ENDANGERED APPAREL

Business Plan

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1. Executive Summary

Endangered Apparel is a premium t-shirt brand that donates £5 of every sale to endangered animal protection organisations. Endangered animals are incorporated into product designs and branding to help educate as well as promote the brands focus.

2. The Business and its Management

2.1 Mission

To use fashion as vehicle to educate, and contribute to building a future wherein people live harmoniously with nature.

2.2 Objectives

Short Term:

- Apply for a UK trademark for the business name and logo by the end of year one.

  Obtaining trademarks is important as firms that have trademarks for brand names and logos can have a significant competitive advantage (Lemper, 2012). A trademark application can cost up to £200 (depending on the type of application used)(GOV.UK, 2018).

- Generate £2000 through crowdfunding within the first month of trading

  Crowdfunding page will go live on the first day of trading, the crowdfunding will be used to boost initial sales, (Crowdfunder, 2018;Rasmussen and Tanev 2016).

- Donate £5 from every sale in year one.

Long Term:

- Break even by the end of year two
- Donate £5000 to animal conservation organisations by the end of year 2.

Ethical objectives are a core part of how a social enterprise will achieve its mission (SEUK, 2012). They are characterised by obtaining the majority of their funding from trading whilst also re-investing or giving away most of the profits generated (SEUK, 2012).
Revenue donations will be made initially to the WWF as this is one of the most recognisable conservation charities in the UK (Charity Choice, 2018) and so the most likely to motivate purchase.

2.3 The Management Team

Specifically as an online business digital marketing skills will be essential in the success of the business; with the owner undertaking a digital marketing master qualification these skills will be present in the management team (As well as having some previous experience with running an online business). The owner is also competent enough with graphic design for the current needs of the business but more specialised staff will be required as the business grows.

2.4 Legal structure

Endangered Apparel will operate initially as a sole trader keeping the start-up as simple as possible (Stokes and Wilson, 2006). This allows the owner to have full control of the business during its first

few years, until the business grows to the size in which an incorporated structure would yield more benefits (Stokes and Wilson, 2006). See appendix 3.

3. The Product

3.1 Readiness for market
The designs have been completed and quotes have been received from suppliers, funding just needs to become available to order and print shirts for the starting inventory. This would take one month and during this time a website will be set up and linked to the business' social media accounts so sales can commence as soon as stock arrives.

3.2 Product Features and Benefits
Garments used for printing will be the EP10 Earth Positive t-shirt provided by Continental Clothing, made of 100% Fairtrade combed cotton and weighing roughly grams (Continental Clothing, 2018a). The initial product range will offer two designs each in three different colours, making a total of six unique products (Shee appendix 1). The price of each shirt will be £30 which includes a £5 donation to the WWF as it is the most recognised conservation organisation in the UK (WWF,2018). There is scope to create product lines for specific animal causes, adding to product differentiation and the creation of creative story telling within our marketing to drive consumer purchases. Every purchase comes with a 14 day refund guarantee (Guarantees and Returns, 2018)

3.3 Comparison with Competition
Appendix 4.3 shows a product comparison with each of Endangered Apparels main direct competitors. Varying product comparison scores for each of the product attributes are characteristic of the heavy differentiation strategies present (Porter, 1980). Endangered Apparel's products stand out in the ethics category, but lack in range and quality (See appendix 4.3).

3.4 Product Life Cycle
This is an essential phenomenon in marketing as the level and growth of sales changes dramatically across each stage, Endangered Apparel need to recognise each stage and its changes to plan appropriate action (Golder and Tellis, 2004). See appendix 2 for a visual representation of the life cycle stages and the product attributes associated with each.

4. Market and Competitors
157 survey responses have been used to aid micro-level market assessment alongside secondary research. A survey was used due to the autonomy and speed at which results can be collected (**See** appendix 5 for a critique of some of the main primary research methods). Qualtrics has been used to design and conduct the survey which has allowed for the automation of replies and analysis.

4.1 Customer Needs
There needs to be a prioritisation on customer service and returns options as these factors, if not delivered to a satisfactory standard, creates the highest amount of dissatisfaction amongst consumers (Sender, 2017b). Despite high satisfaction in other factors such as delivery options and

payment process' there is still a need to continue to invest in these areas and adapt with new innovations in order to remain competitive (Sender, 2017b).

4.2 Market Segments, Size and Growth

Segmenting the market creates segments where the consumers have similar characteristics and so marketing mixes can be developed to more effectively meet their needs (Jobber, 2003).

4.2.1 Millennials

Millennials are loosely defined as the cohort born between 1979 and 1999 (Currently ages, 18-35) (Shugerman, 2018), they are one of biggest purchasers of online fashion with 81% of Millennials buying online fashion items in 2017. 44% of millennials would like to see more eco-friendly fabrics compared with just 34% of generation X (Saner 2017). We can estimate that 27.5% of millennials shop online and want to see the use of more eco-friendly fabrics (81%x34%). According to Statista (2018) the UK has a millennial population of 11.2 million allowing us to estimate there is currently a millennial market size for eco-friendly fashion sold online of 3.08 million (11.2Mx27.5%). Primary research also showed Millennials to be the most likely to be motivated to purchase from a brand that donates profits to help protect endangered animals, see appendix 6.

4.2.2 Women Aged 16-24

This age group is the main buyer of online fashion with 85% buying fashion online overtaking women aged 25-34 as the main drivers of online fashion (Sender, 2017b). 45% of women within this age group buy most of their fashion online (Sender, 2017b) compared with 30% of women in 2011 (Sender, 2011). This age group has the highest propensity of all female age groups to shop mostly online.

4.2.3 Men Under 25

While women are more likely than men to shop online there is growth in the uptake of online fashion by men, with 65% buying online fashion in 2014 a 13 percentage point increase from 2014 (Sender, 2014). This has now reduced to 60% in 2017 however 25% of all men under 25 now buy all of their fashion items online (Sender, 2017b) compared with 25% only buying more online than instore in 2014(Sender, 2014). This makes them more than twice as likely as women to buy all of their fashion online (Sender, 2017b).

4.3 Market Projections

Sales in the online fashion market have risen year on year since 2012, growing from £8,072m in 2012 to £13,805m in 2013 consistent growth showcasing this as a high potential market. This growth has slowed from a high of 19% in 2012 to 17.2% in 2017 (Sender, 2017). Online fashion sales of clothing and footwear now account for 24% of total fashion spend in 2017, up 7% from 2013 (Sender, 2017b). Consumers propensity to shop more online than instore has grown drastically from 15% in 2011, (Sender, 2011) to 38% in 2017 (Sender, 2017).

4.4 Trend Analysis
4.4.1 Use of Smartphones

Steady growth in recent years has been made possible with the ease of purchasing via mobile one of the key drivers, 32% of online shoppers are now using smartphones to buy fashion (Sender, 2017b). This is a big leap from 13% in 2014 (Sender, 2014). Although desktop and laptop are still the most popular ways to shop online (And there has been no recent change in this usage) it is expected the use of smartphones and tablets to shop online will continue to increase. Millennials are the biggest users of smartphones for online fashion purchases with 45% doing so (Sender, 2017b).

4.4.2 Social Media

Usage of social media is on the rise with opening the way for brands to give these channels a more central role in marketing campaigns, over 56% of social media users now like/follow brands on social media (Sender, 2017b). Instagram and Snapchat are seeing the highest level of growth due to the heavy focus on image sharing and their compatibility with smartphones (Sender, 2017b). Primary research shows that Instagram and Facebook see the most interaction between consumers and brand, Instagram is most popular with younger audiences with Facebook most popular amongst older generations (Sender, 2017b). There has been an increase in the uptake of social media as a communication channel to deal with customer service and has been positively received by consumers (Sender, 2017b).

4.3.3 Pureplays

Online-only retailers have also began to outperform multichannel retailers, with pureplays seeing rising sales as consumer trust in online retailers grows along with the development of the online shopping experience by online retailers(Sender, 2017a). 59% of online fashion shoppers have bought from online pureplays in the last 12 months (from June 2017), while 54% shopped online from mid-priced high street fashion retailers (Sender, 2017a).

4.3.4 Organic Fabrics

There is a shift in ethical purchasing from Fairtrade to organic clothing, in 2015 Fairtrade clothing sales almost halved while organic clothes saw a growth in sales by 16% (Ethical Consumer, 2016). Organic clothes outsold Fairtrade in 2014 and 2015 with a 3:1 ratio in 2015 showcasing how the subject of organic materials is becoming a more important factor for ethical consumers over Fairtrade. The market share of organic clothing has been growing steadily since 2009 despite the faltering of Fairtrade clothing during this time (Ethical Consumer, 2017).

4.5 Competitor Analysis
Direct competitors were identified as ethical fashion brands that use the internet as their main sales channel and have a significant social media presence. Appendix 4 shows competitor profiles and a competitor array for each Endangered Apparels four main competitors. The weighted scores from this analysis are as follows:

People Tree: 8.5 (USP: Overall Ethics)
Thought Clothing: 8.3 (USP: Sustainable fabrics)
Mayamiko: 8.2 (USP: Artisan produced)
Gather & See: 8 (USP: Designer ethical clothing)
Endangered Apparel: 7.9 (USP: Support of endangered animals)

The rating for Endangered Apparel is based off of the business at launch. Supply chain management and product quality are the lacking areas that need to be improved to compete on a similar level to the rest of the competition.

5. Competitive Business Strategy

5.1 Suppliers Costs
Endangered Apparel at launch will have two suppliers, Continental Clothing Co. and Wild Thang, see appendix 7.

5.2 Pricing Policy
A premium pricing strategy will be used, due to the (brand with this ethical focus) propensity for ethical shoppers to pay a premium price (Hopping, 2017a; Ethical Fashion Forum, 2018). The starting project range will be charged at £30 this is based on the pricing of similar products from competitors as well as primary market research (Thought Clothing, 2018b; Mayamiko, 2018).

5.3 Advertising and Promotional Plan
5.3.1 Objectives

- Acquire 5000 Instagram followers by the end of year 1
- Generate 10,000 website visits by the end of year 1
- Reduce conversion cost by 50% by the end of year 2

As an online pure-play all marketing will be based through t over social media, between Facebook and Instagram due to the trends mentioned in sections 4.2 to 4.4.

5.3.2 Activities

Posting regularly and at the right time on Instagram is key to building the page and driving engagement (Ward, 2017).It's important for a page to have a theme/identity to grow a large following (Ward, 2017), as such posts will be centred on telling the story of the endangered animals supported by the brand matching the business' mission. This will site will be key for exposure to each of our segments but ads will be tailored specifically to each segment within the platform. Paid ads will be used via Facebook and Instagram to drive followers to the Instagram page. Website visits will be driven through Facebook and Instagram ads, this could cost between £5,000 and £30,000 depending on the conversion rate (Instagram, 2018). Reducing conversion cost by 50% will help to bring this number closer to the minimum required budget. Ads are shown based on an auction system; the more value an advert creates for a consumer the more likely it is to be shown and so the less it costs per conversion (Facebook, 2018). See advertising in appendix 10.1.

5.3.3 Distribution Channels

Main distribution channels will be web and social media. The website will be hosted on Wix (2018) as it has good e-commerce features but more importantly allows for easy creation of a stylish website that matches the brand image. 32% of online shoppers are interested in purchasing directly on social media (Sender, 2017b). It is also an important channel in dealing with customer service, especially that of the male segment as men are almost twice as likely than women to use a retailers

social media to deal with issues (Sender, 2014). It is also worth noticing that to drive sales from millennials it is essential to use sales channels that are compatible with smartphones, (See section 4.4.1). Further appropriateness of distribution channel is shown throughout section 4.

5.4 Market Share Projection

(Revenue/Total Market sales) x 100= Market Share% (Jobber, 2003)

Year One Market Share: 0.5%
Year Two Market Share: 1.1%
Based on a market value of £29 Million (Ethical Consumer, 2017).

5.5 Factors Affecting Strategy

This section is based on the analysis in appendices 8, 9 and 10.

Saturation of the industry requires differentiation strategies in order to be successful, with price leadership being impossible for anyone other than industry leaders (Poster 1980; IBIS World, 2017). The high threat of entry in the industry also drives the need for legal protection of the brand (Trademarks) to defend against copycat brands (WARC, 2017). Trends mentioned in section 4.4 have driven the need for an online based marketing and sales strategy, as have the opportunities shown in appendix 9.

6. Operations

6.1 Staffing Requirements

Endangered Apparel will be able to run optimally with the owner as the only employee. Numerous successful apparel brands run with this staffing level using similar distribution channel, 'Stuff of Kings' , 'Illustrajon' and 'Ever forward Apparel' to name a few (Ever Forward Apparel, 2018; Kelly,2018; Illustrajon, 2018).

6.2 Quality Control of Products

Quality control is product orientated; quality control will fall under product inspection to ensure suppliers meet the required standards (Promotional Products Association, 2017). Garments will be inspected following the ISO 2859-1 sampling procedures for product inspection, as it has procedures for low as well as high volumes (ISO 1989). This will aim to keep returns below a 5% threshold (Stock et al, 2006).

7 Forecasts and Financial Data

See appendix 10 for full accounts, forecasts and ratio analysis.

7.1 Ratio Analysis
7.1.1 Gross Profit Margin

Year One= 60%
Year Two= 60%

Change= 0%

This is above the industry average of 47% and so no change is good change, however it could be increased by reducing cost per unit, either through larger buying or manufacturing (Based on brick and mortar stores, online figures are unavailable) (Ahmed, 2016).

7.1.2 Net Profit Margin

Year One= 19%
Year Two= 24%
Change= +26%

Net profit increases due to higher revenue growth than fixed costs growth, this is still well above industry average of 7.6% (Based on brick and mortar stores, online figures are unavailable) (Ahmed, 2016).

7.1.3 Operating Profit Margin

Year One=4.8
Year Two=8.3
Change= +73%

Operating profit margin increased due to the high increase in revenue, and no change in gross profit margin.

7.1.4 Mark Up

Year One: 196%
Year Two: 188%
Change: -4%

A small decrease has occurred due to there being no change in gross profit margin but an increase in stock level, this will return to normal in year 3 as sales increase but is also an indicator stock levels should be reduced (Jetty and Wallace, 2005).

7.1.5 Current Ratio

Year One: 1.8:1
Year Two: 3.9:1
Change: 110%

Year two has roughly twice as many current assets with only a small increase in liabilities due to VAT as no new external finance is needed. Ratios above 3 begin to suggest that assets are being used inefficiently although 3.9 isn't cause for concern (Alhabeeb, 2015)

7.1.6 Acid Test Ratio

Year One: 1.17:1
Year Two: 0.9:1
Change: -23%

The large decrease is due to the increase in inventory levels in year two, which are subtracted from current assets in this ratio, the ratio should increase in year 3 once sales catch up with the new stock level. Otherwise inventory will be decreased (Drury, 2015).

7.1.7 Inventory Turnover

Year One: 12.2
Year Two: 10.3
Change: -15%

Inventory turnover has reduced in year two due to the increase in inventory level, with costs of goods sold staying consistent; this will reduce as sales increase (Jetty and Wallace, 2007).

7.1.8 Inventory Holding Period

Year One: 0.9
Year Two: 1.16
Change: +29%

Inventory depletion slows in year two due to increased inventory level this high level of inventory is necessary to defend against unforeseen changes in demand (Collis et al 2012).

7.1.9 Advertising to Sales Ratio

Year One: 0.31
Year Two: 0.25
Change: -19%

Conversion cost is expected to decrease, decreasing the cost per sale from advertising the lower this ratio decreases the more efficient promotional activities are (Facebook, 2018b; Instagram, 2018; Jobber, 2003).

7.1.10 Gearing Ratio

Year One: 12%
Year Two: 5.4%
Change: -55%

The paying off of initial business loans and lack of additional finance creates a huge decrease in the gearing ratio, this will most lilkely be kept low unless additional finance is required for expansion (Colli et al, 2012).

7.1 Sales Forecast

Sales are expected to grow over the forecasted period as the business grows and promotions increase; however there are a number of fluctuations to sales through the year that should be considered. First month sales are boosted due to the use of a crowdfunding campaign to drive additional sales (Crowdfunder, 2018). T-shirts are a seasonal item and will see higher sales in spring and summer over winter (Thomassey, 2014). However November, December and January sales are boosted by discount events such as 'Cyber Monday/Black Friday' and 'January Sales' (Butler 2017; Weinswig, 2017;)

7.2 Cash Flow Forecast

Advertising and drawings are the main fluctuations within the cash flow each linked to sales. Advertising fluctuates to drive sales based on Instagram and Facebook marketing techniques (Facebook, 2018; Instagram 2018) where-as drawings change with sales, as they also include the £5 donations from each sale. Net cash flow is negative during September, October and November of year 1 due to the predicted seasonal decrease in sales (Thomassey, 2014).

7.3 Projected Profit and Loss Account

Higher growth in gross profit over fixed costs creates a 136% increase in net profit margin. See appendix 10.2.

7.4 Projected Balance Sheet

See appendix 10.3.

7.5 Break Even Analysis

Break Even point= Fixed Costs/Contribution

1,187 Units=24,703/20.8

Break-even point would therefore be reached in the fourth month (August) of year one, exceeding the break-even objective

7.6 Assumptions Underpinning Forecasts

Sales are assumed to match a 10% conversion rate from social media promotions based on the lowest estimated reach for the monthly budget (3,000 from a £3,000 budget), this conversion cost is expected to decrease by 50%over this two year period (Instagram, 2018). It is also expected there will be seasonal changes in sales with 30% decrease in winter months (Thomassey, 2014) but this will be boosted by 20% increases in sales due to January and Black Friday sales but this will require a slight decrease in selling price to remain competitive (Butler 2017; Weinswig, 2017; Gritt, 2018).

7.7 Sensitivity Analysis

A sensitivity analysis works out the response of a system from particular stimuli, in this case it would work out how a change in sales would affect ratio analysis and other financial data (Andre, 2010). It

is important for a business to undertake a sensitivity analysis in order to prepare for potential scenarios (Beckman and Rosenfield, 2007).

7.8 Financing Requirements

£8,000 will be raised as start-up capital, (see appendix 10.2). The grant will be obtained through LJMU's centre for entrepreneurship and the loan from Natwest (LJMU, 2018; Natwest 2018). Crowdfunding is a good option for business'/projects that are attached to a larger cause (Crowdfunder, 2018). This makes crowdfunding a viable option for generating initial sales funding for a social enterprise (Crowdfunder, 2018).

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Appendix 1: Product Portfolio

Design 1:

Design 2:

The t-shirts provided come with a number of ethical features that are advantageous in the ethical fashion market. Continental Clothing are a member of the Fair Wear Foundation (FWF) which ensures that members implement a code of labour practice along their supply chain and monitors audits to confirm compliance (Fair Wear Foundation, 2018). The t-shirts also meet the Global Organic Textile Standard, the worldwide leading textile processing standard for organic fibres, which includes both social and ecological criteria and is verified by independent certification of the entire supply chain (Global Organic Textile Standard International Working Group, 2014). Consumers will be able to purchase these products in the knowledge that they have had minimal negative environmental and social impacts in addition to their purchase contributing to protecting endangered animals. Endangered Apparel will be the first UK based fashion brand that donates a percentage of every purchase to help protect endangered animals and this is our main differential benefit.

Endangered Apparel's logo reflects both the need for and success of conservation efforts. Through the use of conservation efforts The Southern White Rhino was brought back from the brink of extinction, from numbers as low as 20 to now over 20,000 (IUCN, 2018b). As such it is a fitting mascot for the brand.

Design 2 is made using the same colour scheme as that of the IUCN's critically endangered market, which helps to reflect the brands mission of protecting endangered animals (IUCN, 2018a). the critically endangered rating emphasises the need for urgent action, but that a difference can still be made (IUCN, 2018a).

Appendix 2: Product Life Cycle

	Market Development	Growth	Maturity	Decline
Characteristics	When a new product is brought to market before there is a proven demand, sales are low and have slow growth (Levitt, 1965).	Demand accelerates as market size expands rapidly (Levitt, 1965).	Demand growth reduces and the size of the market remains largely stable (Levitt, 1965).	Product loses consumer appeal and sales decrease as market size decreases(Levitt, 1965).

The cotton t-shirt as a product is a well-established fashion item and fits within the maturity stage, however ethically produced organic t-shirts can be argued to still be moving through latter levels of the growth stage. By changing the production process of the product a slightly new market can be targeted extending the life cycle of the product (Levitt, 1965), as only 58% of consumers are calling for more environmentally friendly fashion products there is still decent room for growth of the market for this product (Sender, 2017a). A Boston matrix can be developed once the business starts trading to identify where investment should be focused in the product portfolio, it is unclear before trading starts as to where each product will fit into the matrix as the design is the only differentiating factor is design (Konečný, and Zinecker, 2015).
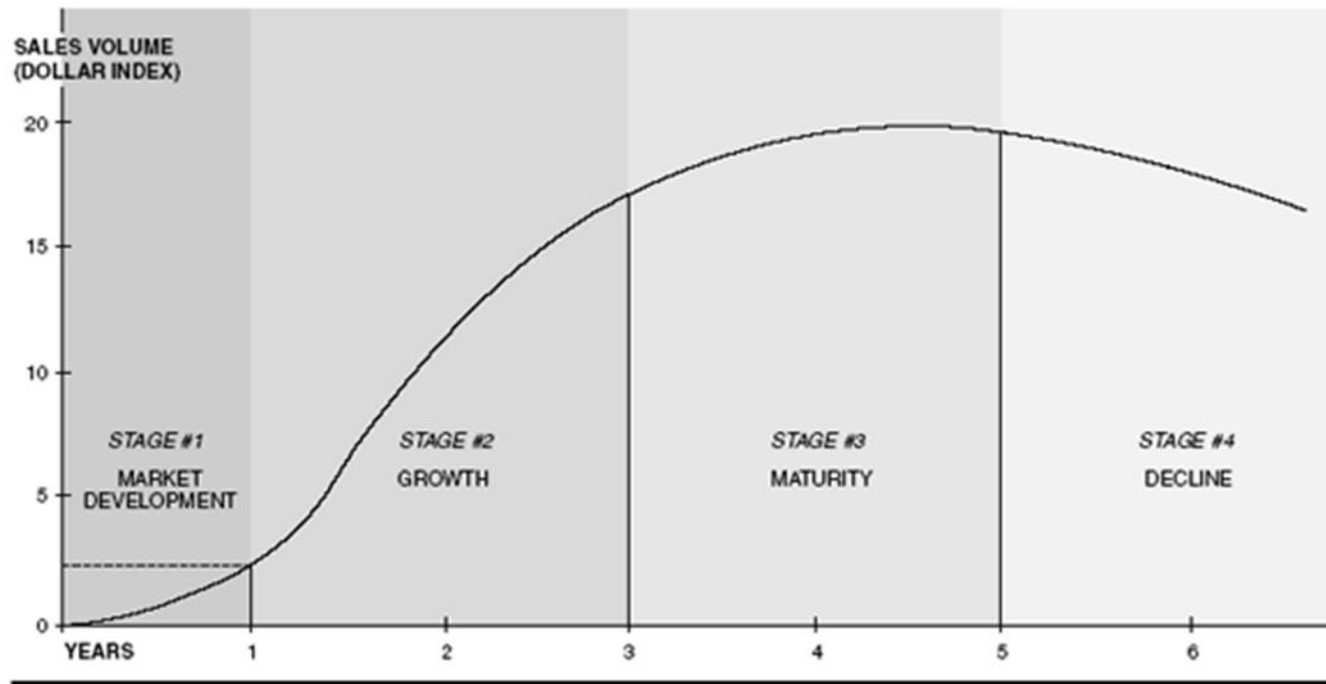
Source: Levitt (1965)

Appendix 3: Legal Structures

Categories	Company	Sole trader	Partnership
Liabilities	Limited Liability	Unlimited Liability	Liability extends to business debt of other partners
Records and accounts	Legal accounting and audit requirements.	No accounting requirements and records not available to the public	No accounting requirements and records not available to the public
Setting up	Formal registration required	No formalities except owners registration as self-employed	Same as sole trader but partnership agreement is advised
Raising Money	Lots of options including equity investment	Overdrafts or loans	Overdrafts, loans or new partner investments
Selling up	Can sell part or all shares	Can only sell assets	Same as sole trader
Status	Possible higher perceived status	Possible lower perceived status	Same as sole trader
Tax, National Insurance and pensions	Employee status PAYE, high National Insurance, but full benefits. Unlimited company contributions on pension. Corporation Tax on company profits. Losses retained n company.	Insurance cheaper but fewer benefits. Tax-deductible pension's contributions restricted. Losses can be offset against tax on other income.	Same as sole trader
Source: Stokes and Wilson (2006)			

Appendix 4: Competitor Analysis

Appendix 4.1: Competitor Profiles

People Tree	Thought Clothing
People Tree Based in: London & Tokyo Product Range: Women's, Baby, Accessories and Jewellery Price Range: ££ Focus: Overall sustainability Instagram: 73.9k Followers @peopletreeuk Facebook: 71.4k Likes @PeopleTreeUK Twitter: 34kFollowers @PeopleTree People Tree is considered one UK's pioneering ethical fashion brands. They partner with Fair Trade artisans and farmers throughout their supply chain whilst also having product lines that make use of organic cotton and biodegradable (*35 Fair Trade & Ethical Clothing Brands betting Against Fast Fashion* , 2017). People Tree have been winning various awards since 2005 some of their most recent being the CSR Award at Draper Awards 2017 (Draper Awards, 2018) and the Ethical Business Award at the Better Society Awards 2015 (Charity Times, 2015). People Tree were also given the Best Award for supply chain management by ethical consumer 2014 (Ethical Consumer, 2014).	**Thought Clothing** Based in: London Product Range: Women's, Men's and Accessories Price Range: ££ Focus: Sustainable fabrics Instagram: 24.4k Followers @thoughtclothing Facebook: 24.9k Likes @thoughtclothing Twitter: 8.6k Followers @wearethought Thought Clothing aims to have a minimal impact on the environment during the production of its garments and focus' on natural and sustainable fabrics to do so, this includes the use of hemp, bamboo organic cotton and recycled polyester (Thought Clothing, 2018a). They are also a founding partner of Ethical Fashion Forum and a member of its fellowship 500 which aims to bring together 500 innovators who are dedicated to working towards sustainability in the fashion industry (Ethical Fashion Forum, 2018). There is also effort made to reduce negative social impacts of Thought Clothing's supply chain, employers must adopt best available practice as provided by the All-China Federation of Trade Unions (ACFTU).

Mayamiko

Based: UK

Product Range: Women's and Accessories

Price Range: ££

Focus: Ethical trade artisan clothing

Instagram: 5.2k Followers @mayamikodesigned
Facebook: 17k Likes @MayamikoTheLabel
Twitter: 2.4 @Mayamiko_

Mayamiko works directly with artisans in Malawi to produce their clothing and sources textiles locally with through a cooperative of women traders to source exclusive points (Mayamiko, 2018a). Garments are made on demand so as to prevent wasted fabric from over-production; they are also hand-made meaning fabric and colour imperfections occur which adds to the uniqueness of the product (Mayamiko, 2018a). Mayamiko has also partnered with Cotonea in northern Uganda for its organic cotton production for use alongside the textiles (Mayamiko, 2018b). Mayamiko also runs a number of environmental initiatives such as their zero waste police designed to minimise waste from fabrics and to use any waste from fabrics to create new products (Mayamiko, 2018c). Their Malawi workshop also takes advantage of the local weather using solar energy as its main power supply (Mayamiko, 2018c).

Gather & See

Based in: UK

Product Range: Women's and Accessories

Price Range: £££

Focus: Designer ethical brands

Instagram: 10.5k Followers @gatherandsee
Facebook: 2.7k Followers @gatherandsee
Twitter: 3k Followers @Gather See

Gather & See is a one stop online shop for a number of sustainable fashion brands and designers. The focus is heavily on designer fashion items with the ethos that there shouldn't have to be a compromise between style and sustainability both socially and environmentally (Gather & See, 2016). For brand to be featured they have to meet at least two of Gather & See's five founding philosophies (Gather and See, 2016) these being:

- Fair Trade
- Organic
- Eco-Friendly
- Small Scale Production
- Heritage

Appendix 4.2: Competitor Array

Key Industry Success Factors	Weighting	People Tree Rating	People Tree Weighted	Thought Clothing Rating	Thought Clothing Weighted	Mayamiko Rating	Mayamiko Weighted	Gather & See Rating	Gather and see Weighted	Endangered Apparel	Endangered Apparel Weighted
Ethics/Sustainability	.4	9	3.6	8	3.2	8	3.2	7	2.8	10	4
Product Quality	.3	7	2.1	9	2.7	9	2.7	10	3	7	2.1
Brand Management	.2	10	2	8	1.6	7	1.4	8	1.6	7	1.4
Supply Chain Management	.1	8	0.8	8	0.8	9	0.9	6	0.6	6	0.6
Total	**1**	**34**	**8.5**	**33**	**8.3**	**33**	**8.2**	**30**	**8**	**30**	**8.1**

Justifications:

Competitors: Direct competitors have been categorised as online ethical fashion brands, based in the UK that use social media as a main marketing channel.

Ethics/Philanthropy: The ethical fashion industry is based on creating ethical fashion design, production retail and purchasing and as such ethics/sustainability are the key issue within the industry (Ethical Fashion Forum, 2018).

Product Quality: Product quality is cited as the main reason for people returning fashion products bought online, so is an important factor in any branch of the online fashion industry (Sender, 2017). It therefore is the second most important aspect in this industry next to ethics.

Brand Management: There is strong evidence that premium brand image creates high satisfaction and pride in users and encourages recommendations as a result, showing how proper brand management is another key success factor(Hopping, 2017).

Supply Chain Management: This is a predecessor to ethics and sustainability without good supply chain management there is a risk to the long term success of the business' ethics /sustainability (Martinez-Jurado and Moyano-Fuentes, 2014)

http://www.thegoodtrade.com/features/fair-trade-clothing

Appendix 4.3: Product Comparison

Product Attributes:	People Tree	Thought Clothing	Mayamiko	Gather & See	Total	Legend	
Product Design + Appearance	3	-1	2	-3	1	**Much Better**	5
Product Quality	1	0	0	-4	-3	**Better**	2/3/4
Product Range	-4	-2	-1	-5	-12	**Same**	-1/0/1
Availability/Distribution	-3	1	5	-2	1	**Worse**	-2/-3/-4
Brand Image	-1	1	-1	4	3	**Much Worse**	-5
Ethics	-1	2	-1	5	5		
Sustainability	1	0	0	4	5		
Total	-3	1	4	-1			

Endangered Apparel's launch products are the focus point of the analysis, for example where an attribute is rated 5 this would mean Endangered Apparel is much better in this attribute.

At launch the product analysis shows Endangered Apparel would be able to compete at a similar level to Mayamiko and Thought Clothing, however larger economies of scale would be required to compete with Gather & See and People Tree. Endangered Apparel was significantly lacking against these two competitors particularly in product range and availability/distribution. Endangered Apparel ranked similar or better in the ethics category but this is where our products main difference is found, with the product donations falling under this category. The aim is to have a similar level of ethics and sustainability (e.g. use of organic fabrics and fair wages throughout the supply chain) with the product donations creating an additional feature within the ethics category for the consumer. Provided product design is at competitive level additional ethical features can drive sales (Ethical Fashion Forum, 2011).

Appendix 5: Critique of Primary Research Methods

Method	Advantages	Disadvantages
Focus Group	- Allows direct feedback on the product - Can test how the product works in a practical situation	- Can be hard to find participants due to time constraints - Results difficult to interpret - Subject to date distortion by dominant person in group (Mullins, 2013) - Small sample sizes make it hard to generalise data to larger populations (Mullins, 2013)
Interviews	Encourages participants to tell you things you may not of asked or do not know to ask (Mullins, 2013)	- Can be hard to find participants due to time constraints - Delivery of questions becomes a factor to consider in avoiding answer bias (Body language, voice tone etc.) (Mullins, 2013). - Very time consuming
Survey	- Quick participant completion - Can compare different product attributes (Mullins, 2013) - Can measure responses on a quantative scale (Mullins, 2013). - Can compare the responses of demographically different respondents (Mullins, 2013) - Use of internet distribution allows for automated responses (Jobber, 2003)	- Big reliance on closed questions - Uses historical data

Appendix 6: Key Primary Research Findings

How old are you?		Would you be encouraged to purchase from a T-shirt brand that donated profits to help protect end...			
		Yes	Maybe	No	Total
	Under 18	0	0	0	0
	18 - 21	40	13	5	58
	22-25	8	3	0	11
	26-30	7	4	1	12
	31-34	3	3	0	6
	35 and over	28	34	4	66
	Total	86	57	10	153

Cross Tab 1: Age Vs Would you be encouraged to purchase from a T-shirt brand that donated profits to help protect endangered animals?

The 18-21 age range in the study showed the most motivation to purchase from a brand that donates profits to help protect endangered animals. This is a significant portion of the millennial cohort who are the biggest spenders on brands that support ethical causes, with Jones (2012) calling millennials the most socially responsible generation (Wheeler, 2017; Jones 20112).

On which social media sites do you have the most interaction with clothing brands, stores or designe		How old are you?						
		Under 18	18 - 21	22-25	26-30	31-34	35 and over	Total
	Facebook	0	12	2	7	5	21	47
	Instagram	0	37	5	7	3	9	61
	Snapchat	0	5	1	1	1	1	9
	Twitter	0	5	1	0	1	2	9
	Other	0	0	1	0	0	4	5
	Total	0	38	6	7	5	25	81

Cross Tab 2: On which social media sites do you have the most interaction with clothing brands, stores or designers? Vs Age

Recognise the correlation between age and social media sites used is a key aspect of targeting social media marketing to each market segment, see section 4.

Garment Supplier: Continental Clothing (2018)		
Unit Quantity (Code: EP10)	Cost Per Unit (£)	Total Cost (£)
1+	4.25	4.25
10+	3.20	32
80+	2.75	220

Printing Supplier: Wild Thang (2018b)		
Unit Quantity	Unit Price (£)	Total Cost (£)
10	2.75	27.5
25	2.00	50
50	1.45	72.50

The above table shows the price listings to purchase the blank garments from Continental Clothing. They are a wholesaler of the product but do have manufacturing capabilities that can be used for purchases of at least 1500 units (Continental Clothing 2018b). The use of this supplier is important in building an ethical foundation for the brand as this encompasses the entire supply chain of the finished product. Continental Clothing has a number of ethical initiatives that align with our brands mission, these include a social responsibility initiative, and sustainable manufacturing process' and a carbon footprint reduction initiative with all Earth Positive products carrying the "Climate Neutral" registered mark (Continental Clothing, 2018c). All of their garments are also designed to be suitable for screen-printing and all ink types, which is essential as the next stage of product production will require screen printing (Continental Clothing, 2018c). Wild Thang has been selected as the screen printer for two reasons. Firstly its close proximity to where the business will be operated from (Liverpool) which saves on delivery costs and time whilst also allowing for a closer relationship, which will be important for supply chain management (Wild Thang, 2018a). Secondly is for their low spoil rate, Wild Thang has a 6% spoil tolerance up to 200 unit and 3% over this however, they currently maintain a spoil rate below 1% (Wild Thang, 2018b). They are also proven to be an efficient and reliable business holding ISO 9001 Quality, ISO 140001 environmental accreditation as well as being members of Promota and BPMA (Wild Thang, 2018c).Wild Thang would also require a one-time screen set up fee of £15 that will have to be included in the initial product order.

Appendix 8: Porters Five Forces Analysis of the UK Clothing Retail Industry

Industry SIC code: 46160

Industry Description: Agents involved in the sale of textiles, clothing, fur, footwear and leather goods.

Whether a specific factor is considered favourable or unfavourable is from the perspective of a potential new entrant to the industry.

Threat of Entry- **High**

'Determines the likelihood that new firms will enter an industry and compete away the value' Porter (1985, page 9).

Threat of Entry is High When	High or Low for Focal Industry?	Justification	Favourable or Unfavourable?
Economies of scale are low	Low	Industry part of the tertiary sector	Favourable
Product differentiation is low	High	Lots of different product styles/designs/fits produced by the industry	Unfavourable
Capital requirements are low	Low	Next to no fixed assets required for start-up	Favourable
Companies control of distribution channel is low	Low	Multitude of distribution channels available	Favourable
Companies level of propriety knowledge is low	Low	Not a great deal of technical knowledge required	Favourable
Companies' control over access to raw materials are low	Low	Tertiary sector has no control over raw materials	Favourable
Government and legal barriers are low	Low	Very little UK regulation on the industry	Favourable
Expected retaliation by established producers is low	Low	Highly saturated industry so new entrants normally go unnoticed	Favourable

Supplier Power- **Low**

'Determines the extent to which value created for buyers will be appropriated by suppliers rather than by firms in an industry' Porter (1985, page 9). This section focuses on clothing manufacturing as the supplying industry to the focal industry so as to exclude the analysis of clothing wholesale.

Supplier Power is Strong When	High or Low for Focal Industry?	Justification
Size and concentration of focal industry companies relative to supplier companies are low	Medium	Focal industry more saturated than clothing manufacturing

	High or Low for Focal Industry?	Justification
Total volume or % of suppliers' products purchased by the focal industry companies is low	High	Clothing manufacturers are unable to sell to other industries, often rely on specific contracts
Product differentiation of suppliers is high	Low	Design process is undertaken by the focal industry not its suppliers
Switching costs for focal industry companies are high	Low	No costs involved for focal industry companies to switch suppliers
Threat of forward integration by suppliers is high	Low	
Suppliers' knowledge about focal industry companies' cost structure is high	Low	Industry is consumer focused where-as supplier is B2B
Extent of suppliers profits is high	Low	Profits mainly retained by focal industry
Cost savings for the focal industry companies from the suppliers' products are high	High	Clothing manufacturing is notoriously cost effective e.g. it thrives particularly in low wage economies
Importance of suppliers; input to quality of the focal industry's final product is high	Moderate	Design elements undertaken by focal industry, but supplier still important in production
Cost of suppliers' products relative to the focal industry companies' total cost is high	Low	Most of the profit is retained by focal industry rather than supplier industry

Buyer Power- **Low**

'Determines the extent to which they retain most of the value created for themselves, leaving firms in an industry only modest returns' Porter (1985, page 9)

Buyer Power is Strong When	**High or Low for Focal Industry?**	**Justification**
Size and concentration of buyers relative to focal industry companies is high	Low	Buyers are the general public
Total volume or % of focal industry companies products purchased by the buyers is high	Low	Buyers are a consumer market so value of individual sales are relatively low
Product differentiation by the focal industry companies is low	High	Product differentiation is a key component of clothing retailing
Switching costs for buyers are low	Low	No costs for consumers to purchase from a competitor
Threat of backward integration by buyers is high	Low	Buyers are the general public
Buyers knowledge about focal industry companies' cost structure is high	Low	Buyers are the general public

Threat of Substitution- **High**

'Determines the extent to which some other product can meet the same buyer needs' Porter (1985, Page 9)

Threat of Substitution is high when	High or Low for Focal Industry?	Justification
Buyer propensity to substitute is high	High	Consumers frequently purchase from multiple business' within the industry
Relative price-performance relationship of substitutes compared to industry product is high	High	Competitors produce a lot of similar performing products

Appendix 9: SWOT Analysis

Strengths • Unique ethical focus- Alignment between a fashion brand and animal conservation is strategy unused in the UK • Highly sustainability supply chain • Organically produced products(Continental Clothing, 2018c)	Weaknesses • Lack of complete supply chain control • Unestablished brand image- Building brand image is a process that takes time but is an important factor for fashion brands (Hopping 2017a; Haigh, 2000) • Small product range • Lack of trademark
Opportunities • Changing fashion trends- Fashion trends can change rapidly in a short space of time, which open opportunities to target new markets (Sproles, 1981). • Uptake of social media- Usage of social media is on the rise with opening the way for brands to give these channels a more central role in marketing campaigns (Sender, 2017b) • Rising consumer trust in e-commerce (Sender, 2017b)	Threats • Changing fashion trends- Fashion trends change rapidly which presents opportunity but ethical fashion brands have been notoriously slow to respond (Sproles, 1981;) • Uptake of similar ethical focus- Lacoste's partnership with the IUCN for a limited edition range shows fashion brands are starting to realise the potential of aligning with this ethical cause (Lacoste, 2018). • New entrants to market (Ibis World, 2017)

Appendix 10: Forecasts and Financials

Appendix 10.1: Justification of Forecasts

Capital Equipment	This includes equipment used in the business that is intended to be kept for more than a year, this would include office furniture and a computer (Jetty and Wallace, 2005).
Sales	Sales are based on the bottom-up forecasting method, which is possible without the presence of historical data, whilst this relies mostly on assumptions and metadata is can give good estimates for forecasting (MaRS, 2011). Sales can be estimated based on social media advertising conversion rates from both Facebook and Instagram ads, it is estimated that 10% of website clicks will be converted to a sale (Facebook, 2018; Instagram 2018). Clicks and conversions have an estimated range so in order to be conservative rates will be estimated based the ad managers lowest estimations (Facebook, 2018; Instagram 2018). First month sales are boosted due to the use of a crowdfunding campaign to drive additional sales (Crowdfunder, 2018). T-shirts are a seasonal item and will see higher sales in spring and summer over winter (Thomassey, 2014). However November, December and January sales are boosted by discount events such as 'Cyber Monday/Black Friday' and 'January Sales' (Butler 2017; Weinswig, 2017; Gritt, 2018)
Drawings	Drawings are the operational expenses for the business (Jetty and Wallace, 2005), the donations from each purchase will be shown under this heading alongside other operational expenses.
Stock	Lead time to produce inventory will be roughly one month, and a so inventory level will be kept at roughly double sales (Just in Case inventory strategy) to account for any delays in the lead time or unexpected demand (Chung et al, 2015). In this case stock will be replaced at the end of each month to take inventory levels back to 1,000. Once sales exceed 700 units, inventory levels will be increase to 1500 units, and the again to 1,750 units once sales exceed 1,000 units.
Direct Wages	The owner will take a monthly salary based on 10% of that months revenue, capped at £3,000
Rent/Rates/Heat/Light	Originally the business will be ran from the family home with contributions made towards the household upkeep (GOV.UK, 2018b), however this will also include rent for storage facilities in the second year (Safestore, 2018)
Insurance	A quote for business insurance has been obtained from Moneysupermarket.com (2018) that has relevant cover for the inventory the business will be holding.

Hire equipment	A small van will be leased in order to move stock between, this will be leased during the first two years of operations (Vanarama, 2018).
Advertising	The promotional activities will be based between Facebook and Instagram marketing see section 5.3. Conversion cost will initially be fairly high but based on reducing this by 50% by the end of year two we can estimate a 2.3% percentage point decrease per month (Macdonald, 2014). Keeping the same marketing budget will therefore increase conversions by 2.3% each month, based on the way Facebook/Instagram's ad algorithm works (Facebook, 2018b). Increasing the marketing budget should have an increased conversion rate based on 2.5% multiplied by the number of months into the cash flow cycle. Provided product designs and standards are high a well communicated story and ethical credentials do help to secure the sale (Ethical Fashion Forum, 2011). Using tools such as Websta and Iconosquare, Instagram engagement can be improved to make progress towards our long term objective (Lazazzera 2014). Averaging 3 posts every week gives a good set of data to work with over a year.
Loan Repayments/Interest	A quote for a small business loan has been obtained from Natwest (2018).
Professional Fees	These include the website fees as well as professional accounting services/software once a month (Wix; 2018; KPMG 2018)

Append 10.2: Cashflow Forecasts

Cashflow Forecast Year 1 — Name:

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	total £
Cash in													
Sales	12,210	9,240	9,420	9,600	9,180	9,360	15,350	17,400	19,550	12,660	18,480	18,780	161,230
Grants	2,000	0	0	0	0	0	0	0	0	0	0	0	2,000
Loans	5000	0	0	0	0	0	0	0	0	0	0	0	5,000
Capital	1000	0	0	0	0	0	0	0	0	0	0	0	1,000
Total Income	20,210	9,240	9,420	9,600	9,180	9,360	15,350	17,400	19,550	12,660	18,480	18,780	169,230
Cash out													
Capital Equip't	3000	0	0	0	0	0	0	0	0	0	0	0	3,000
Drawings	2,035	1,540	1,570	1,600	1,530	1,560	3,070	2,900	3,910	2,110	3080	3,130	28,035
Stock	4,200	1289	1318	1347	1284	1311	2581	2438	3282	1774	2325	2368	25,517
Direct Wages	1,200	924	942	960	918	936	1535	1740	1955	1266	1848	1878	16,102
Rent	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Rates	0	0	0	0	0	0	0	0	0	0	0	0	0
Heat/Light	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Insurance	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Advertising	3000	3000	3000	3000	4000	4000	4500	5000	5500	5000	5000	5000	50,000
Stationery	60	20	20	20	50	50	50	70	70	70	70	70	620
Loan Repayments	208	208	208	208	208	208	208	208	208	208	208	208	2,496
Loan Interest	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	244
Telephone	30	30	30	30	30	30	30	30	30	30	30	30	360
Postage	1,018.00	768	785	802	764	781	1536	1451	1954	1056	1383	1410	13,708
Hire of Equipment	139	139	129	139	139	139	139	139	139	139	139	139	1,658
Professional fees	341	341	341	341	341	341	341	341	341	341	341	341	4,092
Repairs & Renewals													0
Motor/Travel	100	100	100	100	100	100	100	150	150	150	150	150	1,450
Sundries	100	70	70	70	100	100	100	120	120	130	130	130	1,240
VAT			1,501				1,680			4,273			7,453
Total Expenditure	15,901	8,899	8,983	10,588	9,934	10,026	16,340	15,057	18,129	17,017	15,174	15,324	161,375
Net Cashflow	4,309	341	437	-988	-754	-666	-990	2,343	1,421	-4,357	3,306	3,456	7,855
Bal b/f		4,309	4,649	5,086	4,098	3,344	2,678	1,688	4,030	5,451	1,094	4,399	
Bal c/f	4,309	4,649	5,086	4,098	3,344	2,678	1,688	4,030	5,451	1,094	4,399	7,855	

Cashflow Forecast Year 2 — Name: 0

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	total £
Cash in													
Sales	19,140	23,400	23,820	26,220	20,100	20,460	33,950	32,340	35,050	23,340	33,900	36,840	328,560
Grants													0
Loans													0
Capital													0
Total Income	19,140	23,400	23,820	26,220	20,100	20,460	33,950	32,340	35,050	23,340	33,900	36,840	328,560
Cash out													
Capital Equip't	0	0	0	0	0	0	0	0	0	0	0	0	0
Drawings	3190	3900	3970	4370	4790	4870	5660	6474	5840	5,560	5650	6140	60,414
Stock	2678	3273	3331	3672	2815	2862	5701	4527	5887	3270	4744	5137	47,897
Direct Wages	1914	2340	2382	2622	2010	2046	3395	3234	3505	2334	3390	3684	32,856
Rent	280	280	280	280	280	280	280	280	280	280	280	280	3,360
Rates	0	0	0	0	0	0	0	0	0	0	0	0	0
Heat/Light	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Insurance	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Advertising	5000	6000	6000	6500	7000	7000	8000	7500	8000	7500	7500	8000	84,000
Stationery	70	100	100	120	120	120	120	130	130	130	130	140	1,410
Loan Capital	208	208	208	208	208	208	208	208	208	208	208	208	2,496
Loan Interest	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	244
Telephone	30	30	30	30	30	30	30	30	30	30	30	30	360
Postage	1595	1950	1985	2185	1676	1704	3,394	2695	3504	1946	2825	3070	28,529
Hire of Equipment	139	139	139	139	139	139	139	139	139	139	139	139	1,668
Professional fees	341	341	341	341	341	341	341	341	341	341	341	341	4,092
Repairs & Renewals													0
Motor/Travel	150	200	200	200	200	200	250	300	250	250	250	300	2,750
Sundries	150	150	150	200	200	200	200	300	260	300	300	350	2,760
VAT	4,162			6,023			5,450			9,519			25,155
Total Expenditure	20,177	19,181	19,386	27,160	20,079	20,270	33,438	26,428	28,644	32,077	26,057	28,089	300,990
Net Cashflow	-1,037	4,219	4,434	-940	21	190	512	5,912	6,406	-8,737	7,843	8,751	27,570
Bal b/f	7,855	6,817	11,036	15,470	14,529	14,550	14,740	15,251	21,163	27,569	18,831	26,674	
Bal c/f	6,817	11,036	15,470	14,529	14,550	14,740	15,251	21,163	27,569	18,831	26,674	35,425	

Appendix 10.3: Projected Profit and Loss Account and Balance Sheets

Projected Profit & Loss Account			Projected Balance Sheet				Projected Profit & Loss Account			Projected Balance Sheet			
Year 1			As at end year 1				Year 2			As at end year2			
	£	£		£	£	£		£	£		£	£	£
Sales		134,358	Fixed Assets				Sales		273,800	Fixed Assets			
Opening stock			Equipment			1,875	Opening stock	4,200		Equipment			1,250
Purchases	21,264						Purchases	39,914					
Direct wages	16,102						Direct wages	32,856					
Less:Closing stock	4,200						Less:Closing stock	0					
		33,166	Current Assets						76,970	Current Assets			
Gross Profit		101,192	Stock		4,200		Gross Profit		196,830	Stock			
Expenditure			Debtors				Expenditure			Debtors			
Rent	2,000		Cash at bank		7,855		Rent	2,800		Cash at bank		35,425	
Rates	0				12,055		Rates	0				35,425	
Heat & Light	1,000		Liabilities				Heat & Light	1,000		Liabilities			
Insurance	1,800		Trade creditors				Insurance	1,800		Trade creditors			
Advertising	41,667		Loans	2,504			Advertising	70,000		Loans	8		
Stationery	517		VAT	4,162			Stationery	1,175		VAT	8,852		
Loan Interest	244				(6,666)		Loan Interest	244				(8,860)	
Telephone	300		Net Current Assets			5,389	Telephone	300		Net Current Assets			26,565
Postage	13,708		Net Assets		£	7,264	Postage	28,529		Net Assets		£	27,815
Hire of Equipment	1,382						Hire of Equipment	1,390					
Professional fees	3,410						Professional fees	3,410					
Repairs & renewals	0		Funded by:			£	Repairs & renewals	0		Funded by:			£
Motor & Travel	1,208		Capital introduced			1,000	Motor & Travel	2,292		Capital introduced			1,000
Sundries	1,033		Retained Profit			34,299	Sundries	2,300		Retained Profit			87,229
Depreciation	625		Less Drawings			28,035	Depreciation	625		Less Drawings			60,414
		68,894			£	7,264			115,865			£	27,815
Grants Receivable		2,000					Grants Receivable		0				
Net Profit		£ 34,299			Total		Net Profit		£ 80,965			Total	
					£							£	
			Cost		2,500					Cost		2,500	
			Depreciation		625					Accumulated depreciation		625	
										Depreciation		625	
					1875							1250	

Appendix 10.4: Ratio Analysis

Ratio	Equation	Description	Year One	Year Two	Yearly Change	Reason for Change
Profitability Ratios: Shows how successfully the business is trading (Jetty and Wallace, 2006)						
Gross Profit Margin	(gross profit/ revenue)x 100	Shows how much profit has been generated in relation to the sales that have been made (Collis et al, 2012)	(101,192/161,230)x100= 60%	(196,830/328,560)x100=60%	0%	Gross profit margin stays consistent due to now change in sale price or cost of sales. Cost of sales will be reduced in future as manufacturing capabilities are obtained, reducing the cost per unit.

Net Profit Margin	(Net profit/revenue)x 100	This is the percentage of revenue left after all expenses have been deducted from sales (Drury, 2015)	(34,299/161,230)x100= 19%	(80,9652/328,560)x100= 24%	+26%	Net profit increases due to higher revenue growth than fixed costs growth.
Operating Profit Margin	(operating profit/revenue)x 100	Operating profit margin compares the operating profit margin to the turnover of the business, changes in gross profit margin will affect this (Carey et al, 2014)	(7855/161,230)x100= 4.8	(27,570/328,560)x100= 8.3	+73%	Operating profit margin increased due to the high increase in revenue, and no change in gross profit margin
Mark up	(gross profit/ cost of sales)x 100	Shows gross profit as a percentage of the cost of goods sold (Jetty and Wallace, 2005)	(101,192/51,582)x100=196%	(196,830/104,924)x100= 188%	-4%	A small decrease has occurred due to there being no change in gross profit margin but an increase in stock levels
Liquidity Ratios: Shows the level of cash and other liquid assets that can be used to meet its liabilities (Carey et al 2014)						
Current Ratio	Current assets/current liabilities	Shows the ratio of assets versus liabilities, essentially how well the business is able to pay its current liabilities (Alhabeeb, 2015)	(12,055/6,666)= 1.8:1	(35,425/8,860)= 3.9:1	110%	Year two has roughly twice as many current assets with only a small increase in liabilities due to VAT as no new external finance is needed.
Acid test ratio	(current assets-inventory)/ current liabilities	It may not be easy to dispose of stock in the short term and so acid test works how readily the business can pay its short-term liabilities without considering inventory value (Drury, 2015). Worked out using average inventory value.	(12,055-4,200)/6,666= 1.17:1	(35,425-10,150)/27,815= 0.90:1	-23%	The heavy decrease is due to Endangered Apparels heavy reliance on stock as a current asset. Stock increases in the second year and as the acid test ratios removes stock from the calculations
Efficiency Ratios: Shows how effectively short-term assets and liabilities are being managed (Carey et al 2014)						

Inventory Turnover	Cost of goods sold/ average inventory	Shows how effectively inventory is managed, comparing cost of goods sold with the average inventory Use total of both as using averages yields same result (Jetty and Wallace, 2006)	51,582/4200= 12.2	104,924/10,150= 10.3	-15%	Cost of goods sold stays consistent relative to revenue, but total inventory levels are increased in year two.
Inventory Holding Period	(Inventory/ cost of sales) x 12	Indicates the average amount of time it takes for inventory to be sold (Collis, et al,2012)	(4,200/51,582)x 12= 0.9	(10,150/104,924)x 12= 1.16	29%	Inventory depletion slows in year two as a result of increase stock levels
Advertising to sales ratio	Advertising/revenue	Shows the effectiveness of the promotional activities in relation to sales (Jobber, 2003)	50,000/161,230= 0.31	84,000/328,560= 0.25	-19%	Conversion cost is expected to decrease across years one and two, increasing contribution of advertising to sales (Facebook, 2018b; Instagram, 2018)
Gearing Ratios: Assess' a company's level of long term debt compared to its equity (Jerry and Wallace, 2006)						
Gearing Ratio	(Long term liabilities/capital employed)x100	Used to assess the relationship between equity and long-term debt finance in the business (Colli et al, 2012). Capital employed= retained earnings+ invested capital+ long term liabilities	(5,000/42,299)x100= 12%	(5000/92,229)x100= 5.4%	-55%	Gearing ratio drastically reduces due to the paying off of business loans with no additional finance being taken on.