

EmbroidMe Franchise [Elkhart, IN]

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Mr. Scott Bunger has a desire to open an enterprise in the Elkhart/South Bend, Indiana area. Mr. Bunger had observed the opportunity at all the local high school athletic functions for a screen printing/embroidery business. Mr. Bunger has three children in sports, and was constantly paying out money for school athletic sports wear with the school logo either imprinted or embroidery on the apparel. His thought process began to develop into an idea for a marketing campaign to market school sports apparel to the local schools in the area. Mr. Bunger had begun investigation the EmbroidME franchise. At this point Mr. Bunger approached us with the idea and asked for our help.

Engagement Objectives:

To explore this opportunity we were ask to research three areas:

1. Review EmbroidME and other similar franchises, comparative analysis.
2. Review and propose potential marketing strategies that are available in this area.
3. Review the embroidery industry within the Elkhart/South Bend, Indiana.

In objective one, it was agreed to investigate other franchise opportunities along with the EmbroidME franchise. In objective two, we brainstormed about some potential markets in the Elkhart/ South Bend area. This decision led us to three markets. First is to explore the school athletic sports wear, school logo and mascot apparel, and school fund-raising opportunities. Second, explore ways to sell the recreational vehicle OEM manufacturer on a marketing plan to provide their customers with an avenue to purchase the RV's

logo for the customers specific travel trailer, fifth-wheel or motorhome. The third source of income would come from walk-in business based on an ideal location to draw traffic. In objective three, research on the local industry to include, embroidery, screen printing, heat transfer and promotion products.

AVAILABLE FRANCHISES:

In our exploration of franchises we selected the following three based on their industry market size, number of current franchise stores, and years of experience in the industry.

1. EmbroidME
2. Printwear Xpress
3. Instant Imprints

Of the three franchises, the Instant Imprints will give the widest industry coverage with five profit centers (\$50 billion); embroidery, screen printing, t-shirt, cap and mugs heat transfer, banners & signs, and promotional products. This product offering also covers the range of product pricing with embroidery at the high end of the product offering, screen printing covers the high volume and mid range pricing, and heat transfer cover the

low end product pricing. Another advantage of Instant Imprints also allows a graduating scale on the royalty payments;

	Gross Sales Monthly
5% of	\$0 to \$30,000
3% of	\$30,001 to \$50,000
2% of	\$50,001 and up

Both EmbroidME and Printwear’s royalty is 5% of gross sales without a graduating scale. Instant Imprint has the high cash investment requirement of \$54,000 to \$56,000. This includes a 10% down on the equipment if financing is required and about \$40,000 as operating capital to start. Instant Imprints does not have the most years experience in the industry, however 20 years experience should be adequate to have an understanding and knowledge of this industry.

MARKETING STRATEGIES:

We need to make some assumptions before we begin to estimate the potential sizes of our marketing strategies.

1. The average Gross Margin in the industry is a conservative 50%. Many products will have gross margins as high as 70 to 80%. We are using a more conservative estimate.

2. The Elkhart/South Bend, Indiana overall average high school athletic participate percentage will correlate with the Indiana state averages.

3. Only the student athletes are included. There are potential others sales, such as, fans, fund-raisers of clubs like booster and band. There are also of non-school clubs, churches and not-for-profit organizations that are potentially substantial sales dollars.

4. Gross Margin dollars are estimates that were obtained from out of state industry businesses that we have spoken with.

5. Estimate of the market share that could be obtained is an educated guess, based on a focused and driven marketing initiative. We believe that there is still large upside potential based on personal, planning, and execution. We believe that this gross margin dollar total is conservative.

School Athletic Sports Wear Gross Margin Potential

Indiana Student Enrollment	1,016,198
Indiana Students Involved in Athletics	157,537
Percentage of Students in Athletics	15.5%
Students in the Elkhart/South Bend Area	90,356
Potential Athletics Sports Wear	14,007
Potential Gross Margin Dollars @ \$25 and 25%	<u>\$87,544</u>

This only includes high school students in athletic sports activities. Elementary, middle school, and junior high school students are not included in the above Indiana student athlete numbers.

WALK-IN CUSTOMERS

Most enterprises in this industry do not have store fronts and rely on either a sales force that goes business to business selling or waiting for someone to call for an order. In all three franchises presented above have developed a marketing strategy that includes a store front.



Location is Key:

Due to the fact that Mr. Bunger lives in the Elkhart area, we would recommend the store front be located in this area first. We do believe that a second smaller store could be a valuable asset in the future in the South Bend area. In surveying the Elkhart area, we have located with the help of a real estate broker, two potential high traffic areas. The first choice site is located in a new development property in the front and side of the Super Wal-Mart on CR #6. This Wal-Mart has an average patron traffic of 22,000 per day. The current asking lease rate for store fronts with 1500 to 1700 square feet is \$.39 NNN. This would equate to about \$615 to \$715 per month lease cost. The second choice site is located in a new develop property in front of the Meyers, Target, Kohl's, and Office Max. They are building a strip mall in front of these major stores. The average vehicle traffic on highway SR #33 is 34,000 per day. The average patrons entering each of these four stores are not available. The current asking lease rate for these store fronts with 1500 to 1700 square feet is \$.34 NNN. This would equate to about \$555 to \$630 per month lease.

These two locations are the highest traffic areas in the Elkhart area. These locations would provide the highest potential for walk-in traffic. If gross margin dollars per unit averages \$15, it will take 48 units per month to cover the cost of the highest lease rate. This averages 2.4 items per day. To obtain the most available access and capitalize on the business and public image of the available product is by having a store front.