Section 5

Team 8

Fall 2022

Business Plan

Starfish Corporation

Electronic Windshield Heater

"Your Morning Just Became Easier!"

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Executive Summary

Starfish Corporation
[Ryan Skees]
Address: 5154 Enterprise Blvd, Toledo, OH 43612
Phone: [(419) 969-8543]
E-mail: [sales@starfishcorporation.com]
Website: [starfishcorporation.com]

Management:
Titles:
President/CEO FT (1)
Sales/Marketing Associate FT (1)
Operations Associate FT (1)

Industry: Small Electronic Appliance Manufacturing. NAICs code 335210.

Number of Employees: 6

Amount of Financing Sought: $1,000,000

Investment Sources:
Bank loan: $500,000
Common Stock: $500,000

Use of Funds: Product development, marketing/sales, distribution, employee wages, rent, equipment purchases.

Product/service selling price: $59.99 per Starfish Heater

Business Description: Our strategy is differentiation through customer service and low cost. The Starfish Heater is an affordable and simple product that customers will have little trouble using and will be useful to customers of most price ranges. We are the best quality car heater that isn't included with a remote start car, and we are more efficient and effective than other alternatives such as an ice scraper. Our production workers will be a hybrid of bargain laborers and loyal soldiers from the Toledo Area, while our upper-level workers and management will be committed experts.

Products/Services: Our only product offered is the Starfish windshield heater.
Year 1 manufacturing cost: 36.20
Price of product: $59.99

Competitive Advantage:
Our competitive advantage is the convenience of our product and how innovative it is compared to our competitors. Based on our own research conducting a survey, we found that most consumers felt we bring a much-needed value of saving time with Starfish's convenience compared to other products (like a car scraper or tarp) with the remote start aspect of our product. Without this remote start function, we are just a normal defroster in a car, so it's what differentiates us as a product and gives our product value. When it comes to current intellectual property or patent law, there is no other product like ours on the market.

Markets:
Our main target market is the Upper-middle class with graduate-level education who are employed and bringing in an above-average income and have average ages from 25-44. The other markets we target include Upper midscale suburban and second city families aged 25-44 and younger families, some with kids, ages 25-44, with all three markets being found in cities and suburban areas. Our market size for all 3 markets combined is 6.8 million with a growth rate of 26.82% by 2025. Our total expected revenue from years 1-5 is $8,359,056.

Distribution Channels: Our product will be sold on both our personal website and on Amazon. Being an online product, we do not look to negotiate with wholesalers for the first four years, considering Amazon only charges a monthly fee rather than a margin of sales revenue. In addition to this, we will look to sell at local AutoZone retailers in year five to diversify who we are selling to and add an in-person element to our sales strategy.

Competition: Competition includes remote start car heaters in newer cars, and traditional ice scrapers. We are a niche product that is highly differentiated from other products in the industry. With few direct competitors, we are a new and innovative product that has its own lane.

Financial Projections (Unaudited):

	2022	2023	2024	2025	2026
Revenue:	$1,221,516	$1,377,010	$1,824,018	$1,972,931	$1,963,626
EBIT:	($29,948)	($128,346)	($127,447)	($43,994)	($144,117)

Narrative

Elevator Pitch: Are you tired of being late due to a frozen car windshield? Defrosting your car is time consuming and inconvenient. But with the Starfish heater, the days of waking up early to scrape ice off your car are gone. Thanks to our remotely activated product, you will be able to simply wake up, click the button on your key fob, and come out to a warm and defrosted car at your leisure.

Product Description: Our product is a battery powered heating pad encased in a fabric pouch, along with an electronic key fob to turn on from a remote location. Within this heating pad will be heating wires spread throughout the inside of the casing to evenly distribute heat. Our product will come with four Velcro strips for the customer to attach to the windshield and they will then be immediately able to utilize the product. The retail price of our product is 59.99 in the first two years, and 54.99 in years three to five.

Competitive Advantage: Our competitive advantage is our remote start and ease of access. Other products in the same industry (i.e., ice scrapers, standard car heaters) are often too time-consuming to use. Our product is affordable and only takes the push of a button, and we offer top-tier customer service. Defective products will be replaced free of charge and unsatisfied customers will be given refunds. We also satisfy the need for safety with our product.

Value Proposition: Our value proposition is convenience and customer service. Our competition is neither convenient nor practical. Our product will be simple to set up and use. We will have a customer service representative to take questions, talk to customers, and personally handle returns/exchanges which adds a level of customer experience not seen with other products in this industry.

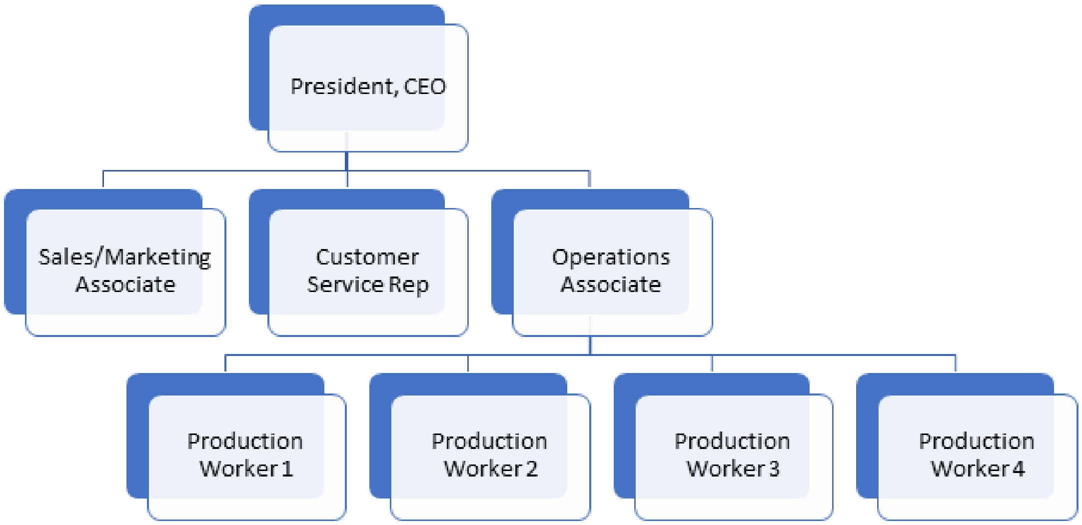
Business Strategy: Our strategy is differentiation. The Starfish heater is an effective alternative to a traditional car heater. We are the only option on the market that isn't part of the actual car. We will also provide great customer service by giving any customer receiving poor-quality goods a free return label making them eligible for a full refund/replacement. Our HR strategy is a mix of loyal soldier/bargain laborer and committed experts, hiring young but experienced workers to manage cheap workers that require little training. These hybrid workers work for lower wages compared to our upper-level workers but make more than the average in the area.

Business Location: Our facility will be located at 5154 Enterprise Blvd, Toledo, Ohio. Ohio is ranked third in most electrical equipment manufacturers and ranked sixth in employment in the industry within the United States (IBIS). We will pay our production workers above the average in Ohio, attracting skilled workers already in the industry. We chose Ohio to save on production, as "prices in Ohio are 10.8 percent - or nearly 11 percent - lower than the U.S. average" (Perkins, 2014). Toledo, which has a 6.7% unemployment rate, will provide a larger pool of workers for production, and will allow us to thrive even with high employee turnover rates.

Outsourcing: Our outsourcing includes our financial and accounting services. We estimate the cost of outsourcing these services would reduce our payroll drastically, costing between $1,500-$2,500 a month, or $18,000-$30,000 a year (Basis365). Hiring an accountant in the state of Ohio would cost anywhere between $47,747-$68,840 (Salary.com).

Financial Performance: In year one, our unit sales were at 20,362 with a sales revenue of $1,221,516 and by year five, we are selling 74,590 units with a revenue of $1,963,626. Our net income goes from ($74,948) to ($185,094) from years 1-5. Our EBIT goes from ($29,948) in year one to ($144,117) in year five. We also bring our unit variable cost from $36.20 to $32.20 in five years. Each of these factors shows growth within our industry.

Exhibit #1 Organizational Chart – Starfish co. Year 2



<u>Hiring Notes</u>

In year one, we start with our president, sales/marketing associate, operations associate, and three production workers. In year two we add another production worker to our team, as well as a customer service representative. Finally, in year three we add another production worker, bringing out the total employee count from years three to five to nine plus outsourced accounting.

In year two, our president will continue to oversee all operations within the company, acting as both CEO and COO (Chief Operating Officer). This president will act as the main leader to all employees and will have previous managing experience in hiring and managing groups of nine or more. We will be using a committed expert HR strategy to hire all our professional employees. Due to the small nature of our company, accounting and financials will be outsourced, with the president overseeing both the marketing and the operations department. Beneath the president will be a sales/marketing associate, customer service representative, and an operations associate. These three employees will report directly to the president for any matters involving employees, operations, sales, and marketing. The operations associate will be required to have a bachelor's degree or professional certification from a trade school to operate any machinery (Indeed.com) and will be tasked with leading the four assembly line workers. This operations associate will need to conduct a smooth and efficient operation, limiting any slip-ups with equipment, and workers, as well as managing any supply chain issues under the president. Our production workers, who will come in with minimal experience, will work to assemble our product in an assembly line setting with basic equipment that will take simple on-site training to use. These production workers will be hired with a mix between bargain labor and loyal soldier HR strategy, because we are paying them above average salary, but with little training. Also, the production workers will be full-time employees, as are the rest of the employees within the company. Our customer service representative will communicate with customers and ensure quality interactions, as well as manually process all returns and exchanges. By the end of year five, we project to have nine full-time employees and to have our accounting and financing sectors covered by an outside firm. It is notable that our accounting is outsourced and will cost between $1,500-$2,500 per month depending on our utilization.

Exhibit 2: Employee Cost – Year 2

Employee	Salary	Performance Bonus	Yearly Raise	FICA	SUTA	FUTA	WC	Total MD per employee	Health	Retirement	Paid Time Off (PTO)	Total Benefits	Total cost per employee
President, CEO	$80,000	$4,000	$4,800	$6,192	$189	$420	$-	$6,801	$4,200	$3,200.00	2 weeks	$7,400	$103,001
Sales/Marketing Associate	$55,000	$2,750	$3,300	$4,257	$189	$420	$-	$4,866	$4,200	$2,200.00	2 weeks	$6,400	$72,316
Operations Associate	$55,000	$2,750	$3,300	$4,257	$189	$420	$-	$4,866	$4,200	$2,200.00	2 weeks	$6,400	$72,316
Customer Service Representative	$35,000	$1,750	$2,100	$2,709	$189	$420	$-	$3,318	$4,200	$1,400.00	2 weeks	$5,600	$47,768
Production Workers (4)	$30,000	$1,500	$1,800	$2,322	$189	$420	$333.00	$3,264	$4,200	$1,200.00	2 weeks	$5,400	$41,964
Totals	**$345,00**	**$17,250**	**$20,700**	**$26,703**	**$1,512**	**$3,360**	**$1,332**	**$32,907**	**$33,600**	**$13,800**	**$-**	**$47,400**	**$463,257**

Our company's salaries start at slightly below the base annual income for our industry and area (salary.com). Important employees will be given higher pay, alongside more impactful bonuses due to the percentage system used to apply these payments. Bonuses for good performance will be scaled at a rate of 5% of yearly income. This "good performance" will be considered if our target sales quantity from exhibit #4 is hit in each given year. Benefits that we offer include health insurance and retirement through a 401(k). The 401(k) will be paid at a rate of 4% towards the employees, while health insurance is dependent on our employee package. We offer two weeks of paid vacation to our employees to meet business standards, and paid parental leave is also provided by our company per Ohio code section 124.136 (Ohio, 2021). Our benefits are used to motivate employees to perform well and love what they do. Considering that this is a startup company, we hope that by offering these benefits we will be able to offset our marginally below-average base salaries.

Mandatory deductions in pay include FUTA (Federal Unemployment Tax Act), SUTA (State Unemployment Tax Act), FICA (Social Security and Medicare together), & WC (Workers Compensation). Starting with FUTA (Federal Unemployment Tax Act), which is taxed at a rate of 6% with maximum taxable earnings of $7,000. The real net tax of FUTA comes out to $420 per employee, while SUTA (Ohio Unemployment Insurance) is taxed at 2.7% (Ohio.gov). There are also flat rates that make up the FICA payroll tax (state and federal fast wage tax facts, 2022). These rates are charged at 6.2% for Social Security, and 1.54% for Medicare, unchanged from 2019 (state and federal fast wage tax facts, 2022). Finally, workers' compensation (WC) in Ohio is paid at a rate of $1.11 per $100 earned, which has remained unchanged since 2020 (Oregon.gov, 2020). We have decided that only those directly involved with manufacturing the products will be offered this benefit. This means that only the production workers directly involved in the assembly will be receiving this benefit. We provide a health benefits package for all employees at $350/month, or $4,200 a year. Along with this, we include a retirement plan that pays 4% of the employees' base salary per year. Skills required for employment vary from position to position. Our president will preferably have at least five years of experience in management roles, and an advanced degree of familiarity in building personal relationships. The president will oversee day-to-day operations and maintain the company's values and long-term vision. Our customer service representative will be a full-time employee who needs one year of experience in the customer service industry and will be responsible for addressing customer concerns and handling product returns. Our marketing & sales associate, responsible for establishing retail sales and spreading product awareness, will need at least some degree of sales experience and two years of experience in marketing. Our operations associate requires a bachelor's degree in business operations, and a high level of detail orientation. Production workers can be unskilled, given that they are quick to learn. Every year that an employee stays at our company, their pay will be increased by 6% to account for an average inflation rate increase of 3.35% from the years 2022-2026 (Statistica), as well as a 5% bonus based off yearly income if our target sales are hit in the current year. Accounting will be outsourced because for much of the day at a small company such as this, they will be unproductive. This averages out to $25,200 annually when taking utilization and workload into account.

Exhibit #3: Market Segmentation and Targeting

Segment Name	Size (# of People or Households in Segment)	Growth Projection	Description	Priority level for targeting	Justification for Targeting
Middleburg Managers	3,108,649	0.11% increase by 2025 (26.82%), 0.24% decrease by 2030 (26.58%) (Census)	Upper-middle class with graduate level education and employed with white collar jobs. A mix between suburban and city lifestyles. Manage their money well while bringing in an above average income. Aged 25-44. Social media usage in this age group accounts for roughly 47.5% of all media usage on Instagram, our main target market. This market also frequents online shopping sites through google. (Prizm® premier, 2022)	1	With the largest number of people, a tech savvy age group, a northern geographic, and white collared jobs- this is our main target group. Both suburban and city livers working jobs have a need for windshield heaters & have extra money to spend on this.
Pools & Patios	1,835,498	0.11% increase by 2025 (26.82%), 0.24% decrease by 2030 (26.58%) (Census)	Upper midscale suburban and second city families. Stable neighborhoods with backyard pools. White-collar managers and professionals approaching the prime of their careers. Above average with technology. Aged 25-44. Social media usage in this age group accounts for roughly 47.5% of all media usage on Instagram, our main target market. This group also uses the web to read online news media sites. (Prizm® premier, 2022)	2	White collar jobs mean waking up early in the winter. Being able to use technology means that they will comprehend the key fob and understand how to use our app which will be made in future to turn on the heater. Able to afford small luxuries, such as the remote windshield heater. Living up North also means that winters will be more impactful.
Up-and-Comers	1,888,501	0.11% increase by 2025 (26.82%), 0.24% decrease by 2030 (26.58%) (Census)	Younger families, some with kids, some without. Found in cities and suburban areas. Travel a lot, ages 25-44, and are college graduates that enjoy using the latest technology. Many plan for the future. Social media usage in this age group accounts for roughly 47.5% of all media usage on Instagram, our main target market. (Prizm® premier, 2022)	3	These younger individuals will be more familiar with technology. Traveling for work and pleasure means more time in the car, and frequently needing to be on the road in the morning. Up-and-Comers also live up North, in our target geographic area.
Young And influential	1,158,998	0.11% increase by 2025 (26.82%), 0.24% decrease by 2030 (26.58%) (Census)	Younger adults with college educations in the 25-44 age range. These people are influential in their neighborhood and very tech savvy. Live an upper-scale life with an above average salary. Social media usage in this age group accounts for roughly 47.5% of all media usage on Instagram, our main target market. (Prizm® premier, 2022)	4	This group of individuals tend to be tech savvy and up to date in that category. They mainly live in apartments that only provide a small garage. Our product will be a necessity for these individuals as they're always on the go and enjoying new technology.
Country Squires	2,956,365	4.31% decrease from 2020 (81.11%), to 2030 (76.8%) (Census)	Wealthy middle-aged family people, mostly homeowners with disposable income. Ages 55 and older, many living in the upper northeast with an aptitude for technology. Only 5.8% of all social media usage on Instagram is sourced from those aged 55+. (Prizm® premier, 2022)	5	Wealthy consumers with white collar jobs and high concentrations in the northeast. High access to information on new technology, as well as a large population size.
Executive suites	1,644,584	.055% increase from 2020 to 2025 (25.89-25.945%), 1.205% decrease from 2025 to 2030 (25.945-24.74%) (Census)	Upscale middle age mostly with kids. Tend to be prosperous and active professionals who are above average in their use of technology. Age ranges from 35-54. Education level of graduate school or higher. 23.6% of all social media usage on Instagram is found within this age group. (Prizm® premier, 2022)	6	These older Individuals' have kids and could buy this product for possible young college student or high school student. They also have the money to spend to buy the product and are familiar with current technology and social media to see our product. They also are active professionals so they will need it before they go to work in the winter and in colder climates.

Exhibit #4: Market Quantification

Year	Total Market Potential (No. of Customers)*	Market Share**	Annual purchase amount***	Annual Unit Sales	W/Sale Price†	Retail Price†	Annual $ Revenue
2022	3,108,649	2.62%	0.25	20,362	-	$59.99	$1,221,495
2023	3,177,039	2.89%	0.25	22,954	-	$59.99	$1,377,017
2024	5,162,578	2.57%	0.25	33,170	$50.59	$54.99	$1,823,994
2025	5,276,154	2.72%	0.25	35,878	$50.59	$54.99	$1,972,923
2026	5,022,899	5.48%	0.25	54,551	$50.59	$54.99	$1,963,626

Our source and/or assumptions used to calculate total market potential were that we had a growth rate of .11 and spread it out into 5 years, so each year it increased by .002. (Claritas)

The starting budget is $40,000. Since we do not yet have sales, we are starting with a small budget, and adjusting as needed each year. CPM is $14.2, which is the average cost of ads combined for Facebook, Instagram, Google search, and Television. This gives us a total reach of 2,816,901 people. (40,000/14.2*1000). This sets our awareness to 90.61%. For trial, 60.32% of survey claim they would try our product at $59.99, meaning that our variable is =.6032. Availability will be at 12.1%, according to auto market experts (aftermarketnews.com, 2021). Another ~39.68% would switch permanently, as indicated by our survey. For the first year, we will sell privately on our own website. In total, this means that our market share is (.9061)(.6032)(.121)(.3968)= 2.62% of market. For year two we will increase our budget by $5,000 so our new budget will be $45,000 for 2023. Our awareness would now be 99.75% for year two so market share would be (.9975)(.6032)(.121)(.3968) which is 2.89%. In our third year, we will be moving to Amazon as we have begun to find a good chunk of the market. At a rate of $39.99/month, sellers receive no additional charge for selling large quantities of products. We are charged a 8% fee for referrals and fulfillments, which bring our wholesale to 50.59 years 3-5. For the remainder of this exercise, we will be estimating a 56.7%:43.3% ratio of wholesale to retail unit sales. Our budget will also increase to $65,000 in Year 3, as we have begun targeting our second segment of buyers. Year three market share formula is seen as (.8867)(.6032)(.121)(.3986)=2.57%. In Year 4, to match the growth of our target market, our marketing budget will jump to $70,000. Market share formula is (.9343)(.6032)(.121)(.3986)=2.72%. Finally, in year five, the budget will go back to $65,000. We will also expand to AutoZone. Selling at a cost of $54.99, we take a 40% cut on every sale, pocketing $6.40. While our per-item revenue is lower with AutoZone, our total market share is nearly double. The market share formula is (.9884)(.6032)(.2501)(.3986)=5.94%.

Our assumptions are used to identify the annual purchase amount where the annual purchase amount is set at .25, or one purchase every four years. When it comes to car equipment such as this, there is no real need for frequent repurchasing. We are estimating this number only because each of us finds ourselves replacing our own windshield covers every four years or so.

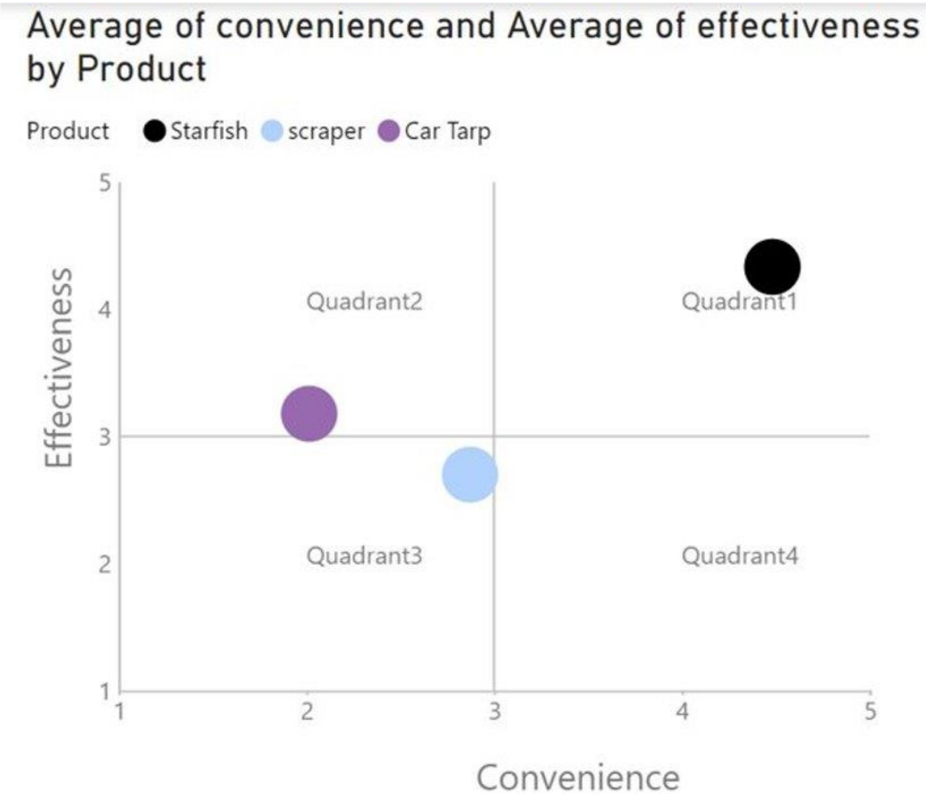
Our assumptions as to what % of our revenues come from wholesale and what % come from retail sales stem from the fact that 56.7% of all online sales are made through Amazon, with the rest being made through various retailers. (PYMNTS.com, 2022). We are also increasing our market share calculation to include the 12% of market penetration that AutoZone carries for the auto parts industry. In total, this makes a 21,324 unit increase in total unit sales as a result of putting this product into stores.

Breakeven Analysis

Year	Average Price	Total Fixed Costs	Unit Variable Cost	BEP in Units
2022	$59.99	$364,753	$36.20	15,329
2023	$59.99	$428,631	$37.59	19,132
2024	$54.99	$464,533	$36.94.	25,732
2025	$54.99	$486,344	$36.76	26,674
2026	$54.99	$499,116	$32.20	33,653

- Our assumptions for breakeven analysis are that due to our product being a new and innovative addition to the market, we price our product with the skimming method. Entering the market at a price of 59.99 and eventually going down to 54.99 by year five.

Exhibit 5: Positioning & Competitive Analysis



Positioning Statement: With our product, we would like to create value for our customers by focusing on a product that is both effective and convenient. Our competition is generally ineffective and inconvenient, but instead used as a necessity. With Starfish, it would be easier than ever to enter your car in the winter and not have an obstructed view of the road. The remote startup feature is a central part of our design and elevates our product to the top of its industry when it comes to convenience. An emergency requires a necessary response, but our goal is to mitigate this from an actively involved process into the click of a button. In the future, we plan to add a mobile app to alert users of impending snow. We also plan to create products with longer ranges, and a transparent version of the product that can be left up indefinitely.

Exhibit #6: Marketing Mix

Product/Service Branding

Our product will stick out for a few reasons. Firstly, our unique name, "Starfish" is eye catching. We are also one of the most advanced windshield heaters on the market and are targeting a market of buyers that can afford this small luxury.

Pricing

	2022	2023	2024	2025	2026
Unit Variable Cost:	$36.20	$37.59	$36.94	$36.76	$32.20
Wholesale Price:	**-**	**-**	**$54.99**	**$54.99**	**$54.99**
Retail Price:	**$59.99**	**$59.99**	**$54.99**	**$54.99**	**$54.99**

Justify the choice of your price point: In market research, we discovered that customers with disposable income would be willing to pay more of a premium for the luxury of having a remote car heater for their windshields. Compared to the cost of a new car with remote start, this is a viable alternative. Our skimming tactic lets our price drift down to $54.99 by the end of year 5 as a result. The price not going over $60 is good because our survey said most consumers wouldn't go over that threshold. We are also using an odd even price strategy by having our products with .99 at the end to make it seem cheaper.

Distribution/Location Strategy

Our product is being sold on our own retail website for the first two years, and we are expanding to Amazon in the third and retail In AutoZone in year 5. The online focus ensures that our products can be sent out anywhere to customers in need. Our business itself is in Toledo, Ohio to better connect with our target market, which is the northeastern United States.

Promotional Strategy

Year	**2022**	**2023**	**2024**	**2025**	**2026**
Total IMC Budget:	**$40,000**	**$45,000**	**$65,000**	**$70,000**	**$65,000**
Campaign 1	40,000	22,500	21,666	17,500	13,000
Campaign 2		$22,500	21,666	17,500	13,000
Campaign 3	-	-	21,666	17,500	13,000
Campaign 4	-	-	-	17,500	13,000
Campaign 5	-	-	-	-	13,000

Our marketing strategy is to mainly use social media with different campaigns and themes, as shown in Marketing Lab assignment 6. Our target demographics tend to be the most active on the aforementioned websites/media of Twitter, Facebook, Instagram, and google and therefore can be a great starting spot when it comes to finding buyers. We also target television for the smaller percent of our buyers that may be older and therefore less likely to use Instagram, Facebook, or Google search ads. We will also consider sending our marketing associate to trade shows once we enter retail in year 5 based on where certain ones are located in 2026.

No. of Salespeople:	1	1	1	1	1	**If applicable**
Compensation Method:	$55K salary, 6% pay increase each year.					

Our salesman is also our marketing associate. He oversees performing both actions at a set salary. His main marketing job is forecasting our target markets and running social media ads. His responsibility as a salesperson is to make sure the buyers' journey goes smoothly and pitch our product to customers who have questions.