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The XXX Eyewear Collection

Business Plan

(Due to confidentiality and other considerations
The website version presents the executive summary alone
Company identifying information has been removed)

(משיקולי חיסיון ושיקולים נוספים
מוצגת באתר רק תמצית המנהלים של התכנית העסקית,
תוך הסתרת מידע מזהה על החברה)



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Chapter 1: Executive Summary

The purpose of this report is to integrate the business idea into the format of a formal business plan. This will be done by analyzing the business environment in which the business idea is to be implemented; by aiding the entrepreneur in the formation and presentation of her business outlook; and by deriving the financial plan and work budget needed to implement the business idea.

After its preparation, this business plan will assist in plotting optimal budget goals, and recruiting business partners such as suppliers, distributors and investors, etc. It is obvious that not all of those mentioned above will receive the plan in its entirety.

Below is a summary of the report. It is recommended that the entire report be read including the attached tables that are an inseparable part of this business plan.

1. The Product and Business Idea

The 'XXX' is a business idea that has been integrated by the entrepreneur over a period of time. The entrepreneur has been active in the eye care industry for 28 years, and thus she is deeply acquainted with it. In essence, the business concept exploits the design deadlock and the lack of innovation in design that has existed in the industry over a long period. The entrepreneur is using the innovation of her idea as a marketing and business lever. This topic will be discussed in greater detail later in this report.

The collection will be composed of two different sets of frames – the 'XXX' Classical Collection and the 'YYY' Youth Collection:

- The former will incorporate Western world fashion and ethnic jewel-craft native Israeli ornamentation in its design. The frames' material will be prestigious and of high quality - titanium, gold and silver items, stainless steel as well as acetate including combinations of the above. This Collection's price will be set to the elite level of eyeglasses.
- The 'YYY' Collection presents a totally innovative idea that copies body piercing to glasses frames. It will also be possible to attach different items to the frame. This idea provides an additional opportunity for personal expression.

There will be a number of proven rimshape models for men and women bearing the design concept 'signature'. This design 'signature' will be product's key differentiator from other elite eyewear models on the market. Eyewear modeling will include the handmade work of jewelers and artists of ethnic design melded with the world's most successful eye-rim shapes. The collection will also comprise less expensive models that will feature the brand style, but be produced on a regular production line basis: basic models for men and women that represent the "stamp" of both collections. The modeling of the eye shapes of these models will include the craft of goldsmiths based on the guidelines of the most successful models worldwide. Other models will bear the conception's stamp, but which can be produced on a regular production line.



As stated above, the most important advantage is that both collections introduce innovative ideas that have never been seen. Our estimate is that the planned collections perfectly satisfy a latent unsatisfied market demand has not been aware of. Thus, even small scale market entry can involve moving high volumes of product with attractive margins.

2. The Vision Care Industry

In this paper (in the Executive Summary and in Chapter 3) information on the sun ware industry is reviewed according to the following sources:

1. <http://www.optistock.com>
2. <http://www.allaboutvision.com>
3. Jobson Optical Group Data Base
4. *U. S. Optical Industry Handbook 1998*, Jobson Publishing L.L.C., 1998

Over the past decade, the U.S. vision care industry has grown steadily. Total retail sales rose from \$16.0 billion in 1999 to \$16.5 billion in 2000. Ophthalmic frames and sun wear experienced growth in both dollar sales and units sold; premium lens products and treatments generated nearly \$8.3 billion for retailers, distributors and manufacturers.

From the following in-depth description of the industry, it can be inferred that the vision industry is a multi-billion dollar business with all the hallmarks of a promising investment opportunity:

- Steady growth
- Favorable demographic trends
- Strong brand penetration
- High-margin products
- Technological advancements
- Industry consolidation
- Emerging global markets

The combined power of fashion and function is steadily driving eyeglass sales. Frame and lens volume topped \$13.3 billion in 1999, up more than 18% from 1995.

This business plan refers to the market of sunglasses as a whole, and to the market of eyeglasses without the optical lenses. According to the entrepreneur's estimation optical lenses contribute 35% of the frame and lens volume mentioned above. That is why the market share we are concerned with stands on about \$8.6 billion.



The growing popularity of advanced lens materials and high-fashion frames is boosting consumer spending on eyewear. The average retail price for a pair of eyeglasses has increased by more than 18% in the past five years to \$172 and will probably continue to rise given the emphasis on premium lenses and high-end fashion frames.

It is important to mention, at this stage, that the industry is enormous in proportion to the planned scope of activity. So the market is not expected to offer a meaningful response to the enterprise. So the initial market penetration is expected to be absorbed into the existing optical market, with an opportunity for real market share developing as the product/concept matures the optical market will absorb the initial market penetration without

3. The Business Strategy

Mapping the risks and chances of the total planned enterprises, defines the optimal way of marketing into a plan of working with several distributors on a geographic base. Initially, operating through large chains will not be permitted. After the product's penetration into the market, distribution through big chains will be considered.

The distributors' operating system will emphasize the product, the innovative idea and the penetration of the product to the market segment, which is at a state of relative vacuum, because of the lack of innovation, as aforementioned.

The factors that shape the choice of the marketing standard are:

- Penetration into a new market
- New and unknown product – risk involved
- Resource constraints of investment in advertising
- The entrepreneur does not operate the marketing system herself in US

4. The Financial Plan

The level of profitability versus costs is high in this industry, as can be read in the following chapter providing an industry overview. This situation defines an extremely high rate of return on investment. From the scope of a yearly cycle of about \$3.7 million for the first sales year, we can arrive at a gross profit of \$2.7 million. Sales costs comprise 26.7% of the cycle (see summarizing table and chart attached to the Executive Summary).

Profits after taxes (by the Israeli tax system) for the first year are expected to be \$0.5 million and will grow into \$1.3 million by the fifth year. The average annual profits after taxes stand at \$0.9 million.

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The results of several feasibility checks allow us to present the project as a profitable one. The level of enterprise profitability is high in every way of measurement, also in comparison with the rate of return in the eyewear industry, as shown in the chapter of Vision Care Industry Overview.

5. Notes

To prepare this report, we met the entrepreneur and were given information and material about the planned enterprise, just as this plan expresses.

All the data used in this business plan is shown in U.S. dollars, fixed prices and before VAT, if not indicated otherwise.

In the industry overview chapter, we tried to show up-to-date data. These were not found for each and every need of the plan, which is why some of the information is not completely revised. However, the data given in this business plan reflects the industry's activity to a satisfactory level for purposes of preparing and writing this business plan.