design and no differentiation in the market; their brands ranges from $17.95 to $27.99. Families must wash the diapers using conventional means (spraying, scraping, & soaking). In 2013, bumGenius acquired **Fuzzibunz** a medium sized private manufacturer.

**GroVia -** GroVia launched in 2009 and offers two products: an All-In-One and a hybrid. GroVia All-In-One diapers can be purchased $23.95. GroVia hybrid diaper covers cost $16.95; and a cloth soaker for $9.00, or disposable soaker pad for $0.39 each. Through significant investment in 2011, GroVia targeted and expanded their influence in the market and now distributes on-line, in boutiques.

**gDiapers -** Based in Australia, gDiapers opened their first U.S. corporate office in 2005, in Portland, Oregon. With a larger investment and strong “green” endorsement in Vanity Fair in 2007 by Julia Roberts; it gained early acceptance in the marketplace even though their diaper was more expensive to use than disposables. The gDiapers system has a biodegradable pad which required a stick to break up the pad in the toilet before it can be flushed. Consumers complained of issues including leaks, rashes, and clogging pipes.

# 4.0 Market Overview

* The number of babies in the U.S. age two and under has been estimated at 9.5 million.
* The number of babies using cloth diapers is estimated at 712,500.
* The number of babies using disposal diapers is estimated at 8,787,500; this segment accounts for 27.4 billion disposals diapers each year.

## 4.0.1 Market Trends

Cloth diapers hold a firm and growing market segment. “According to a Chicago-based market research firm Mintel International Group Ltd., cloth diapers have “a fairly large" niche market, estimated at about $200 million a year.” (Frugal *Moms Use Cloth Diapers to Save Money,* <http://www.msnbc.msn.com/id/30330852/>, 2009).

The Real Diaper Industry Association conducted a survey in 2008, and reported that cloth diaper products were growing at a rate of 30% per year (/<http://www.realdiaperindustry.org/2008-cloth-diaper-industry-survey>).

Jenn Labit, owner of Cotton Babies Inc. and the bumGenius line, told bizjournal.com that although she does not disclose revenue, she estimated her 2010 sales, to be $15 million dollars (<http://www.bizjournals.com/stlouis/print-edition/2011/01/28/jenn-labit-owner-cotton-babies.html?page=all>, 1/28/11). This information confirms the cloth diaper market continues to grow.

## 4.1 Table: Market Analysis

## 4.2 Target Market Segment Strategy

The *Tidy Tots®* patented design bridges the gap between cloth and the disposable market segments. The innovative design incorporates the flushable liner which provides greater convenience to cloth diapering families. Moreover, *Tidy Tots* solved the problems our research and testing identified as turn offs to families choosing cloth. The *Tidy Tots* customer tends to be well educated and middle to higher income families. *Tidy Tots* 2014 sales, supports this analysis, as many customers purchased two Great Start Sets, at a value of over $650. In addition, our brisk sales from the last two New York City Baby Shows, were generated from participants with an average income of $140K.

## 4.2.1 Market Needs

**Convenience:** There is a growing demand for cloth diapering products; however, adoption is tempered by what *Tidy Tots* commonly refers to as the “ick” factor. Innovative solutions that bridge the gap between cloth and disposable diapers are needed to gain broader adoption of cloth diapers.

**Values:** Baby diaper companies must convey to all targeted markets their absolute commitment to safe, dependable and comfortable diapering solutions, while providing significant savings.

**Environment:** Environmentally friendly products are trending across all markets, and the diaper market is no different. Currently, in the disposable diapers market, there is a growing awareness of their environmental shortcomings. Those disposable brands indicating they are more natural are gaining market shares.

# 5.0 Strategy and Implementation Summary

## 5.1 SWOT Analysis

### 5.1.1 Strengths

* Utility patents are well protected.
* Trademarks safeguard *Tidy Tots®* and Flushies® brand recognition.
* *Tidy Tots* are made in the U.S.A.
* *Tidy Tots* bridges the gap between cloth and disposable allowing growth in both market segments.
* Flushies are one-third the cost of the disposable diaper, offering families considerable savings.
* Flushies are a high margin consumable product offering repeat sales for businesses.
* *Tidy Tots* eliminates the dirtiest job of scraping, spraying, and swishing dirty cloth diapers.
* *Tidy Tots* uses the highest grade materials and workmanship resulting in significant longevity.
* *Tidy Tots* are environmentally friendly.
* *The Tidy Tots* exceptional reduced leakage around the waist and legs that occurs in other cloth diapers.
* The other cloth diaper companies have copycat products that are not unique.
* *Tidy Tots* has eye catching packaging, and conveys our life style brand to consumers.

### Weaknesses

* Because of its unique design, education about the *Tidy Tots* advantage must be an essential part of the company’s marketing initiatives.
* Although a convenient alternative to other cloth diapers, *Tidy Tots* is still less convenient than disposables.
* Company growth will be limited by financing.
* Entry into the cloth diaper market by a disposable diaper leader could over shadow *Tidy Tots*, as their deep pockets, name recognition, and existing sales channels are enormous.

### 5.1.3 Opportunities

* *Tidy Tots* have high margins a competitive 8 billion dollar industry with significant ROI.
* *Tidy Tots* target market is millennial mothers who want natural products for their babies.
* *Tidy Tots* marketing plan allows for low cost entry with the advent of social media.
* *Tidy Tots* has the opportunity to convert disposable diaper consumers to cloth diapers.

### 5.1.4 Threats

* *Tidy Tots* should establish a second manufacturing facility, to ensure competitive pricing, and uninterrupted production in case of a natural disaster, such as an event like super storm Sandy.
* The disposable diaper market is dominated by Kimberly Clark and Proctor & Gamble. These companies do not have products in the cloth diaper sector as yet. Proctor & Gamble has a cloth diaper patent pending; our patent attorney indicated that this is not a threat to *Tidy Tots*, as our patents are much more innovative.

## 5.2. Competitive Edge

The three top diaper brands were developed by mothers who sewed cloth diapers to fit their child. These women copied designs from other products on the market. *Tidy Tot*s is unique in a market of copycat product lines, with two robust utility patents and one design patent. All our *Tidy Tots* diapers were tested by families with babies of all shapes and sizes.

### 5.2.1 Lifestyle

*Tidy Tots®* many patented features work cohesively to ensure a far superior cloth diaper experience. Through this innovative design; *Tidy Tots* can target a larger audience. In offering, and delivering, a Hassle Free green lifestyle, *Tidy Tots* is opening roads unavailable to other cloth diaper lines.

### 5.2.2 Components and fabrics

The patented design consists of four components with hundreds of features that work together to create unprecedented performance. The fabric of each component is essential to overall high level performance.

**Cover Fabric -** The cover fabric is made of polyurethane laminate (PUL) which is a medical grade, breathable, and water resistant textile. The breathability of PUL ensures comfort for babies while providing exceptional leakage protection.

**No Fold & Booster Fabric -** The No Fold Diapers and Boosters fabric is made of super absorbent 100 % organic blend 55% hemp and 45% cotton.

**Flushies® Fabric -** 100% natural PLA derived from cornstarch.

### 5.2.3 Product Differentiations

**Covers: *Tidy Tots* Covers Offer Unprecedented Leak Protection and Fit.**

**Flap Ours:** Our Patented flap stops leaks around the waist. It is one piece folded over and forms a pocket that guards against leaks and keeps bellies and backs dry.

**Theirs**: Cloth diapers are notorious for leaking at the waist. Some brands have introduced waist flaps, made from scrap material sewn to the main diaper, providing no increase in leak protection.

**Trim Ours:** We created and patented a manufacturing process to take the same water resistant PUL we use on our covers and sew it around the outside of the diaper. It lends a stylish look, and seals all the seams and ensures wetness is contained.

**Theirs:** Other diapers have trim that is cosmetic, made out of knit fabrics.

**Gussets Ours:** *Tidy Tots* patented gussets form an impenetrable deep wall of protection. This wall allows the natural hemp fabric time to absorb wetness further reducing leaks.

**Theirs:** Other diapers have a tendency to leak around the legs. Pressure points from active babies cause messes to squirt out. These “compression leaks” are common among all diapers, including disposables.

**Fit Ours:** Thanks to our patented gussets, *Tidy Tots* is the only diaper to have a self-fitting rise. We spent six months sourcing and testing the perfect give on our leg elastic, to keep a snug fit without leaving red marks. This allows our diapers to grow with babies and change the fit without parents needing to adjust the rise, giving a perfect fit every time.

**Theirs:** Other one-size diapers must be adjusted by parents either by rise snaps or pull tabs. Rise snaps are the most common. Rows of plastic snaps run up the front and families can only change the rise in increments of one inch. Some diapers have pull tabs around the legs in the inside of diaper, similar to a draw string. The parent releases more elastic as the baby grows. This method although still fussy, gives a better fit than rise snaps. Neither option provides an optimal fit. Parents who have babies of different ages are unable to use the same diaper for both babies without adjusting the rise.

**No Folds & Boosters: *Tidy Tots* No Fold Diapers and Boosters Offer the Most Efficient and Highest Quality Diapers with Superior Absorbency.**

**No Fold: Ours:** *Tidy Tots* No Fold diapers are sewn folded and ready for families to use. The diaper snaps into place on both ends to prevent bunching even for the most active toddler. Our diapers protect the entire inside of the cover, allowing parents to use the cover many times between washing. No Folds have a back pocket to allow families to customize the absorbency with adding Boosters. The pocket opens up in the wash and the boosters agitate out, saving families from unpleasant un-stuffing. Moreover, our modular system is trim and dries in the third of the time of most other diapers on the market.

**Theirs:** There are many types of diapers on the market. All-In-One diapers require washing after each use and the absorbency is not adjustable. All-In-Twos have a variety of absorbent inserts which tend to be bulky and take extensive time to dry.

**Boosters: Ours:** The boosters sit inside our No Fold diaper without adding bulk. Our diapers are cute and trim while adding super absorbency where and when it is needed. In addition, *Tidy Tots* dry faster than competitor diapers, saving families time and money.

**Theirs:** Other cloth diapers have limited options for extra absorbency. Families may have to stack bulky pads or stuff pocket diapers with Pre Folds. When soiled, families have the unpleasant task of un-stuffing before washing.

**Flushies® Liners: *Tidy Tots* Flushies® Deliver the Promise Of Easy Clean-Up.**

**Ours:** We designed *Tidy Tots* diapers to work with Flushies, the only diaper liner guaranteed to work. The silky soft cornstarch liner wraps around the entire No Fold diaper always keeping it clean from solids. Flushies snap into the cover with our No Fold Diaper, securing the liner in place so that there is no shifting or bunching. At changing time, simply gather up the liner and flush away the mess, saving families from scraping, spraying, and soaking diapers. We are the only diaper company that allows the use of diaper rash creams. Sometimes babies develop diaper rash from teething and new food introduction. Our Flushies protect the No Fold from the rash cream. All other diaper company warranties are voided when rash creams are used.

**Theirs:** There is no other diaper designed to work with a liner. Families who cloth diaper need to remove the solids. In trying to meet this need, cloth diaper brands have introduced a lot of products: pails for soaking, plastic sticks for scraping, and sprayers that are installed on the toilet. Diaper liners started as an add-on, their non-integrated solution has not met family needs. Their liners are small and sold separately. These rough liners sit on top of diapers and rely on friction to stay in place. The liners are ineffective and shift and bunch as babies move around. Parents still need to clean up the unpleasant mess that the liners were purchased to contain.

## 5.3 Marketing Strategy

The marketing team will promote the *Tidy Tots* brand, achievements, milestones, stories, contests, and company initiatives using all forms of social media and media relations to help educate consumers about the *Tidy Tots* brand.

### 5.3.1 Target Market

**Targeting Millennial Families**

Millennial Moms have a massive amount of purchasing power spending $170 billion in 2014.The average age of a new family in the U.S. is 26 years. Traditional ad campaigns through TV and print have little impact on Millennials. They use the Internet, online tools and social media to research, discuss, and find reviews before they purchase.

**33% Rely on Blogs to Make a Purchase** –

*Tidy Tots* has partnered with the biggest mommy and diapering blogs

**42% Want to Help Create Products -** *Tidy Tots* started working with over 100 families and has continued to engage our customers.. Our customers and fans participate in testing improvements to develop the best solution and ensure an atmosphere of family with our customers.

**62% Are Likely to be Loyal Customers if a Brand Engages Them on Social Media**- *Tidy Tots* diapers interacts with current and potential customers through social media posts on twitter, facebook, pinterest, instagram, and periscope. We continually run contests and giveaways to ensure an atmosphere of family with our customers. With the assistance of partnering blogs who also promote us through their social media we are expanding our brand awareness and growing at an exceptional rate of 10% per month.

**90% Say Reviews Are Very Influential in Purchases of Baby Products –** *Tidy Tots* has received 5 star reviews from the top diaper blogs. Family reviews on diaper sale sites and diapering support groups are also 5 stars and extremely important to our brand recognition.

**75% Say That it’s Important That a Company Gives Back – *Tidy Tots*’ mission is to give back -** All of our diapers are made ethically at a facility that supports individuals with disabilities in upstate New York. We give diapers to families in need with disabled children. We support organizations that educate families regarding the virtues of cloth with free diapers.

**Tidy Tots will make submissions for industry awards as opportunities present themselves.**

**Tidy Tots representatives will routinely speak on behalf of the company to educate consumers.**

**Tidy Tots will promote the brand at trade shows, networking events and other forums.**

### 5.4 Sales Strategy

To drive up revenue, *Tidy Tots* will initially develop multiple sales channels in the U.S. market. These channels include sales through other online stores, boutique retail stores, and upscale retail stores that offer sales support and education of our diapering system. (such as buybuy Baby)

*Tidy Tots* will develop advocate program, a network of mothers passionate about cloth diapering. The Advocates will purchase diaper sales kit and demonstrate the diapers to small groups, and attend events in their areas. Advocates will be compensated by commission.

### 5.5 Sales Forecast

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Sales Projection 2015** | | | | | | |
| Customers | Total | Blended | Gross | Blended | | Gross |
| Units | Sell Price | Sales $ | GP Rate | | Profit |
| **196** | 1,176 | $ 15.97 | $ 18,775 | $ 7.39 | | $ 8,691 |
| 2,352 | $ 6.07 | $ 14,286 | $ 2.77 | | $ 6,523 |
| 2,352 | $ 6.33 | $ 14,888 | $ 4.48 | | $ 10,537 |
| 443 | $ 11.25 | $ 4,979 | $ 5.69 | | $ 2,518 |
| **6,323** |  | **$ 52,928** |  | | **$ 28,269** |
|  |  |  |  |  | |  |
| **Sales Projection 2016** | | | | | | |
| Customers | Total | Blended | Gross | Blended | | Gross |
| Units | Sell Price | Sales $ | GP Rate | | Profit |
| **6,890** | 41,340 | $ 8.78 | $ 363,048 | $ 3.18 | | $ 131,544 |
| 82,680 | $ 3.60 | $ 297,317 | $ 1.70 | | $ 140,556 |
| 82,680 | $ 3.20 | $ 264,576 | $ 2.10 | | $ 173,628 |
| 20,113 | $ 6.00 | $ 120,637 | $ 3.60 | | $ 72,406 |
|  | **226,813** |  | **$ 1,045,578** |  | | **$ 518,134** |
|  |  |  |  |  | |  |
| **Sales Projection 2017** | | | | | | |
| Customers | Total | Blended | Gross | | Blended | Gross |
| Units | Sell Price | Sales $ | | GP Rate | Profit |
| **17,250** | 103,500 | $ 8.78 | $ 908,937 | | $ 3.18 | $ 329,337 |
| 207,000 | $ 3.60 | $ 744,372 | | $ 1.70 | $ 351,900 |
| 207,000 | $ 3.20 | $ 662,400 | | $ 2.10 | $ 434,700 |
| 122,072 | $ 6.00 | $ 732,191 | | $ 3.60 | $ 439,461 |
|  | **639,572** |  | **$ 3,047,900** | |  | **$ 1,555,398** |

**Assumptions:**

The formula is driven by marketing strategy converting to sales: TT gaining .25% to 4% of the Cloth Diaper $200 M market share over a three year period

New customers purchase 6 diaper covers, 12 No Folds and 24 Booster for 2015, due to increase in absorbency Boosters projected sales are reduced in 2016 & 2017

The formula assumes each year 50% of diapers in use from the previous year will no longer be in service

**Note:** Forecasts are conservative; no adjustment for the decreases in unit cost due to efficiencies and scaling.

# 6.0 Management Summary

Today, *Tidy Tots* consists of the CEO, Marketing and Technology Executive, and Herkimer industries. Ms. Beck oversees all the manufacturing operations at the Herkimer facility, including development of new product and improvement on existing offerings, as well as supply chain management. In addition, Ms. Beck maintains the financials, accounting and everyday tasks including customer service. Ms. Rudin, developed and is responsible for the web site function and sales, graphic design, social media strategy, implements social media campaigns, package design and wholesale web orders. Herkimer Industries manufactures all the cloth products and is the distribution center for our current product offering. It is anticipated that a Business Development executive will be hired first, followed by a marketing team.

**A Flow chart of future management team structure**

*7.0 Financial Plan*

\* Based on Sales Forecast graph 5.5

## 7.1 Projected Profit and Loss

|  |  |  |  |
| --- | --- | --- | --- |
| Profit and Loss 2015 | | | |
| Income | | | |
|  |  |  |  |
| **Revenue from sale of goods** | |  |  |
| Diaper Cover | | | $18,781 |
| No Fold Diaper | | | $14,277 |
| Boosters | | | $14,888 |
| Flushies rolls | | | $4,984 |
| **Total Revenue from Sales** | |  | **$52,930** |
|  |  |  |  |
| **Direct Expenses** | | | |
| Diaper Cover | | | $9,384 |
| No Fold Diaper | | | $7,291 |
| Boosters | | | $6,468 |
| Flushies rolls | | | $1,661 |
| **Total Direct Cost of goods sold** | | | $24,804 |
| **Gross Profit** |  |  | **$28,126** |
|  |  |  |  |
| **Gross Margin %** |  |  | **61.18%** |
| **Indirect Expenses** | | | |
| Focus groups cost | | | $2,500 |
| Marketing | | | $5,000 |
| PR | | | $5,000 |
| Trade Show | | | $20,000 |
| Travel | | | $3,000 |
| Misc. overhead | | | $10,000 |
| Patent filing fees | | | $10,000 |
| Accounting cost | | | $2,000 |
| Consultants | | | $8,000 |
| Salaries, wages & benefits | | | $26,000 |
| **Total Indirect expenses** |  |  | $91,500 |
|  |  |  |  |
| Sub Total Expenses | |  | **116,304** |
|  |  |  |  |
| ***EBIT*** |  |  | ***-63,374*** |

## 7.2 Break-Even Analysis

Table: Break-Even Analysis

|  |  |
| --- | --- |
| Monthly Units Break-even | 1,633 |
| Monthly Revenue Break-even | $13,666 |
|  |  |
| Assumptions: |  |
| Average Per-Unit Revenue | $8.37 |
| Average Per-Unit Variable Cost | $3.92 |
| Estimated Monthly Fixed Cost | $7,262 |

## 7.3 Projected Cash Flow

|  |  |
| --- | --- |
| Pro Forma Cash Flow |  |
|  | 2015 |
| Cash Received |  |
|  |  |
| Cash from Operations |  |
| Cash Sales | $52,929 |
| Subtotal Cash from Operations | $52,929 |
|  |  |
| Additional Cash Received |  |
| New Current Borrowing | $65,000 |
| Subtotal Cash Received | $117,929. |
|  |  |
| Expenditures |  |
|  |  |
| Expenditures from Operations |  |
| Cash Spending | $0 |
| Bill Payments | $111,323 |
| Subtotal Spent on Operations | $111,323 |
|  |  |
| Additional Cash Spent | $0.00 |
| Subtotal Cash Spent | $111,323 |
|  |  |
| Net Cash Flow | $6,606. |

# 

# Appendix A - Principal ’s Credentials

**Sandra C. Beck**

**Professional Experience**

**Tidy Tots LLC / WOW GREEN NOW LLC, East Greenbush, NY Oct. 09 – present**

* Founder of diaper firm that through focus groups and testing reinvented the cloth diaper including a secure flushable liner, elevating leaks, and reducing rashes the three major issues with ordinary cloth diapers.
* Two utility patents issued and one pending for a “Hassle Free Cloth Diaper” experience plus a design patent issued.

**Professional Consulting Services, East Greenbush, NY May 01 – Sept. 09**

* Client base included both public and private companies, ranging from $10mm - $500mm in revenue, industries served include: manufacturing, construction, software, distribution, retail, pharmaceuticals, renewable energy, healthcare and others
* Cost accounting system analysis, structure GL accounts for optimum analysis of individual segments and consolidations, provided detail RFP requirements and process flow charts
* SOX services including narrative development, identification of key controls, implement best practices, preparation of test plans, testing (auditing), and testing remediation

**VisionPlay LLC, Latham, NY Feb 00 – April 01**

**Director of Administration (Vatical / Game Development Division of VisionPlay)**

* Responsible for all facets of accounting department for a wholesale distribution firm including A/R, A/P, P/R, H/R, G/L, inventory, and consolidated financial statements
* Revised customer service policies to ensure prompt resolution to customers’ issues which resulted in improved customer satisfaction
* Project manager for EDI ordering system (Wal-Mart, QVC, Target, K-Mart, etc.) which automated the ordering, distribution, and billing processes resulting in drastically reduced ordering costs, significant revenue growth and established customer reliance. Wal-Mart certified warehouse capable of processing 66K orders per day
* Improved cash flow through restructured credit and collection policies and ongoing monitoring of customer accounts, as well as established more favorable banking strategies

**International Software Sales, Inc., Albany, New York Jan 82 – Jan 00**

**Founder (VisionPlay acquired ISSI in Jan 2000)**

* Founded and operated a company that wrote ERP accounting software for wholesale distribution, construction, retail and manufacturing industries
  + - These systems achieved their objectives including substantial revenue growth, reduced costs, improved cash flow, increased inventory turns and strengthened customer bond
* Largest client was a $200mm plastics manufacturing company with international operations
* Heavily exposed to cost accounting, financial statements, and worked extensively with the general ledger of various companies

**Manufacturing / Wholesale Distribution Experience**

Ms. Beck possesses comprehensive experience in designing and implementing cost accounting systems for wholesale distribution, as well as, the processing manufacturing industry. Her extensive industry knowledge includes systems analysis, establishing and documenting effective streamlined manufacturing processes, development of automated manufacturing and distribution systems, establishing integration of inventory and cost accounting systems, formula driven forecasting, lot tracking, sterile environments, product packaging, inventory management and designing financial reporting to enhance management decisions.

***Pacific Pools / Division of Cookson Group***

**Project Accomplishments and Highlights**

Ms. Beck and the company she founded, International Software Sales Inc., received industry recognition as revolutionizing the pool liner manufacturing industry. The Pool Pro Manufacturing System enabled Pacific Pools to achieve industry leadership through automating the order entry and manufacturing process. This facilitated Pacific’s growth from 3,000 liners per year to over 120,000. Ms. Beck effectively managed the five-phase development and implementation of this global integration of four manufacturing facilities, as well as, Electronic Data Interchange (EDI) of over one hundred distributors.

* + Manufacturing and production management
    - Forecasting based on current orders, raw material lead times and sales history combined with process owners ability to modify
    - Plant materials management and logistics planning
    - Liner tracking through the manufacturing process providing per process actual costs, as well as, the actual process time, employee ID and exact piece of equipment utilized
    - Automated vinyl cutting table designed to optimize layout reducing employee cost and raw material waste
  + Order Entry
    - Reduced internal order entry process from 4 hours per liner to under 10 minutes
      * Automated order entry of liner order
      * Automated CAD process reduced the designed phase of a pool liner from 3 hrs to 1.5 seconds
      * Automated confirmation of liner dimensions ordered
  + Wholesale Distribution
    - EDI order entry version designed for Pacific’s distributors
    - Enable the entry of 75 % of orders directly by distributors
      * Dramatically reduced Pacific’s order entry costs
      * Direct distributors access to inventory levels
      * Automated order entry of liner order with CAD feature
  + Financial Cost Accounting which captured actual costs, standard costs and variances
  + Financial reporting designed to aid in management’s cost analysis

# Appendix B- Overview Actual 2015

**The 2015:**

* Launch snap covers
* Launch improved No Folds and Boosters
* ABC Kids Show

**Snap Covers:** The launch of a Tidy Tots snap covers was projected for summer of 2015.It was imperative the snap cover fit was as good as our hook and loop; delivering full leak protection while providing a comfortable perfect fit. In early June focus group indicated we had a good fit. We continued to modify and test each incremental change all summer. In late August all our focus group families were excited about their perfect comfy fit and they experienced no leaks even overnight. Our innovative snap design even had a solution for droopy wings, a problem for the other snap cloth diapers on the market. Production was initiated in September.

**No Folds and Boosters:** The Launch of the 4 ply No Folds and Boosters to coincide with the launch of the snap diaper. Heavy wetter babies required one No Fold diaper and up to three boosters with our original versions of these products. Families still loved Tidy Tots diapers, writing 5 star reviews indicating it was the only diaper their child could sleep through the night with no leaks, no wet sheets or cloths. Tidy Tots designed a No Fold with 4 layers of hemp which still dried fast and was not bulky or uncomfortable. Unfortunately, cost of manufacturing had risen so much, it was higher than our selling price. We focused on reducing the three longest processes of the No Fold via redesign and efficiencies. These changes in process reduced the manufacturing cost within .20 of original cost for the improved product. The focus group families of heavy wetter’s all were able to keep baby leak free with only one No Fold and one Booster. The new improved products modular design dried in third of the time of other diapers. The new No Folds and Booster production started in late September 2015.

**ABC Kids Show Launch:** Tidy Tots had a successful launch of its’ new products at the largest baby show in the USA. The buzz at the show was “Tidy Tots has thought of everything.” A reoccurring theme in our customer on line reviews. Highlights of the show are as follows:

* Large Distributor in Canada of baby goods
  + We are engaged in negations for three of their divisions, big box, pharmacies, and grocery stores to carry our full line of products.
* Distributor of grocery stores U.S.
  + They are in negations with one of their large customers with 230 store chain to carry our products.
* Buybuybaby is evaluating our diapers.
  + Indicating they would be open to test on their web site in 2016.
* 12 new retailer joined the Tidy Tots family and orders are still rolling in.

# Appendix C - Features

