

BUSINESS PLAN

BA (HONS) FASHION BUSINESS AND PROMOTION

FINAL MAJOR PROJECT

ALLUDE MAGAZINE

3RD MAY 2016

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EXECUTIVE SUMMARY

Allude is a new generation of magazine aimed at specific consumers. The age band between 18-25, creative, enthusiastic free spirits that crave new experiences, as well as keeping up-to-date with hot new beauty and fashion trends. This innovative magazine has a strong advantage over its competitors.

The aim of this business is to fill a gap in the market and to cater for the typical 'gap year' consumer; a consumer that yearns to wander/explore and experience different locations/cultures and trends. A 'free-spirit' so to say, someone who is happy to work for a period of time to save and then travel, some of whom travel quite extensively.

Throughout this business plan you will find key elements to include; background of the magazine industry and why there is a need for a new generation of magazine. A break down of the specific target consumer and why they will be interested in this genre of magazine, along side main competitors - and why ALLUDE will rise above and the reasons for which. Industry approval has been gained with very positive feedback. A realistic breakdown regarding operations, lead times, printing and distribution cycle. As a new business entering the magazine industry, funding is a main priority. A clear funding strategy is presented along with a financial breakdown of years 1-3; to include, profit and loss, balance sheet, cash flow, employee schedule and breakeven analysis.





THE CONCEPT

Initially the consumer will either purchase a printed copy of the magazine or place and order with subscription online. The magazine in question contains features on current beauty, fashion and varied travel trends / advice.

ALLUDE will direct the consumer to download the app Blippar (a collaboration app which will run alongside Allude). This will allow the consumer to access the 'augmented reality' aspect of the magazine. For example; a simple article on this seasons top beauty products. The consumer will locate the Blippar icon next to the image indicating that this is an interactive article. Once used the Blippar app to scan over the article, a short video showcasing either a tutorial or review on these products will appear. This is a great way to capture this specific target audience's attention (in that they are very time poor and tend to prefer to watch a vlog rather than read a lengthy article), also allowing the consumer to see real reviews from a human perspective (blogger), creating a connection with the product.

The magazine will be launched February 2017, releasing bi-monthly magazines ensuring each copy coincides with the seasons - allowing precise trend advice in all sectors.



THE MAGAZINE INDUSTRY

The magazine industry is becoming a problematic industry to succeed in; in this day and age as the digital word is taking over any print based medias. However, if the components are correct and well thought out, the idea in question will become a huge success. ALLUDE is the new generation of magazine which has evolved and adapted to the new digital way of life.

"The magazine industry has grown its audience 10.1 percent across print, digital, video and Web over the past six months. The new report estimated the total audience at 1.59 billion, and said the growth was helped by an increase in mobile consumption." [WWD Feb 2015]

INDUSTRY APPROVAL

AMY BANNERMAN

(DEPUTY EDITOR & FASHION DIRECTOR COSMOPOLITAN)

"I've never heard of Blippar before, I think in an age where magazines find it hard to hold readers attention for longer than 3 seconds (proven number) that making the pages come to life digitally is genius." [appendix A]

CONSUMER ONE



Females aged between 18-21 years, are very energetic and enthusiastic about life. They are the biggest risk takers. Most are either in the midst of their gap year prior to university or have finished studying and are looking to travel and explore before they settle down into their career choice. This consumer is a free spirit and primed for an adventure. She/he, on the whole doesn't have much disposable income, however, living at home with no serious financial commitment other than university loans frees this consumer up to experience life. This consumer would choose casual clothing over formal clothing any day. They are also very up-to-date with the online world, knowing exactly what's new and what's not. They thrive off the digital world (always having their smart phones on them). Festivals are their passion, boho chic and glittered roots. This consumer is looking for a more unique destination of travel, something more alternative - not by the book.



CONSUMER TWO

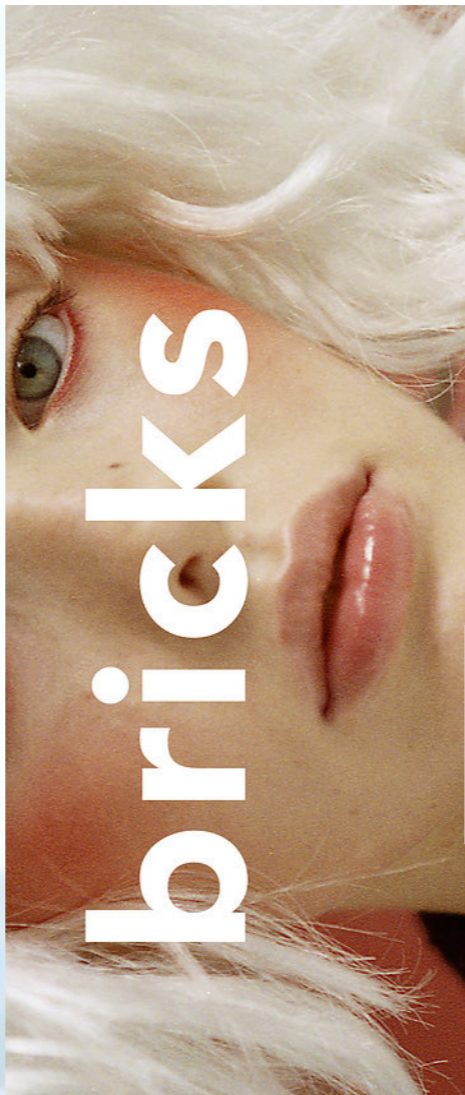


This consumer is similar to consumer 1. However, slightly older with more life experience and disposable income. Ibiza - an annual choice, however, like consumer 1 they are looking for more alternative, new travel destinations. Aged between 21-25 this consumer has finished their studying and is now settled in a full time job/role. They are now renting a flat with a friend/ friends or still living at home, saving to eventually move out. They tend to be independent and more self assured. Much like the younger consumer this consumer still has a keen eye on the current trends and love to keep up to date.



SUITCASE

TRAVEL + FASHION



COMPETITORS

As Allude fits into the independent magazine sector, magazines such as Betty which is a fashion, beauty and food magazine, Lone Wolf which is a magazine that showcases fashion, and Frankie which is an Australian magazine producing fashion, art and photography. Each of these magazines have one thing in common, they all cater to creative dreamers. Suitcase is another main competitor as this magazine covers similar aspects to fashion, beauty and travel. However, there is a unique difference with the target consumer, Suitcase caters to the more adult, contemplative consumer.

BETTY

Annual Copy £12
Single Copy £6

FRANKIE Australian

Single Copy \$10.50 (£7)

LONEWOLF American

Single Copy \$17 (£11)

SUITCASE

Single Copy £6



OPERATIONS

PRODUCTION

PRODUCTION LEAD TIMES FOR 1 ISSUE IN ISOLATION

(LEAD TIME = TIME SCALE FROM DESIGN/PRODUCTION TO PRINTING/FROM PRINTING TO DISTRIBUTION)

15th December

Email sent out to advertisers chasing copy

22nd December

All advertisement copy should be in

3rd January

All copy (advertisements and editorials) should be with production for file production

8th January

Cover files sent to printer

11th January

Balance of files sent to printer

27th January

Copies collected from printer by distributor

1st February

First issue on sale

All issues are in a constant state of production.

SEE APPENDIX A

DISTRIBUTION

As a start up magazine, shelf space is something that needs to be bought. The distributor of choice will collect the issue from the printer - transport it to the wholesaler who works on SOR (sale or return) who then transports the issue to the retailers.

The distributor handles any returns, this is a cost effective way of transportation in that they will then pick up any unsold copies (when there are unsold copies the retailer will simply tear the cover off which in turn will save on transportation cost, as they distributor is not having to pick up full issues). The remainder of the unsold issue will then go to the waste paper trade - the distributors keep the proceeds from the waste paper merchants.

EPOS (electronic point of sale) i.e. barcode scanners are a great way to keep an accurate track on sales.

PRINTING COSTS

'The biggest monthly bill is print and in the fashion world corners can't be cut. Paper and product needs to be top quality.' [Mortimer, Roger 2016]

PRINTING CONSIDERATION

Recycled paper was a consideration, however, it costs approximately 1/3 more than standard print paper. Greener but unfortunately far more expensive. This is something the magazine can consider further down the line i.e. 3 years.

REVENUE

The magazine company will receive roughly 50-55% of the cover price of any copy sold. I.e. retailing at £6 it will generate £3.50 income.

Payment cycle as follows:

One month after the onsale date of the first issue, the magazine will receive 33% of the estimated net sale.

Two months after the onsale date of the first issue, the magazine will receive 33% of the estimated net sale of issue one plus 33% of the estimated net sale of issue two.

Three months after the onsale date of the first issue, the magazine will receive 33% of the estimated net sale of issue two, 33% of the estimated net sale of issue three and the distributor will then pay the balance of the actual sale of issue one or claw back any over payment.

This process will then continue for the life of the magazine, in that it will be paid 1/3, 1/3, 1/3.

[Mortimer, Roger 2016]

MANAGEMENT



STAFF YEAR 1

Editor In Chief - Circa £2,200 PM (NOMINAL SALARY AS MYSELF)

Freelance Travel Journalist - £2,000 PM

Freelance Fashion Journalist - £2,000 PM

Freelance Beauty Journalist - £2,000 PM

FREELANCE JOURNALISTS WILL BE ON A SIGNED CONTRACT FOR 10 DAYS WORK PER MONTH AT £200 A DAY.

Photographer & Stylist - As the magazine is in its infancy, it is possible that they will work for free for the 1st couple of issues just to be associated with the magazine itself.

ALL EMPLOYEES WILL NOT RECIEVE ANY WAGES UNTIL APRIL AFTER 2ND ISSUE IS RELEASED. (see employee schedule financials)

STAFF YEAR 3

From year 3 onwards, all employees will recieve a pay rise dependant on magazine sales throughout the previous years.

PREMISES

As most of the staff are freelance, this will cut costs considerably as a home office will be used. Sufficient space for 2 people to work comfortably - no rental costs.

Possible HQ rent for year 3 onwards.

LEGAL REQUIREMENTS

Insurance cover to include:

- Office content £5,000
- Business Interruption £50,000
- Public Liability £2,000,000
- Products Liability (LIBEL) £2,000,000
- Employers Liability £10,000,000
- Property away from the business location £1,5000

Approximate minimum annual premium £1,000.00 inclusive of Insurance Premium Tax.

Reason for LIBEL (slander) insurance - a magazine has to be honest and specific. Libel can result in hefty damages awards. NO legal aid available, however covered in insurance above.

LEGAL PRINT REQUIREMENTS

A legal obligation is having to submit 2 copies of every issue published to the British Library.



FUNDING

£150,000 collateral as security (mortgage free property) will be used against a £60,000 bank loan.

The sole owner will be injecting £20,000 personal finance into the business, alongside another financial injection of £20,000 interest free loan from an independent source.

£60,000 bank loan
Re-payments: monthly = roughly £1,200

Investors injection £20,000 + £20,000 = £40,000

Total start up finance = £100,000

CONSIDERATIONS

Working capital - Possibility of a £20,000 overdraft facility. (This will ensure covering any mid-month bills). However, this was advised against as this was not necessary, also a substantial additional set up cost.

CONTINGENCY PLAN

ALLUDE will be formed as a LTD company. This ensures that any personal assets (apart from security bank loan deposit - house) will be protected in the event of bankruptcy/insolvency.

As mentioned previously, the directors are protected by Directors and Officer's insurance should there be a claim against negligence.

In the event of bankruptcy or the company not performing as initially intended (as per business plan)

- File for bankruptcy.
- Receivers would try and sell the business as an ongoing concern.
- Sell the tangible assets.
- The directors only liability being the bank loan.

Options For Repayment

- A. Borrow the remainder of the loan from family/friends.
- B. Agree a special arrangement with the bank allowing repayments over a longer period (money raised from a new job)
- C. The bank would sell the £150,000 house used as security. They would then keep what was owed and then pass on any remainder to the guarantor of the loan.

Obviously, the company accountant will keep the director up-to-date with performance.



FUTURE GROWTH STRATEGY

Considering further growth within the business, following year 5, Allude will venture into the Australian / American market as the magazine will have now gained sufficient exposure within the UK market to expand. The content of the magazine will fit perfectly with the Australian consumer (well known for their free-spirit, enthusiastic energy/drive).

There are two ways ALLUDE could enter these markets;

1. Licence the company within these markets
2. In the event that the magazine is very successful and generating a high income, a good time to consider selling the rights to a Australian/American publisher

FINANCIALS

2017-2019

SUMMARY

The company reaches breakeven point within a short space of time, launched in January 2017 - to breakeven in November 2017, despite the initial launch promotions:

- January 2017 - March 2017 promote and exposure of the of the product and brand (essentially giveaway publications)
- April 2017 onwards start to monetise and bring in advertising revenue April 2017 - June 2017 half price issue £3.00 (variable cost £2.68)
- July 2017 onwards £6.00 (variable cost £5.37) the margin sounds tight but the advertising revenue is income on top.

By November 2017 breakeven has been reached.

Please refer to financial forecasts for years 2 and 3.

PROFIT & LOSS

Project Allude Profit And Loss

	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Year - 16/17	Jan 18	
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Sales															
Units	0	500	750	1,000	2,000	3,500	4,000	5,000	7,500	7,500	7,500	7,500	46,750	7,500	9,000
Price/Unit	0.00	0.00	0.00	0.00	0.00	3.00	3.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Price/Unit inc advertising revenue	0.00	0.00	0.00	0.00	3.99	3.99	3.99	7.98	7.98	7.98	7.98	7.98	6.79	7.98	7.98
Subscriptions															
Advertising revenue	0	0	0	0	6,000	10,500	12,000	30,000	45,000	45,000	45,000	45,000	238,500	45,000	54,000
Advertising revenue	0	0	0	0	1,980	3,465	3,960	9,900	14,850	14,850	14,850	14,850	78,705	14,850	17,820
Total Sales	0	0	0	0	7,980	13,965	15,960	39,900	59,850	59,850	59,850	59,850	317,205	59,850	71,820
Direct Costs															
Printing	0	0	0	0	4,020	7,035	8,040	20,100	30,150	30,150	30,150	30,150	159,795	30,150	36,180
Distribution	0	0	0	0	1,200	2,100	2,400	6,000	9,000	9,000	9,000	9,000	47,700	9,000	10,800
Photographer	0	0	0	0	148	260	297	743	1,114	1,114	1,114	1,114	5,903	1,114	1,336
Total Direct Costs	0	0	0	0	5,368	9,395	10,737	26,843	40,264	40,264	40,264	40,264	213,398	40,264	48,316
Total variable cost/unit	0.00	0.00	0.00	0.00	2.68	2.68	2.68	5.37	5.37	5.37	5.37	5.37	4.56	5.37	5.37
Gross Profit	0	0	0	0	2,612	4,570	5,223	13,057	19,586	19,586	19,586	19,586	103,807	19,586	23,504
Gross Profit Margin (%)	0.00	0.00	0.00	0.00	32.73	32.72	32.73	32.72	32.73	32.73	32.73	32.73	32.73	32.73	32.73
Overheads															
Wages and salaries															
Gross Wages	0	0	0	0	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	72,000	10,000	10,000
Er's Contributions	0	0	0	0	858	861	858	858	858	858	858	861	6,874	859	858
Total Wages and salaries	0	0	0	0	9,858	9,861	9,858	9,858	9,858	9,858	9,858	9,861	78,874	10,859	10,858
Rent and rates	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000	1,250	1,250
Heat and light	150	150	150	150	150	150	150	150	150	150	150	150	1,800	150	150
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200	100	100
Advertising and promotion	0	0	0	0	198	346	396	990	1,484	1,484	1,484	1,484	7,870	1,486	1,782
Travelling costs	0	0	0	0	150	262	300	750	1,124	1,124	1,124	1,124	5,962	1,126	1,350
Printing, postage and stationery	0	0	0	0	60	105	120	300	450	450	450	450	2,385	450	540
Computer costs inc. subscriptions	0	0	0	0	60	105	120	300	450	450	450	450	2,385	450	540
Telephone	250	250	250	250	250	250	250	250	250	250	250	250	3,000	250	250
Bookkeeping	250	250	250	250	250	250	250	250	250	250	250	250	3,000	250	250
Accountancy	250	250	250	250	250	250	250	250	250	250	250	250	3,000	250	250
Depreciation															
Office equipment	208	209	208	208	209	208	208	209	208	208	209	208	2,500	417	416
Total Depreciation	208	209	208	208	209	208	208	209	208	208	209	208	2,500	417	416
Total Overheads	2,458	2,459	2,458	2,458	12,785	13,137	13,253	14,657	15,831	15,824	15,829	15,827	126,976	17,038	17,736
Operating Profit	(2,458)	(2,459)	(2,458)	(2,458)	(10,173)	(8,567)	(8,030)	(1,600)	3,755	3,763	3,757	3,759	(23,169)	2,548	5,768
Interest Expense															
Loan Interest															
Bank loan	0	175	175	175	175	175	175	175	175	175	175	175	1,925	175	175
Total Loan Interest	0	175	175	175	175	175	175	175	175	175	175	175	1,925	175	175
Total Interest Expense	0	175	175	175	175	175	175	175	175	175	175	175	1,925	175	175
Net Profit	(2,458)	(2,634)	(2,633)	(2,633)	(10,348)	(8,742)	(8,205)	(1,775)	3,580	3,588	3,582	3,584	(25,094)	2,373	5,593
Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit After Tax	(2,458)	(2,634)	(2,633)	(2,633)	(10,348)	(8,742)	(8,205)	(1,775)	3,580	3,588	3,582	3,584	(25,094)	2,373	5,593
Retained Earnings	(2,458)	(2,634)	(2,633)	(2,633)	(10,348)	(8,742)	(8,205)	(1,775)	3,580	3,588	3,582	3,584	(25,094)	2,373	5,593
Cumulative Retained Earnings	(2,458)	(5,092)	(7,725)	(10,358)	(20,706)	(29,448)	(37,653)	(39,428)	(35,848)	(32,260)	(28,678)	(25,094)	(22,721)	(17,128)	(17,128)
Breakeven Sales by units					9,223	10,195	10,284	5,680	6,129	6,126	6,128	6,128	58,051	6,591	6,858
Breakeven Sales by value					39,594	40,679	41,032	45,324	48,910	48,867	48,904	48,898	395,885	52,599	54,730

EMPLOYEE SCHEDULE

Project Allude Employee Schedule

	Oct 19 Budget £	Nov 19 Budget £	Year - 18/19 Budget £	Total £
Employees				
Editor in chief				
Employee's Pension	0	0	0	0
Gross Wages	4,000	4,000	48,000	120,000
Employee's NI	291	291	3,487	9,139
Employer's Pension	0	0	0	0
PAYE	517	516	6,200	13,933
Bonus	0	0	0	0
Net Wages	3,192	3,193	38,313	96,928
Employer's NI	309	309	3,710	9,893
Commission	0	0	0	0
Travel editor				
Employee's Pension	0	0	0	0
Gross Wages	2,000	2,000	24,000	64,000
Employee's NI	160	159	1,913	5,101
Employer's Pension	0	0	0	0
PAYE	33	34	400	1,067
Bonus	0	0	0	0
Net Wages	1,807	1,807	21,687	57,832
Employer's NI	183	184	2,200	5,867
Commission	0	0	0	0
Fashion editor				
Employee's Pension	0	0	0	0
Gross Wages	2,000	2,000	24,000	64,000
Employee's NI	160	159	1,913	5,101
Employer's Pension	0	0	0	0
PAYE	33	34	400	1,067
Bonus	0	0	0	0
Net Wages	1,807	1,807	21,687	57,832
Employer's NI	183	184	2,200	5,867
Commission	0	0	0	0
Beauty editor				
Employee's Pension	0	0	0	0
Gross Wages	2,000	2,000	24,000	64,000
Employee's NI	160	159	1,913	5,101
Employer's Pension	0	0	0	0
PAYE	33	34	400	1,067
Bonus	0	0	0	0
Net Wages	1,807	1,807	21,687	57,832
Employer's NI	183	184	2,200	5,867
Commission	0	0	0	0
New Employee Record 1				
Employee's Pension	0	0	0	0
Gross Wages	0	0	0	0
Employee's NI	0	0	0	0
Employer's Pension	0	0	0	0
PAYE	0	0	0	0
Bonus	0	0	0	0
Net Wages	0	0	0	0
Employer's NI	0	0	0	0
Commission	0	0	0	0

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ROGER MORTIMER - OPERATIONS DIRECTOR - DHP PUBLISHING (DAVE HALL PUBLISHING)

ASHEY DUNKLEY - PARTNER COBLEY DESBOROUGH ACCOUNTANTS

RICHARD BAILEY - MANAGING DIRECTOR - COTTERS INSURANCE BROKER

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