**How we make money**

To be successful, any retail business needs to have a solid profit margin that they will receive from every purchase in order to turn a profit. When we buy our shirts, we will price the shirt at a 15% markup on what we bought it for. This price markup will allow us to turn and profit and cover our operating cost. With such a low profit margin, we will be running on high volumes and low margins, as there are a lot of potential buyers in our target market, and vintage clothes are normally bought in bulk. We also plan to make money through advertising other major retailers on our sites, and by including pamphlets for their stores with every shipment. This profit cannot be accounted for in our break-even analysis, as it is not a stable source of income.

Our initial cost for starting our site is 10,000 dollars for development, 71.28 for server and database cost, 11.99 for a domain, 1908 per year for a storage locker, and 15,000 dollars for our initial stock. This puts startup cost at approximately 26991.27. This number is just an estimate, and is lowballed because we can’t accurately predict the cost of outsourcing our development, and does not account for marketing and advertising cost. To breakeven, it would take moving the entire block of our initial inventory multiple after charging the 15% markup.

If we were to buy 15,000 shirts at the beginning to stock our base inventory at 5 dollars apiece, putting the base price at 7,500 dollars. If we sold it at our markup price, we would turn a 11,250 profit per order. Assuming that we move half of that, this means that we would turn a 5,625 profit per order. It would take us 5 orders to break even, and around a year and a half to reach our breakeven point. The first three months of starting up we would see no to little profit as we are still iterating on our site design, establishing brand recognition in our market, and populating our database with materials that are suited towards our consumers.

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|  | **Break-Even Point (units) =** | **(35,988)** |  | **Break-Even Point ($'s) =** | **($179,942)** |
|  |  |  |  |  |  |
| Total Fixed Costs | TFC = | $26,991 |  |  |  |
| Variable Cost per Unit | VCU = | $5.75 |  |
| Sales Price per Unit | SPU = | $5.00 |  |

**Investment Model**

We are an income model business as we are just seeking to make an income off of the business, and not looking to make it into a major global conglomerate. Even after our five-year mark, we don’t plan on expanding into a large business. Because we are a web service, we can keep our internal employee numbers low, and will be able to scale up our profit margin and expand to other areas through branding. An income model is the most reasonable, because we aren’t selling a new product or service, rather just making a specialized, narrowed scope for a product. This means that we won’t be a huge company, and we won’t be designing any clothes like the big brand name companies. Even though this company has a lot of potential to grow, we realize that it is more appropriate to assume that it will be returning a steady income. Also, the donation aspect of our company is not for profit, and therefore resources will be going towards that could normally be driving profits up.

We have multiple avenues to receive funding if necessary to reach milestones after break-even. This includes start-up competitions and business competitions in the area, such as emerging talk, where we could compete with our business idea to receive capital. To start-up, we would bootstrap the initial cost, however, because we would have total control over the money, and less financial risk versus a loan if we were to fail. To seek guidance on managing the operations, we see ourselves most likely locating in an incubator. This would provide us with office space; take a lot of hard cost off the top. We also would get funding from angels or investors around year 3, and would be looking to form a board of directors with these investors to receive guidance as well scale up. When our service reaches the mainstream, we plan to go to the initial public offering, and begin gaining additional capital from our shareholders.