# LITVAK

NEW YORK

**MEN READY-TO-WEAR FASHION HOUSE**

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March 1, 2015

**TABLE OF CONTENT**

Business Model ……3

Value Proposition……3

Business Strategy & Objectives……5

Organizational Chart……6

Internal Analysis……7

External Analysis……7-14

Marketing Plan…… 15-20

Financial Plan ……20

Implementation Plan……22

Appendices ……25

Financial Statements……25-27

## BUSINESS MODEL

**Introduction:**

**LITVAK** is an experimental fashion house that captures both an artisan like quality and an environmentally conscious aesthetic that merges both the beautiful and the experimental, creating the complete line ready-to-wear clothing and accessories for men. The design aesthetic of **LITVAK** is one that is elegant, powerful and always looking to the future of fashion. **LITVAK** creates Haute couture (one of a kind) oriented clothing and accessories designs heavily embraced in Europe under **LITVAK ARTIO** brand which represents the much more experimental side of the business conceptual world of luxury and fantasy. This same inspiration is then transformed into the men's ready-to-wear luxury brand established in New York City, hence the name **LITVAK NEW YORK**. Art is embedded into everyday fashion, connecting the couture techniques with the ready-to-wear, giving both the fashion world and each client a much wanted sense of fantasy and nostalgia. The fashion house creates a stunning display of Couture (one of a kind techniques) in the conception of luxurious textiles mostly hand crafted out of unconventional materials such as plastics, metals, and other rescued materials (computer cables, mechanical parts , precious metals, fiber glass, plastics ,packaging) received from companies that have no current use for these raw materials. The experimental textiles are put together with more traditional textiles to create a contrast of worlds.

## VALUE PROPOSITION

**LITVAK NEW YORK** brings products to life in the ranges of men clothing, accessories (jewelry, shoes, bags, etc..) and looking to expand in the future into areas that are influenced by industrial design creating not only an iconic fashion house, but also a complete life style. **LITVAK** competitive advantage resides in the concept of material transformation and innovation, transforming rescued unconventional materials into stunning textiles is indeed a ***LITVAK signature***. It is not only about the kind of material

that is used, but also what is created with it that keeps the fashion industry and the clients wanting more. The value and understanding of Art & Design is the most important quality, giving **LITVAK** a position in the fashion industry that is both very unique but also one of very high demand.

In the ***LITVAK world 'Lifestyle'*** is a fantasy that is translated into a breathtaking body of work, a world of extreme luxury that reaches an emotional connection with each client, truly then becoming the lifestyle that they want.

**Mission**

Our mission is to capture both an artisan like quality and an environmentally intelligent conscious aesthetic which merges both the beautiful and the experimental garments, creating a world of visual poetry. With this experience our clients will be introduced to a new way to manifest their lifestyle in the world of luxury clothing and establish a sense of self-discovery and characterization through our products.

**Vision**

A continuously innovative experimental fashion house that revolutionize luxury with our unique perspective of rescued materials transformation and composition

*"The genius thing about what you make is about what you transform it to .Transforming the industry and with that… transforming culture."*

*LITVAK*

**BUSINESS STRATEGY**

As an entry strategy, LITVAK will design haute couture oriented designs to be converted into **LITVAK New York** ready-to-wear for men collection pieces through recognized luxury department stores. **LITVAK** estimates that will open the LITVAK brand owned and operated boutiques in the fourth year of operations, commencing with New York, and follow by other major fashion cities in the United States, Paris, Milan and Asia. The business idea is to bring to the ready-to wear fashion a luxury, experimental and environmentally intelligent collection of men clothing and accessories that will provide consumers a unique way to express their lifestyle at the same time that are part of an initiative that protects the environment by recuing materials that will be used to create outstanding and elegant men garment and accessories.

**Business Objectives:**

**LITVAK** is a newcomer in the ready-to-wear industry. The owners and partners are very clear that the following objectives have to be achieved for success. First, **LIITVAK** has to promote the brand in New York initially in order to increase the visibility and awareness of the brand. The selection of New York City is part of the strategy to establish the headquarters in one of the three main fashion cities in the world. Second, integrate haute couture (high fashion sewing) into the ready-to-wear market through the creation of **LITVAK New York** brand. Third, establish good relationships with members of the industry, including editors and fashion magazine writers. Fourth, create an experimental and environmentally intelligent line of clothing and accessories to serve the needs of men and at the same time present an innovative look with an environment consciousness.

**Organization chart**

**LITVAK** is led by a team of four entrepreneurs who have a strong background in diverse fields (industrial design, marketing, sales, and administration). This well rounded group is led by the Founder and Chief Creative Designer of the **LITVAK** brand has eight years of experience in the fashion industry, working as a model for various brands. He has also worked directly with renowned fashion photographers, and developed advertising campaigns for the 2013 New York City Mercedes-Benz Fashion Week, one of the most prestigious fashion events in the world. The Chief Creative Designer's artistic vision has created **LITVAK ARTIO** and **LITVAK New York** clothing and accessories luxury brands. Under his leadership and direction a talented team of specialists enter a quest to transform the ready-to-wear segment of the fashion industry to a more aesthetic and environmentally intelligent one. The rest of **LITVAK** team is compose of:

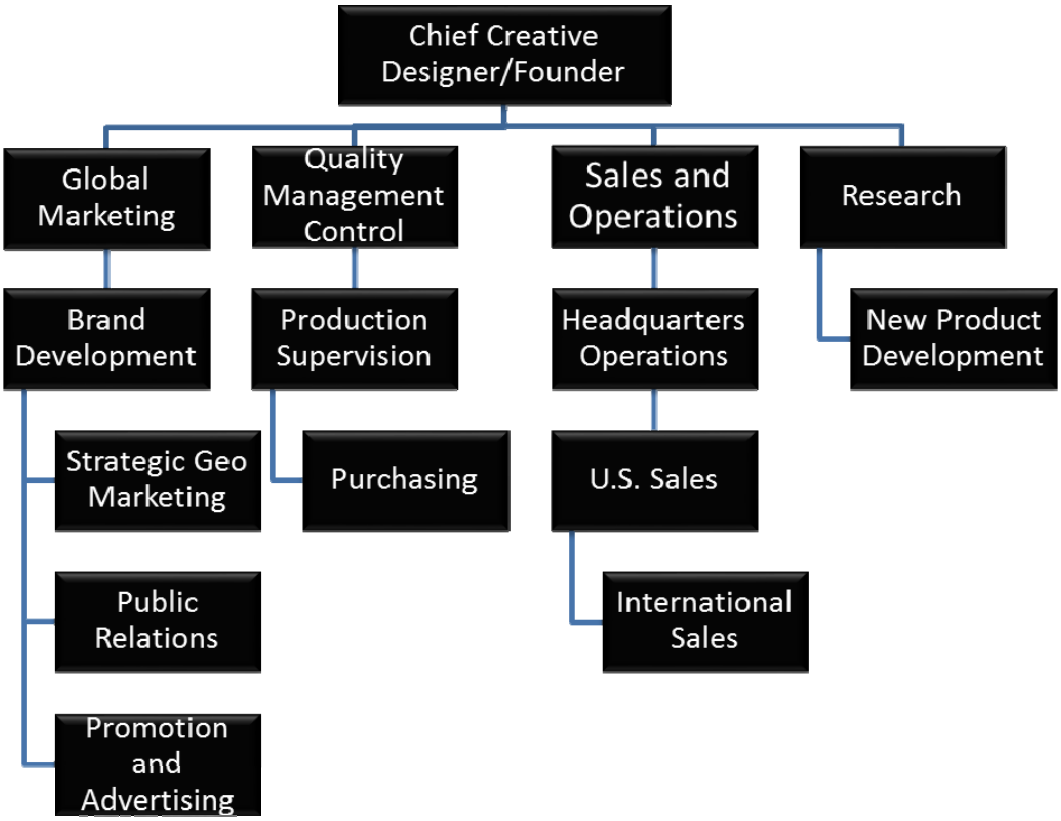
**(a) The Global Marketing Director** has experience working with two of the largest local advertising and marketing agencies and a Babson College Fellow. He is in charge of brand development, strategic geo-marketing, public relations and promotion and advertising.

**(b) The Quality Manager** has over ten years of experience in the textile industry. She is in charge of quality control, production supervision, responsible of purchasing materials, textiles and supplies for operations and garment/accessories construction and structuring.

**(c) Sales and Operations Manager** has three years in sales and corporate operations in Florida. He is in charge of sales, headquarters operations, U.S. and international sales.

**d) Research Manager** will be in charge of new product development, and market, and trend analysis

e) Three (3) construction teams compose of three couturier (experts on construction of garments and tailor) and six design interns from the best New York city universities such as Parsons and Pratt.




**INTERNAL AND EXTERNAL ANALYSIS**

**Consumer Analysis:**

**Target group**

The luxury consumer market is estimated to have 330,000,000 individuals worldwide who expended approximately $300 billion in 2013 (www.*economist.com*, 2014). This steadily growing market is divided into 130,000,000 and 200,000,000 consumers in emerging and mature markets (United States, Paris, Milan, Japan and others) respectively (www.*economist.com*, 2014). China alone is the largest emerging market with 50,000,000 consumers. In addition, the luxury consumer market receives 10,000,000 new customers each year (*www.economist.com*, 2014).

The target market that will purchase **LITVAK New York** line is defined as young highly successful professional urban men, between 25 and 50 years old who tend to marry and raise families later in life, with an actual net worth starting at $250,000, primary living in the United States and wealthy tourists from China, Russia and Brazil (Wang, 2014; *www.economist.com*, 2014). Men that care about their personal appearance, grooming, fashion and who are interested in investing in themselves. They are sophisticated and wealthy men, who most likely travel constantly around the world to influential cities. They like to shop online and purchase contemporary and directional (trendsetting) ready-to-wear fashion, whether it is a new piece of technology, a clothing item or a grooming product (Cardinali as cited by Wang, 2014).

**Note:** Even though **LITVAK** fashion house has **LITVAK ARTIO**, a haute couture luxury oriented design that can be targeted to a very limited niche of approximately 300 persons such as the very wealthy, noble, aristocratic worldwide personalities (Cortez, 2012) it has not been placed for sale. LITVAK ARTIO has been used to experiment on future innovative designs that can be converted to LITVAK New York ready-to-wear designs.

**Competition:**

All competitors listed below contain their own concept in the fashion industry, but represent both a long term guru in the industry and at the same time a new entrants welcomed with their new designs and concepts. After an industry analysis, these competitors were selected into separate strategic groups (Direct, indirect and future competition.

***Direct***

***Competitors:***

Rag and Bone, Alexander Wang and Marchesa are listed as direct competitors because just like the **LITVAK** brand, they are identified as new entrants. Being new to the industry indicates that said competitors have already established a starting point in the market. Rag and Bone and Alexander Wang are two of the strongest newcomers in the industry, however Wang is going through economic difficulties. Marchesa is also a direct competition, however different to **LITVAK,** its focus is more in women. While these points grants the competitors strengths, the main issue with their style of clothing and accessories, compared to **LITVAK** is their concepts that call the attention of the street wear market which is not **LITVAK'**s market, which on the contrary, concentrates more on elegance and transformational luxury for men.

***Indirect Competitors:***

The brands listed above contain similar aesthetics to the **LITVAK** brand and have been in the market for a long period of time with a high level of success. They have been identified as indirect competitors primarily because they are ready-to-wear brands but their designs are not as innovative as **LITVAK's**. However, despite having many advantages, these brands still contain weaknesses such as lack of design structure, problems with inventory or directed to an older population, granting **LITVAK** opportunity to enter the market.

***Future Competitors:***

The following brands are listed as future competitors because at this moment on time they represent where Litvak wants to be positioned in the future in the ready-to-wear industry. These competitors are major competitors that will not pay attention to LITVAK at the moment, but will be strong competition in the future of **LITVAK**. The strength of these competitors is their well stablished brand in the ready-to-wear industry. However, the three suffer from a similar problem, identity. Alexander McQueen as Steve Jobs where the heart of the company and when the pass away similar to Chanel and Givenchy, are struggling with their identity and image. This is another opportunity that LITVAK can capitalize in the future; becoming the next luxury trend setter. As far as time goes, LITVAK sees itself on the level of these future competitors within an approximate 10 years.

## Macro-environment

### Industry

The fashion industry is a complex, but well-oiled operational environment with established players throughout the value distribution chains. It is an Oligopoly in nature that is dominated by three major conglomerates: (a) LVMH-Moet Hennessey Louis Vutton, (b) Richemont, and (c) Gucci group (Cortez, 2012) with over 80 well-known brands, and an ample number of other companies and independent designers (Cortez, 2012). The fashion industry is divided in three main categories, Haute couture, Ready-to-wear and Mass Produce products. Haute couture is high fashion creations, custom-fitted and handmade one of a kind garments, and accessories constructed from high quality and expensive or uncommon materials directed to please a very exigent and specialized niche of the fashion market that consists of several hundred very high end customers (Thomas as cited in Cortez, 2012). The term Haute couture is French for high fashion-designing and was use first by Charles F. Worth in Paris during the late 19$^{th}$ Century; and can only be use with the consent of the Paris Chamber of Commerce and Industry (Cortez, 2012).

The next category known as Ready-to-wear or prêt-à-porter, in French, attends the needs of a much larger market estimated in 330,000,000 consumers (*www.economist.com*, 2014) searching for luxury apparel, and accessories that have haute couture characteristics at accessible prices. Ready-to-wear is factory-made clothing that it is not tailored to a specific person; however the designs are made to fit standardized sizes and the production is limited to small amounts of garments and accessories to be sold. The first couture house that implemented ready-to-wear was Yves Saint Laurent during the 60's with the purpose of creating limited collections of garments, with Haute couture characteristics, that

projected luxury, without being one-of-a-kind exclusive pieces, and making them accessible to a larger share of the fashion market, even though its high prices (Cortez, 2012).

The third clothing and accessories category is mass produced in large quantities using normal and inexpensive materials to satisfy clothing and accessories needs for the majority of the market. Mass produced garments are affordable to consumers looking for good clothing at affordable prices in major department stores and outlets.

**LITVAK New York** focuses its men fashion collection towards the men ready-to-wear segment. The personal luxury goods industry that includes watches, jewelry, ready-to-wear clothes, shoes and leather goods reached 223 billion euros ($282.7 billion) in 2014, an increase of 7% compared to 218 billion in 2013 (Bain as cited in Reuters, 2014). In 2014, the United States, the largest luxury goods market, reported $78 billion in sales, followed by China and Japan (Cortez, 2012; Luxury Society, 2014). In the last five years the United States and China's luxury goods sales increased $18 and $ 9.6 billion respectively, placing China as the second largest market above Japan (Luxury Society, 2014). China's luxury goods sales increase is due to a 6 to 7% growth of its emerging upper middle class in the country (Bain as cited in Reuters, 2014).

In addition, the luxury industry continuous growth is also supported by such indicators as: (a) designers luxury accessories sales increased 43% in the last 5 years, (b) luxury expending in US double Japan expenditures, and (c) Internet luxury goods sales increased 28% in 2014 (Bain as cited in Reuters, 2014; Luxury Society, 2014). In the last decade the demand for high fashion has grown to 20%, 18%, and 13% in China, Hong Kong and US respectively, demonstrating not just a healthy, but growing and vibrant market. It is expected that the luxury goods industry will continue its increase and will reach $405 billion sales in 2019 (Luxury Society, 2014).

**Suppliers and Manufacturers analysis:**

The suppliers tend to determinate the ready-to-wear industry dynamics. Luxury in any industry means higher costs and sometime limited available supply. Ready-to-wear is a positive and faster fashion to produce due to its greater consumption from consumers and the standardization of the pieces. Produce in factories. Many suppliers of materials and textile are from Italy and France. However, the current outsourcing of services and materials from other parts of the world such as China has cheapened the costs of ready-to-wear, consequently reducing the prices of people perceive luxury brands (Cortez, 2012)

**Ready-to-wear manufacturers**:

TEXTILE DU MAINE design and manufacturing unit located in Montillers, France. The workshop is under the management of Nicolas TREHARD who directs his team to use all the skills they have in material selection and preparation. They take care of each process of production even packaging. This manufacture house uses high tech equipment to ensure production. The garment is cut by KURIS, the automated cutter, except for lace which is done by band saw (www.textile-du-maine.com, 2015). Then 150 sewing machines then take over; the fit is checked regularly during manufacturing to ensure everything is going to plan (www.textile-du-maine.com, 2015).

CARVICO Synonymous with manufacturing excellence, Carvico and Jersey Lomellina have always focused on what they can do best - warp knit and circular knit fabrics - creating the ultimate mix of competence and creativity(www.carvico.com,2015). Our companies also share their vision and a set of common values: a deep respect for tradition along with permanent research into technology, a sense of pride of our Italian origins and a passion for the world, a common direction to be followed under the banner of 100% Made in Italy quality (www.carvico.com, 2015).

## MARKETING PLAN

### Market Analysis:

### Segmentation and Targeting

The target market that will purchase **LITVAK New York** line is defined as young highly successful professional urban men, between 25 and 50 years old who tend to marry and raise families later in life, with an actual net worth starting at $250,000, primary living in the United States and wealthy tourists from China, Russia and Brazil (Wang, 2014; *www.economist.com*, 2014). Men that care about their personal appearance, grooming, fashion and who are interested in investing in themselves. They are sophisticated and wealthy men, who most likely travel constantly around the world to influential cities. They like to shop online and purchase contemporary and directional (trendsetting) ready-to-wear fashion, whether it is a new piece of technology, a clothing item or a grooming product (Cardinali as cited by Wang, 2014).

In specific, the men ready-to-wear market and innovative wearable designs are developing fast (Luxury, 2015). The men ready-to-wear segment has been growing since 2009 from 19 billion euros to 24 billion euros in 2011, representing a 26% increase in revenue, overtaking the apparel market and paring menswear, in value, to womenswear (Cortez, 2012). Simultaneously, experimental luxury is growing faster than the personal goods luxury (Ortelli as cited in Business of Fashion, 2014). The NPD Group, a prestigious market research company, reported that, US, men's apparel sales grew 5 percent in 2013 to over $60 billion, outperforming women's wear (Wang, 2014).

**Positioning:**

| Industry Category | Company | Headquarter Location | Price Range |
|---|---|---|---|
| Haute Couture | Lanvin | Paris | $2,000-1,000,000 |
| | Alexander McQueen | London | |
| | Chanel | Paris | |
| Ready to Wear | Dior | Paris | $500-10,000 |
| | Litvak | New York | |
| | Chanel | Paris | |
| | Rag & Bone | New York | |
| Mass Produced | Ann Taylor | New York | $10-400 |
| | Liz Claiborne | New York | |
| | Abercrombie & Fitch | New York | |

According to the Industry Category table, **LITVAK** is positioned as a luxury ready-to-wear fashion house together with Dior, Chanel and Rag & Bone. **LITVAK** creates haute couture and ready-to-wear fashion however it is specialized in men ready-to-wear clothing and accessories. In term of price range in clothing and accessories **LITVAK** products will be between the $500 and $10,000 dollars per piece (Example: shirt, trouser, buckle, etc…)

**Marketing Mix:**

**Product: LITVAK New York** is a luxury ready-to-wear line of clothing and accessories for men that combines some characteristics of the haute couture, with innovative experimental design and a environmentally intelligent conception. The products as the brand are elegant, structural constructed garments, trousers, shirts, jackets and accessories that manifest the lifestyle of customers. The conception of the pieces includes a combination of elegant textiles and rescued materials to creative a one of a time experience and enjoyment for the user. The products will be manufacture in France, Milan and will be sold in New York and worldwide. Following the SWOT Analysis table:

**Price:**

**LITVAK New York** offers a wide range of men ready-to-wear products such as jackets, coats, shirts, trousers, and various accessories. Pricing on the men's ready-to wear clothing line and accessories is based on (a) ready-to-wear competitors' price analysis of jackets, coats, shirts, trousers and a variety of accessories, (b) **LITVAK New York** estimated costs of garment and accessories production, and (c) LITVAK price strategy. **LITVAK** price strategy can be considered premium (high quality and high price), however, it is strategically modify to offer high quality at an average price following competition average prices. The reason behind this strategy is merited to communicate the fact that **LITVAK** provides the same quality as other successful brands such as LANVIN, Alexander McQueen, Givenchy, Alexander Wang, Marchesa, and others already established in the market. Based on the extensive research within the industry the **LITVAK** team suggested the following prices for the **LITVAK New York** collection to be competitive in comparison to the competition:

| Clothing | Average Price |
|---|---|
| Jackets | 2000 USD |
| Coats | 3000 USD |
| Shirts | 400 USD |
| Trousers | 900 USD |
| **Accessories** | **Average Price** |
| Bags | 1400 USD |
| Shoes | 500 USD |
| Small Jewelry | 300 USD |

**Place:**

The distribution strategy for **LITVAK New York** ready-to-wear for the first three years is to sell the collection pieces through recognized luxury department stores such as Neiman-Marcus, Fortnum & Mason, Harvey Nichols, Saks Fifth Avenue, Harrods, Holt Renfrew, Nordstrom, Le Bon Marche (Paris) and ready-to-wear boutiques in the United States, Europe and Asia. Starting the fourth year, **LITVAK** will open the first LITVAK brand owned and operated boutiques, commencing with New York, follow by other major fashion cities in the United States, Paris, Milan and Asia.

**Promotion:**

New fashion houses like **LITVAK** suffer from low brand recognition. For that reason the main objective of the promotion strategy during the first year is to establish **LITVAK New York** as an experimental and environmentally intelligent luxury ready-to-wear brand for men. As newcomer LITVAK New York needs to receive positive reviews from fashion industry magazine editors, writers and critics. The first step to reach these experts is to present a full collection during the New York Fashion Week event in February 2016. The promotion strategy is carryout using (a) well illustrated traditional materials such as visual catalog and digital media to present and describe the brand. **LITVAK** promotion will be presented through an (a) interactive and easy to navigate web site, (b) **LITVAK** mobile web solution that will personalized its interface according to the viewer's wishes, (c) major fashion blogs, (d) **LITVAK** collection catalog to be hand in to the especial visitors during the showcase of the collection during the fashion week, (e) media tour through the principal TV stations, radio stations, and fashion magazine interviews such as VOGUE, and (f) **LITVAK** singular invitation created with rescued material that will be send by mail to magazine editors, writers and influential individuals and buyers in the industry, before the fashion week. The objective of this first promotional effort is to present the brand in an informational an

noninvasive way to present the image of professionalism and transformation that LITVAK want to share with the industry, even though is new entrant status.

Promotion and advertising objectives will change depend in the needs of the brand to communicate to its consumers. Further promotional efforts will use other medium but with an emphasis on innovative ways to communicate the brand image and commitment with its customers, fashion transformation and environment consciousness.

**FINANCIAL PLAN**

**LITVAK** financial plan covers a five year and its financial statements are prepare showing fiscal year statements beginning August 2015 to July 2016.

**Cost Calculation:**

The costs were calculated taking into consideration real cost information using the Internet. For example: wages, equipment, rent, insurance were search through several Internet sites and using one of **LITVAK** partners experience and knowledge in the fashion industry. For example, leasing costs for the studio loft in New York were based on a 2,500 sq. feet space located in a real estate site, the average salaries of designers and couturiers were also verified in the Internet, etc… The pieces cost was estimated taking into consideration industry standards and practices.

**Sales Forecast**:

The **LITVAK** team predicted sales taking into consideration the men ready-to-wear steady growth in sales of over 9 % yearly. The initial sales forecast for the two first years is conservative due to the lack of brand awareness, however LITVAK expects that the collection showcasing during the Fashion Week together with industry's key supporters will launch the lines making **LITVAK** immediately aware to fashion magazine editors and luxury fashion stores buyers. The sales forecast during the following years was estimated based on the study of other ready-to-wear successful newcomer brands in the market and **LITVAK** brand growing availability in major luxury department stores and boutiques. The value of

the products is based on the assured quality that is guaranteed in every work that is transformed. However this fashion house exploits the market with an outlook on creative that is bound to leave its mark in every culture. Therefore the having assessed the growth of demand in the luxury industry **LITVAK** optimistically pursues its endeavors in anticipation of a 5 year steady growth strategy (See appendix 1, Financial Statements).

**Price Calculation:**

Following the price strategy, prices were calculated after a thorough price analysis of several competitors in the ready-to-wear industry. To do this analysis **LITVAK** marketing and sales manager, together with the Chief Creative Designer scrutinized nine different competitors who sell ready-to-wear jackets, trousers, shirts, coats, accessories and men bags. After evaluating prices range of the different products decided competitive prices considering the LITVAK costs and margins.

**Break-even Analysis:**

To find the break-even point **LITVAK** followed the following formula (***BEQ = Fixed costs / (Average price per unit – average cost per unit***) to have an idea of how many units need to be sold. For example for 2015 the fixed costs are $ 694,000 and the average price of products is $ 1,688 and the average cost of products is $ 400. BEQ = $ 694,000 / ($ 1,688 – 400) = 583 pieces in average.

**Attraction of Capital:**

To start **LITVAK** there are investors ($2,000,000) already interested to invest in the **LITVAK New York's** collection. Additional capital is not needed for the first 5 years of operations according to the growth plan prepared by **LITVAK**. However, **LITVAK** also expects to acquire additional funding from specialized fashion initiative that provides hundreds of thousand dollar for new innovative designers. At the moment, **LITVAK** those not expects to share more company stocks. Expansion plans after the fifth year may require additional capital for LITVAK international presence with the inauguration of its new branded boutiques.

**Financial Statement Notes:**

**1. Income Statement - LITVAK** enter New York City under the Startup New York incentive program. Under the program, businesses established in specific zone in New York are 100% except of paying income, payroll and lease taxes for the first 5 years of operations. For this reason, **LITVAK** will receive a reimbursement of the taxes and that's why Income from Operations and Net Profits show similar amounts Income Statement (Appendix 1).

**Investors investment – LITVAK** agreed with the investor who invest $ 2,000,000 dollars to give him 30% of the company. Also, it was agreed among the investor and the **LITVAK** team to reinvest in **LITVAK** and its lines as much as necessary for the first 5 years to strengthen the brand and to prepare the boutique expansion plan. According to these and other agreement, dividends will start being paid the 6$^{th}$ year of operations as well as investor's return on his investment.

**2. Balance Sheet** – The Intagible section in the Assets include the valuation of the team's industry expertise, connection with fashion industries decision makers, and experimental materials procedures techniques knowledge. In addition this area also includes the brand goodwill.

**IMPLEMENTATION PLAN**

In the fashion industry and at the level of ready-to-wear, the industry has established the procedure to follow and every designer has to do so if he or she wants a share of the market. Designers must present in one of the Fashion Weeks, produce a collection of over 15 pieces with 3 or more variations to showcase during the fashion week. To have the opportunity to enter the industry, at least one editor, writer or fashion expert has to support your collection in order to motivate buyers to purchase. LITVAK has a one of a time opportunity because of its potential backing from influential industry experts.

**LITVAK** will have the opportunity to start in New York by renting and studio Loft. The implementation plan for **LITVAK** can be summarize in the following steps.

**PLAN A:**

**Short term implementation:**

1. June 2015. Part of the investors investment will be use to rent a studio loft in Manhattan.

2. August 2015. Personnel and interns will be hired to start in **LITVAK**.

3. August 2015 to February 2016. The **LITVAK** team will design and produce a complete collection for the New York Fashion Week 2016.

4. November 2015 to March 2016. **LITVAK** will start a media tour with pieces of the collection.

5. February 2016. Showcase of **LITVAK New York** ready-to-wear collection for men at the New York Fashion Week. **Expectations:** Positive reviews from magazine editors, writers and experts. In addition, orders from buyers requesting the complete collection for stores and boutiques.

6. February to March 2016. LITVAK manufacture pieces ordered.

7. April 16. Pieces are distributed to luxury stores and specialized boutiques.

**Long term implementation:**

1. May 2016 to June 2020. **LITVAK** men ready-to-wear collection is available in over 150 stores and specialized boutiques. Also, fashion industry buyers can place orders through the Internet. **LITVAK** introduces the women ready to wear collection and starts to sell some of the accessories and selected pieces through the Internet to consumers.

2. April 2020. **LITVAK** expands its New York Headquarters and opens its first **LITVAK Fashion Boutique** in New York.

3. May 2021 to April 2025. **LITVAK** men and women ready-to-wear collections are available in over 400 stores in the Unites States and internationally. **LITVAK** opens five additional **LITVAK Fashion Boutiques** in the top fashion cities in the world including: London, Paris, Milan, Los Angeles, and Hong Kong.

**PLAN B:**

1. February 2016. In case of not receiving many positive reviews during the New York Fashion Week. **Expectations:** Some editors and other influential members of the industry offered positive reviews. Buyers' will be purchasing some of the collection pieces. **Following step:** Continue developing brand awareness, and acceptance by influential members, editors and buyers of the fashion community.

**Risk:**

The major risk to enter this industry is the lack of support or acceptance of the collection during the fashion week due to poor innovation and creativity strengths from the part of the designer. However, **LITVAK's** strong lifestyle experimental concept and innovative combination of textile and environmentally intelligent design are sufficiently attractive and intellectually fashioned and creative to attract the attention of the industry.

## Appendix 1 Income Statement and Owners Equity

| Litvak<br>Income Statement<br>For years 2015 to 2019 | | | | | | |
|---|---|---|---|---|---|---|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| Revenue | | | | | | |
| Sales Revenue | 500,000 | 1,000,000 | 4,000,000 | 10,000,000 | 20,000,000 | 35,500,000 |
| **Total Sales Revenue** | 500,000 | 1,000,000 | 4,000,000 | 10,000,000 | 20,000,000 | 35,500,000 |
| | | | | | | |
| Cost of Sales | | | | | | |
| **Total Cost of Sales** | 165,000 | 330,000 | 1,320,000 | 3,300,000 | 6,600,000 | 11,715,000 |
| | | | | | | |
| Gross Profit | 335,000 | 670,000 | 2,680,000 | 6,700,000 | 13,400,000 | 23,785,000 |
| | | | | | | |
| Expenses | | | | | | |
| Advertising | 25,000 | 25,000 | 100,000 | 200,000 | 420,000 | 770,000 |
| Wages and salaries | 410,000 | 410,000 | 415,000 | 415,000 | 420,000 | 2,070,000 |
| Equipment | 46,000 | | | 53,000 | | 46,000 |
| Supplies | 4,000 | 4,500 | 5,300 | 6,000 | 6,600 | 26,400 |
| Rent | 264,000 | 264,000 | 264,000 | 264,000 | 264,000 | 1,320,000 |
| Utilities | 38,400 | 42,240 | 46,464 | 51,110 | 56,221 | 234,436 |
| Depreciation | | 15,333 | 15,333 | 15,333 | 17,666.67 | 63,666 |
| Insurance | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 100,000 |
| Miscelaneous | 12,000 | 13,000 | 14,000 | 15,000 | 16,000 | 70,000 |
| **Total Expenses** | 819,400 | 794,073 | 880,097 | 1,039,443 | 1,220,488 | 4,700,502 |
| | | | | | | |
| Income from Operations | (484,400) | (124,073) | 1,799,903 | 5,660,557 | 12,179,512 | 19,084,498 |
| | | | | | | |
| Taxes | | | | | | |
| Income taxes | - | - | - | - | - | - |
| Payroll taxes | 36,285 | 36,285 | 36,728 | 36,728 | 37,170 | 183,195 |
| Real estate taxes | 15,840 | 15,840 | 15,840 | 15,840 | 15,840 | 79,200 |
| **Total Taxes** | 52,125 | 52,125 | 52,568 | 52,568 | 53,010 | 262,395 |
| | | | | | | |
| Net Profit | (484,400) | (124,073) | 1,747,335 | 5,607,989 | 12,126,502 | 18,822,103 |

| Litvak<br>Owners Equity<br>For the period years 2015 to 2019 | | | | | | |
|---|---|---|---|---|---|---|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| Owners Capital | | | | | | |
| Working Capital | 2,000,000 | 1,515,600 | 1,391,527 | 3,138,862 | 8,746,851 | |
| Net Income | (484,400) | (124,073) | 1,747,335 | 5,607,989 | 12,126,502 | |
| | | | | | | |
| Investor 1 (30%) | 2,000,000 | | | | | |
| Investor Litvak Team Inkind (70%) | 6,666,667 | | | | | |
| Total Owners Investment | 8,666,667 | | | | | |

## Appendix 2 Balance Sheet

| Litvak<br>Balance Sheet<br>For the period ended fiscal years 2015 to 2019 | | | | | |
|---|---|---|---|---|---|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Assets | | | | | |
| TAX REINBURSEMENT STARTUP NY | 349 | 349 | 353 | 353 | 357 |
| Cash in Bank | 125,000 | 302,000 | 900,000 | 1,800,000 | 3,900,000 |
| Accounts Receivable | 80,000 | 160,000 | 640,000 | 1,600,000 | 3,200,000 |
| Work in process Inventory | 100,000 | 200,000 | 800,000 | 2,000,000 | 4,000,000 |
| Equipment | 46,000 | 30,667 | 15,334 | 53,000 | 35,333.00 |
| Supplies | 12,000 | 15,000 | 15,000 | 28,000 | 34,000 |
| Prepaid Expenses | 22,000 | 20,000 | 22,000 | 25,000 | 28,500 |
| Long Term Invesment | 1,613,424 | 1,648,466 | 1,914,515 | 2,686,632 | 3,583,221 |
| Intangible (Industry Expertise/ Brand Goodwill) | 6,666,667 | 6,666,667 | 6,666,667 | 6,666,667 | 6,666,667 |
| **Total Assests** | 8,665,440 | 9,043,149 | 10,973,869 | 14,859,652 | 21,448,078 |
| | | | | | |
| Liabilities & Owner's Equity | | | | | |
| Liabilities | | | | | |
| Notes Payable | | | 52,568 | 52,568 | 53,010 |
| Accounts Payable | 35,300 | 35,700 | 43,500 | 53,200 | 82,200 |
| Interest Payable | 620 | 830 | 1,200 | 3,020 | 5,300 |
| Unearned Service Revenue | 35,920 | 52,125 | 97,268 | 108,788 | 140,510 |
| Salaries and Wages Payable | 410,000 | 410,000 | 415,000 | 415,000 | 420,000 |
| Taxes Payable | 1,333 | 1,900 | 2,899 | 4,988 | 6,899 |
| **Total Liabilities** | 483,173 | 500,555 | 559,867 | 584,996 | 654,909 |
| Owners Equity | | | | | |
| **Owner's Capital** | | | | | |
| Investor 1 (30%) | 1,854,680 | 1,962,778 | 2,524,201 | 3,682,397 | 5,637,951 |
| Investor Litvak Team Inkind (70%) | 6,327,587 | 6,579,816 | 7,889,802 | 10,592,259 | 15,155,218 |
| **Total Owners Capital** | 8,182,267 | 8,542,594 | 10,414,002 | 14,274,656 | 20,793,169 |
| | | | | | |
| **Total Liabilities and Owner's Equity** | 8,665,440 | 9,043,149 | 10,973,869 | 14,859,652 | 21,448,078 |

## Appendix 3 Cash Flow

| Litvak<br>Cash Flow<br>For the years 2015 to 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 |
| | | | | | | | | | |
| Cash in Bank | 125,000 | 177,000 | 302,000 | 598,000 | 900,000 | 900,000 | 1,800,000 | 2,100,000 | 3,900,000 |
| Accounts Receivable | 80,000 | 80,000 | 160,000 | 480,000 | 640,000 | 960,000 | 1,600,000 | 1,600,000 | 3,200,000 |
| Work in process Inventory | 100,000 | 100,000 | 200,000 | 600,000 | 800,000 | 1,200,000 | 2,000,000 | 2,000,000 | 4,000,000 |
| Accounts Payable | 35,300 | 400 | 35,700 | 7,800 | 43,500 | 9,700 | 53,200 | 29,000 | 82,200 |
| Interest Payable | 620 | 210 | 830 | 370 | 1,200 | 1,820 | 3,020 | 2,280 | 5,300 |
| Supplies | 12,000 | 3,000 | 15,000 | - | 15,000 | 13,000 | 28,000 | 6,000 | 34,000 |
| Depreciation | | 15,333 | 15,333 | 15,333 | 200,000.00 | 246,000 | | | |
| Prepaid Expenses | 22,000 | (2,000) | 20,000 | 2,000 | 22,000 | 3,000 | 25,000 | 3,500 | 28,500 |
| Salaries and Wages Payable | 410,000 | - | 410,000 | 5,000 | 415,000 | - | 415,000 | 5,000 | 420,000 |
| Taxes Payable | 1,333 | 567 | 1,900 | 999 | 2,899 | 2,089 | 4,988 | 1,911 | 6,899 |
| Cash Flow From Operation | | 374,510 | | 1,709,502 | | 3,335,609 | | 5,747,691 | |
| | | | | | | | | | |
| | | | | | | | | | |
| Long Term Invesment | 1,613,424 | 35,042 | 1,648,466 | 266,049 | 1,914,515 | 772,117 | 2,686,632 | 896,589 | 3,583,221 |
| Notes Payable | | - | | 52,568 | 52,568 | - | 52,568 | 443 | 53,010 |
| Cash Flow from investing | | 35,042 | | 318,617 | | 772,117 | | 897,032 | |
| | | | | | | | | | |
| Cash at the Bigining of year | | 125,000.00 | | 302,000.00 | | 900,000.00 | | 1,800,000.00 | |
| Cash at end of Year | | 302,000.00 | | 900,000.00 | | 1,800,000.00 | | 3,900,000.00 | |