Knack

Business Plan
February 10th
University of Minnesota Duluth
Acara Challenge 2015

Taisha Bauer
Francesca Berarducci
Megan Zimmerman
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Background</td>
<td>3</td>
</tr>
<tr>
<td>Problem</td>
<td>3-4</td>
</tr>
<tr>
<td>Solution</td>
<td>4</td>
</tr>
<tr>
<td>Products</td>
<td>4-5</td>
</tr>
<tr>
<td>Market Analysis</td>
<td>5</td>
</tr>
<tr>
<td>Competitors</td>
<td>5-6</td>
</tr>
<tr>
<td>Risks &amp; Assumptions</td>
<td>6</td>
</tr>
<tr>
<td>Financial Analysis</td>
<td>6</td>
</tr>
<tr>
<td>Implementation Strategy</td>
<td>7</td>
</tr>
<tr>
<td>The Team</td>
<td>7-8</td>
</tr>
<tr>
<td>Conclusion</td>
<td>8</td>
</tr>
<tr>
<td>Appendices</td>
<td>9-10</td>
</tr>
</tbody>
</table>
**Executive Summary**

Knack is a web-based business that raises awareness about social issues affecting the Midwest through regionally sourced artisan product sales. Knack also provides the knowledge and accessibility necessary to promote engagement with these issues.

Knack means having a tendency or clever way to do something. If one has a “knack” for something they are capable and competent. As a business we aim to make people capable, competent, and intentional in tackling social issues affecting the Midwest.

**Background**

“Bloom where you’re planted” doesn’t just make a lovely sign to hang somewhere in your garden, it’s also a great way to think about life. As Americans we tend to have this notion of “elsewhere.” Elsewhere is where problems like hunger and homelessness happen. Elsewhere is where we have to go to make a difference in the world. The truth is elsewhere is right where we are. Differences can be made in the lives of those around us and we can help make the world a better place by blooming where we are planted. As a team we decided that we want to see differences made in the lives of people in our reach. People in our states, cities, and neighborhoods struggle with issues we tend to affiliate with “elsewhere” or without of our immediate reach. There are three “H” issues we think are worthy of our attention in the Midwest. We want to educate people about these issues and provide a platform for them to engage in these issues at various levels.

**Problem**

The Three H’s are: Homelessness, Hunger, and Human Trafficking. These are issues hitting close to home here in the Midwest. In Minnesota 583,000 people don’t know where their next meal is coming from. There are nearly 300 homeless people throughout the year in Duluth. Minnesota ranks in the top 13 states in the nation for the recruitment of minors to be sold into sex slavery. Young girls change the hands of men in the twin ports only to return months later. On any given weekend night in Minnesota, 45 girls are sold for sex. Their average age is 12. Forty eight percent of those sold are used by over 200 sex buyers in their lifetime. One hundred percent are someone’s mother, sister, or daughter. While there are many regional nonprofits working for these causes young people surprisingly are disengaged and lack awareness. The three of us interviewed over a hundred young people and found that of those hundred more than 85% weren’t and didn’t feel educated about these issues in the Midwest and more than 95%
didn’t understand or know their severity or how to get actively involved. This situation needs to change. Young people are powerful impactors and can affect change.

Solution

We know and believe that business can serve as a catalyst for change. Our business is about changing this scenario. Knack aims to mobilize young people's untapped potential by doubling these startling engagement numbers. We will create a platform to emotionally connect young people with the “Three H” issues in their communities and enable them to be change-makers. Our platform will enable young people to engage via the purchase of those products which symbolize the three H’s, become a part of a community which takes action as well as mobilize local resources including volunteering their own time with the nonprofit of their choice. Through our own experiences we have learned that valorization plays a significant role in understanding social and cultural issues, and takes us closer to action. The profits made from the sale of products will allow us to sustain and scale the engagement of young people thereby affecting widespread social-change across the Midwest region.

Products

We have chosen to start with three products each symbolizing one of the three H issues. The three products we are focusing on in the beginning are candles for Hunger, scarves for Homelessness, and necklaces for Human Trafficking.

We have developed relationships with the local artisans in Duluth who make these products. The candles are made by Francesca using all natural raw materials, such as beeswax. We’ve coined the name “The Northwoods” for the candle. The candle is scented with pine, and hand poured into recycled containers. The necklaces are made by Mallory Moore. She attaches layers of
vintage chains salvaged from various antique stores around the Northland. The scarves are hand
knit by Duluth native, Anna Adatte.

We chose these particular products because they’re representative of the Midwest culture and no
two are the same. We value and appreciate products made by hand because there’s more passion,
care, and authenticity put into the product. Each artisan has the capacity to supply adequate
materials for the first two years of our business plan giving us enough time to build a robust
network of artisan products symbolizing the Three H’s.

Our website is an important part of our products. This platform will have features where young
people can engage, become part of the community and mobilize action. We are currently in an
iterative discovery and experimentation phase where we are getting feedback on our physical
products as well as our website mock-ups from potential customers.

**Market Analysis**
Through conducting several interviews, we found that our target demographic is males and
females from ages 18-30. We are targeting those who are uneducated about these issues and also
those who may have some prior knowledge, but aren’t aware of the severity of these issues. We
have also found that our customers want to be passively involved in addressing these issues.
They’re most likely college students who are busy juggling classes and jobs and can’t
consistently give their time to the organizations or issues. They’re trendy and hip and looking to
shop responsibly. They’re constantly on social media, and on the internet.

We have engaged with these potential customers and found they are more interested in shopping
while being educated on the issues in their neighborhood and region rather than looking at a
directory of organizations they can go to and actively participate in. Our customers, males and
females from ages 18-30, want a better understanding of these social justice issues as well as to
shop responsibly.

Our hope is that through raising awareness and showing our customers who in the Midwest is
actively addressing these issues that conversations will be started and that some of our passive
participants will eventually reach a more active end of the involvement spectrum.

**Competitors**
There are many social enterprises in the online retail market that we consider our competition.
Some include Serengetee, Puravida, and Style with Heart. These retailers focus on global issues
and only donate a small portion of their profits to charity. These social enterprises also mostly
support the artisans making the products.
Knack is different because we support the local artisans and the organizations trying to tackle social issues in their cities. Knack will provide information about these issues and the organizations supporting them with every product purchased. Knack focuses on issues affecting closer to home and donates 20% of profits to these local organizations. Knack connects our customers to local issues and local artisans rather than to issues and artisans “elsewhere.”

Risks & Assumptions
There are a few risks in the startup stages of our business. There are also assumptions that need to be verified through further testing.

Risks include:
- We anticipate challenges in managing inventory and procurement of the products during initial stages when the demand is predicted using a best guess approach.
- Balancing between growing our network of artisans, network of nonprofits and that of our customers, all simultaneously to reach the scale we wish is also is a risk.
- Finally, we will need to secure resources for the development of technology and to make sure that our web presence is highly engaging for the customers we are targeting.

Assumptions include:
- We are assuming, with preliminary verification, that customers will see the value Knack creates and will be repeat customers.
- We have also made the assumption that nonprofits outside of the immediate Duluth area will be willing to create relationships with us and agree with our mission.
- Our ability to develop awareness among young people, the target customers. We believe that our close connection with university towns during the start-up phases will be crucial to build a critical mass of change-makers and build the Knack brand.

Financial Analysis
We calculated our costs and profits by doing an initial 40% markup on the costs for each product. Knack will donate 20% of the profit from sales of the products. The rest of the profit will cover our start-up and inventory costs. Cash flow may be an issue for us starting out so we are hoping for some (not sure what word I’m looking for) money to be coming in so we can keep up with the demands of our sales. The three of us will also not be taking any salary for the first two years so that we can better focus on making Knack sustainable and viable.

See Appendix B for further details.
**Implementation Strategy**

Our implementation will happen in three phases. In phase one our focus is local to Duluth and the Northland region. Phase two is statewide and phase three is Midwest wide. In phase one we plan on starting small, taking the time to build trusting relationships with artisans and local nonprofits, develop our inventory, build out our web platform and acquire initial customers who care about Duluth and the Northland. We are able to get the site made pro bono, so our minimal viable product is a limited inventory of Duluth based products.

For initial customer acquisition our strategy is to start with place based sales and convert the customers to shop online. For this, we plan to set up pop up shops around the surrounding area with some items for sale, as well as information about the causes, the organizations, and our mission. We want to get out and engage with our customers. We expect phase one to extend approximately for the first two years.

In phase two, we will reach out to other college towns in Minnesota such as St. Cloud, Rochester, Moorhead, Minneapolis, and St. Paul. From these locations will be having pop up shops based on phase one.

In phase three, we will expand to major college cities in the Midwest such as Grand Forks, Fargo, Des Moines, Green Bay, Sioux Falls, Chicago, Milwaukee, Omaha, and Madison. It’s important for us to reach out to college students first and expand from there. Along with location expansion, we plan to expand the products and causes we donate to as well. We hope to make enough connections with artisans to include more masculine products. Each city will have products from there to correspond with an issue in that city. When a customer purchases a product from Fargo, they will get info on the cause and organization in Fargo, and their money will be going towards that organization. This will be the same throughout because we want everyone in the Midwest to be able to see and to affect change in their area.

**The Team**

Knack is founded by three undergraduate students at the University of Minnesota Duluth. We are passionate about making Knack a reality. We represent a variety of skill sets and we are always looking to continue our education. We feel that we are the right people to make Knack possible because of our drive to educate ourselves on the social issues that occur regionally and because of our close relationships with the local artisans. The idea of Knack came from our passion to educate others on social justice issues and also from our love of buying locally. We also feel that we represent the Midwest well. The three of us were born and raised in different states throughout the Midwest, creating a diverse team.
Taisha Bauer is pursuing a B.A. in Cultural Entrepreneurship with a minor in Women’s Studies. She is actively involved in the University Honors program as well as University Christian Fellowship. She has volunteered time at nonprofits in the Duluth area and has raised money for the new housing for low income families that CHUM (a Duluth nonprofit) has built. She has spent time volunteering and working with the homeless in the south side of Chicago with University Christian Fellowship. She is from western North Dakota and really loves Minnesota and the Midwest at large. She looks forward to using business to make a difference in the lives of those around her.

Francesca Berarducci is working towards a B.A. in Cultural Entrepreneurship. She plans to study abroad before graduating in spring of 2016. She was born in the Twin Cities and raised Duluth, MN where her parents opened a restaurant. She has aspirations to own her own business, and working on Knack has given her the opportunity to create an impactful enterprise combining her favorite things alongside two classmates. She’s also had the opportunity to work closely with the local business owner of Duluth Loves Local.

Megan Zimmerman is pursuing a B.A. in Cultural Entrepreneurship and Hispanic Studies. She plans to graduate in the spring of 2017. Megan was born and raised in Green Bay, Wisconsin. She loves everything about the Midwest. Megan is currently interning at Zeitgeist Arts (a Duluth nonprofit), working on marketing and funding. She spent the summer of 2014 studying abroad in Salamanca, Spain. She loves traveling and experiencing new cultures. She also traveled to Ecuador with her high school Spanish club. Besides traveling, she also has a passion for Figure Skating. She started the first Intercollegiate Skating Club at the University of Minnesota Duluth. She also skates for the Synchronized Skating Team at UMD. Being part of a team is an important part of her life, whether it's on the Knack team or the skating team.

Conclusion
The issues affecting Minnesota and the Midwest at large are very real. Organizations all over the Midwest are on the front lines of combating these issues and working closely with those caught in the crossfire. It is time we bring the focus of local people to local issues and show them that “elsewhere” could be a city over or down the block. Young people have untapped creativity, ability, and influence. With your help we can test our MVP and assumptions so Knack can help bring attention to Three H issues, encourage young people’s involvement, utilize their currently untapped resources, and help those in the Midwest bloom where they are planted.
Appendix A: References


## Appendix B: Financial Analysis

<table>
<thead>
<tr>
<th>Knack</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit Cost</td>
<td>Unit Price</td>
<td>Units</td>
<td>Amount</td>
<td>Units</td>
</tr>
<tr>
<td>Customers Reached</td>
<td>500.00</td>
<td>5,000.00</td>
<td>10,000.00</td>
<td>50,000.00</td>
<td>100,000.00</td>
</tr>
<tr>
<td>Candle</td>
<td>10.00</td>
<td>14.00</td>
<td>7,000.00</td>
<td>5,000.00</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Winter Wear</td>
<td>15.00</td>
<td>21.00</td>
<td>125.00</td>
<td>2,625.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Necklaces</td>
<td>25.00</td>
<td>35.00</td>
<td>125.00</td>
<td>4,375.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Total Sales</td>
<td>$14,000.00</td>
<td>$140,000.00</td>
<td>$280,000.00</td>
<td>$1,400,000.00</td>
<td>$2,800,000.00</td>
</tr>
<tr>
<td>Donations (20%)</td>
<td>2,800.00</td>
<td>28,000.00</td>
<td>56,000.00</td>
<td>280,000.00</td>
<td>560,000.00</td>
</tr>
</tbody>
</table>

### COSTS

- One Time
  - Start-Up: 250.00
- Recurring
  - Domain Name: 10.00
  - Insurance: 250.00
  - Inventory:
    - 500.00
    - 1,875.00
    - 3,125.00
    - 10,000.00
    - 100,000.00
- Donations
  - 2,800.00
  - 28,000.00
  - 56,000.00
  - 280,000.00
  - 560,000.00

**Total Cost:**

- Year 1: $13,310.00
- Year 2: $128,260.00
- Year 3: $256,260.00
- Year 4: $1,280,260.00
- Year 5: $2,560,260.00

**Gross Profit:**

- Year 1: $690.00
- Year 2: $11,740.00
- Year 3: $23,740.00
- Year 4: $119,740.00
- Year 5: $239,740.00