



Business Prospectus: Family Clothing Store

Created by Battle River Economic Opportunity Committee
(BREOC)

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Family Clothing Store

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Overview

Battle River Economic Opportunities Committee (BREOC) is a partnership of seven communities that have taken ownership of driving and leading economic prosperity in their region. This region spans two counties in East Central Alberta, the County of Paintearth and Flagstaff County, which house the municipalities involved: Castor, Coronation, Halkirk, Forestburg, and Heisler.

BREOC has developed a comprehensive strategy to diversify, strengthen, and create long-term success within their regional economic portfolio. An aspect of this plan focuses on support for private sector development and inbound investment. This included creating business prospectuses for different opportunities within the region for potential investors to use and grow into fully realized ventures.

BREOC has identified eight (8) business ideas that they feel represent high-potential opportunities in the region and created prospectuses that explore the details of

creating and operating the venture. The following prospectus is focused around creating a family clothing store within the BREOC area. Purchasing new clothes for different occasions in the most developed urban areas can be a frustrating task for many searching consumers. It is even more difficult when you have to drive over an hour to the nearest urban areas to choose an outfit. Men, women, and children in the BREOC region have this issue. With limited clothing options available to them, they are forced to go to Red Deer, Calgary, or Edmonton if they want new clothes. Not only is this inconvenient for the consumer, but their money is taken out of the region rather than recycled. A local clothing store that offers clothes for the whole family has potential to be a sustainable business opportunity due to the gap in the region.

This prospectus has been created to assist a hopeful entrepreneur in working through the intricacies of creating a retail clothing store.

The Concept

Clothing stores can exist in a variety of fashions as can be seen at any mall, shopping centre, or online retail store. Be it teen girls, preteen boys, men's suits, men who like the outdoors, or women who are professionals, clothing stores in urban centres typically pick one or two markets and stay within them. However, this type of segmentation can be damaging to a venture who attempts this in an area with significantly less population to attract.

Therefore, this prospectus will draw on a family clothing store model that will allow all members of the family to purchase clothes. It will be a men's, women's, and kids clothing store, allowing for BREOC citizens to purchase clothing in their local market. This business may also include e-commerce due to the surge of e-commerce in the industry.





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About the Industry

The family retail clothing industry in Canada is defined as one that specializes in retailing new clothing for men, women and children, without specializing in sales for an individual gender or age group. These operators may also provide, but not focus on, basic alterations, such as hemming, taking in or letting out seams and lengthening or shortening sleeves (IBISWorld, 2020). Industry

leaders in this sector are TJX (Marshalls, Homesense, Winners), The Gap, and PVH Corp (Calvin Klein, Tommy Hilfiger), and while they dominate the industry in urban centres, there are many cases of successful independent stores in rural regions. The following is a list of key industry drivers that will directly affect a clothing company's revenue, cost of goods and bottom line.

Consumer Spending - Demand for non-essential items is affected by various factors including consumer spending and per capita disposable income. Consumer spending decreased heavily in 2020 but is projected to rebound in the coming five years due to pent-up demand created by the COVID-19 pandemic.

Consumer Confidence Index - The Consumer Confidence Index represents domestic consumer feeling about their current and future financial situations.

World Price of Cotton - Cotton is a key input to the industry as it is the primary building blocks for t-shirts, jeans, and more. The higher the price of cotton, the more the price of clothing is inflated.

Number of Adults Aged 20-64 - Industry products are marketed primarily toward adult consumers aged between 20 and 64. As this number rises, the potential buying market grows.

Market

The market for clothing stores in the BREOC area was analyzed by assessing industry trends, as well as typical customer segments.

Industry Trends

The main trend experienced within the industry and the economy at large are the difficulties caused by the COVID-19 pandemic. Consumer spending and consumer confidence were at an all-time low in 2020. Temporary store closures and shopping restrictions also affected operations leading to a 16% dip in overall industry revenue. This

caused massive layoffs throughout the industry and related sectors, decreasing the capacity of the overall supply chain. The industry is recovering and will continue to over the coming five years however, the industry is expected to recover with yearly revenue growth. This trend is illustrated in Figure 1 below.





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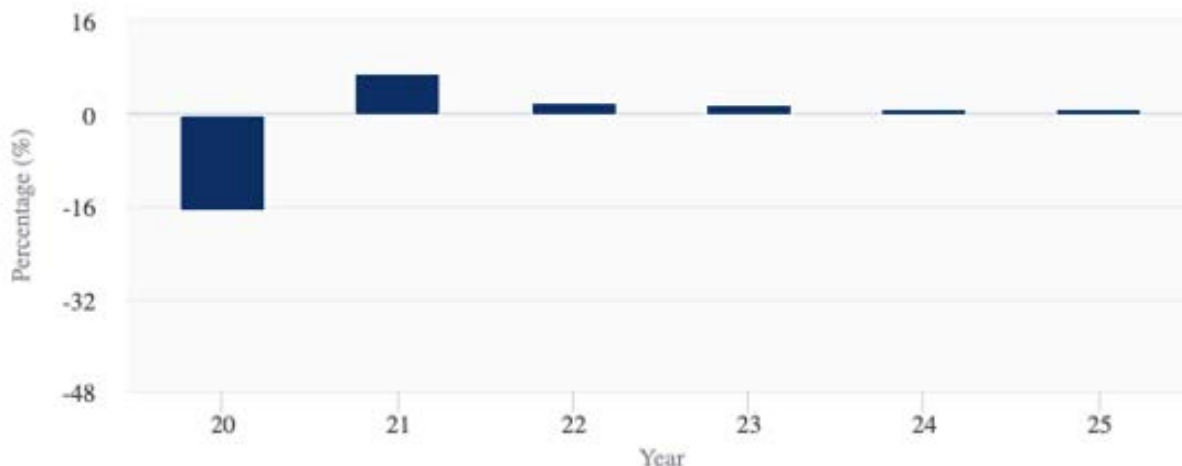


Figure 1. The expected revenue growth for the clothing industry in Canada between 2020 and 2025.

Another trend to be aware of is the surge in e-commerce sales due to the COVID-19 pandemic. E-commerce sales increased by 32.4% in 2020 and are currently up by 39% in the first quarter of 2021. Store closures and shoppers fear of contracting the coronavirus in public, limited in-person shopping and forced companies to make e-commerce their primary point of sale. Leaps were made in ecommerce technology, capacity, sales systems, inventory tracking, and order fulfilment. Many consider it to be a crucial turning point in the way the world shops, and

it created an environment for the technology to improve at an exponential rate.

Due to consumer convenience and their tendency to create habits quickly, this trend can be expected to continue rising. Many businesses are continuing to equip themselves with efficient e-commerce systems for the future of this trend. With the industry rebounding, and e-commerce increasing in popularity, this is a good time to enter the industry in an underserved area, such as the BREOC region.

Customers

As stated in the key industry drivers, the main demographic that purchases clothing are those aged 20 to 64. These consumers tend to purchase for themselves, their children, or elderly relatives. Also, since the model of this business is a family clothing store, gender

should not be considered within the demographic analysis. Therefore, the total population of BREOC is a viable target market. The population of the BREOC region, separated by age brackets, is shown below in Table 1.





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Table 1. Population of the County of Paintearth, Flagstaff County, and the BREOC region broken down by age range

Age Range	Population of the County of Paintearth	Population of Flagstaff County	Population of BREOC (Paintearth and Flagstaff combined)
0-4	120	181	301
5-9	137	218	355
10-14	174	246	420
15-19	188	266	454
20-24	92	216	308
25-29	71	130	201
30-34	90	172	262
35-39	111	218	329
40-44	134	199	333
45-49	121	229	350
50-54	125	241	366
55-59	187	320	507
60-64	171	351	522
65-69	125	274	399
70-74	75	228	303
75-79	31	128	159
80-84	26	61	87
85-89	23	39	62
90+	5	9	14





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BREOC Regional Market and Trade Area

Research shows that individuals are willing to drive forty-five (45) minutes to nearby communities for essential services. While they are in these communities, they are likely to visit value added tourist services such as restaurants and clothing stores. Figure 2 shows the 45-minute radius trade area within BREOC, with Alliance as the point of origin as it is the geographical centre of the BREOC region. This trade area includes the communities of Sedgewick, Galahad, Killam, Lougheed, Strome, Alliance, Hardisty, Brownfield, Belshill, Coronation, Fleet, Castor, Halkirk, and Forestburg.



Figure 2 - BREOC Trade Area (1 hour driving radius)





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Operations

Operations of a clothing store can be divided into three (3) subcategories;

1. Rules and regulations
2. Physical operational considerations
3. Human resources

Rules and Regulations

Within Alberta, there are no specific regulations on retail clothing stores aside from those that affect all businesses, such as business licences and labour laws. It is more specifically regulated, at the federal level. The rules and regulations surrounding the clothing industry are outlined within the Canada Consumer Product Safety Act. The major points of these regulations are outlined here. In order to comply with these regulations, it is suggested that the entrepreneur seek peer advice, and instruction straight from the regulating authority.¹

Manufacturing. Products that are a danger to human health or safety cannot be

Physical Operational Considerations

The physical considerations of facility size and necessary equipment are below. The size of the facility and necessary equipment are

Facility Size

To fit a retail shopping space, two change rooms, an office, and a storage area, a business owner may need 750-1000 square feet. While more space can be used and filled, 750 square feet is the bare minimum. In this

While the operational needs and requirements will need to respect the specific business model that the entrepreneur(s) wishes to pursue the following have been provided for key operational considerations.

manufactured. This includes physical, chemical, and all potential risks to human health and safety.

Mandatory Incidence Reporting. All problems with the textile product must be reported to Health Canada when there is any incidence in Canada or elsewhere that results in a consumer's death or serious injury.

Textile Labeling Act. All articles of clothing must be labelled in accordance with this act.

Textile Flammability Regulations. Clothes must have a fire spread time of more than 3.5 seconds.

up to the discretion of the entrepreneur, and they will vary heavily depending on the business model chosen.

case however, the space is not as important as the overall layout. Consider the following best practices to make the retail space as attractive and consumer friendly as possible.

¹ The Rules and Regulations were determined using secondary research and are subject to change. The entrepreneur is responsible for the

adherence and knowledge of all pertinent rules and regulations.





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Open Space. Ensure the space is open with limited walls and intrusions to allow for ample movement and browsing of the retail selection.

Well-Lit. Ensuring a homey lighting will make the shoppers feel more comfortable and at home.

Location. Choose a location within walking distance of other high foot traffic businesses. Main street is ideal.

Offer a Small Food Item. Offering a small food item like ice cream, baked goods, hot or cold drinks, can do wonders for foot traffic. It can bring in window shoppers, and provide a great reason for loyal customers to stop in.

Ample Storage Space. In order to keep the sales floor clean and orderly, there must be ample space to store extra and supplies.

Necessary Equipment

The following is a list of equipment that is necessary for beginning a clothing retail store, however, depending on the business

model decided upon, this may not be a comprehensive list.

1. Starting Inventory
2. Signage
3. Decorations
4. Shelves and Racks
5. Types of Hangers
6. Types of Display Cases
7. Mirrors
8. Mannequins
9. Point of Sale Systems
10. Cleaning Supplies

Human Resources

The following are the main departments and individual jobs that need to be considered when hiring staff for a clothing store.

Management and Ownership

Management and ownership are the key strategic and operational leaders of the business. From setting the culture of the team, to ordering the appropriate clothing items for the demographic, they are called on to make important decisions every day. Their top priority should be generating an exceptional customer experience, through prioritizing customer service, creating an

enticing aesthetic, and providing items that their demographic wants to purchase. In many cases they are the sole proprietor and the sales floor associate, but it is recommended that there are one or two full/part time staff hired to make the operational side of the business more manageable.

Sales Floor Team

If the management and ownership are unable to work the sales floor every day, which is often the case, a sale floor team, or

individual, is necessary. They will stock shelves, clean the store, and most importantly, be the first one the customer





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interacts with. It is important that their customer service and interpersonal skills are high.

Marketing

As a clothing store, a comprehensive marketing strategy including outward promotions needs to be a top priority. Business is generated through offering quality products with exceptional customer

service. For the consideration of the entrepreneur in creating a marketing plan, product, pricing, promotions and channels of distribution are listed below.

Product/Services

A business in the family clothing retail space in the BREOC region should consider offering some or all of the following product subtypes:

Men's Clothes

Casual Wear
Outdoor Attire
Athletic Wear
Formal/Work Wear

Children's Clothes

Casual Wear
Athletic Wear
Outdoor Wear
Sleepwear

Women's Clothes

Casual Wear
Athletic Wear
Outdoor Wear
Formal/Work Wear

Footwear and Socks

Men's Footwear – Outdoor, Formal, Athletic, Comfort, Casual
Women's Footwear - Outdoor, Formal, Athletic, Comfort, Casual
Children's Footwear – Outdoor, Indoor, Casual, Open-Toed

Pricing

Pricing is a difficult thing to determine in any retail situation. The goal is to keep your target market interested in the product and its price, while simultaneously covering the cost of goods and maintaining a sustainable profit margin. There are three strategies that an entrepreneur can use in setting up and enacting their pricing model.

Penetration and Discount Pricing: Many businesses, when trying to gain market share in the clothing industry, undercut competitor

prices, or choose a less than ideal profit margin. This is a great strategy for offloading inventory or attracting customers. However, it is not sustainable.

Keystone Markup Method: This method involves choosing an ideal profit margin and marking your clothes up by that price. Keep in mind, this profit margin is not only based on the cost of the item, but also the operating costs the business has on the book. Generally, a 35%-50% profit margin is ideal for this





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method. Use the following formula to calculate this price.

$$\text{Retail price} = [\text{cost of item} \div (100 - \text{markup percentage})] \times 100$$

Manufacture Suggested Retail Price (MSRP):

The manufacturer suggested retail price is the price a manufacturer recommends using when selling a product. Manufacturers first started using MSRP's to help standardize different prices of products across multiple locations and retailers.

Promotions

The following are promotional strategies that could be effective for a microbrewery within the BREOC region.

Website: All businesses today require a website to have an online presence. It is key for customers to have an awareness of hours, products and services available, and the brand. In the case of clothing store, it may also be a key tool in a distribution channel.

Social Media: In the marketplace today, it is crucial for businesses to have a strong social media presence. Particularly for a local retail store with visually appealing products, the brand must be established and communicated via Facebook and Instagram.

Channels of Distribution

Online orders and delivery: As discussed previously, online stores are becoming increasingly popular and being depended on as a primary distribution channel by customers and retailers alike. Getting an online store prepared and ready for use is a good option for increasing trade area and thus, customer base.

***Shipping Pricing Psychology:** Costs associated with shipping price require thought and strategy, which must be applied if an online store is taken on. Many consumers are unwilling to pay extra on an item for shipping, however if it is absorbed into the item cost and shipping is advertised as 'free', consumers are more likely to purchase that item.

No matter the pricing model chosen, an entrepreneur must ensure that it is ideal for the business's needs and can sustain the operating costs of the business.

These two platforms are the most important in the BREOC region.

Centres of Influence: Important pillars within a community such as hotels, real estate agents, financial advisors, and other business owners, are key to referring visitors, new citizens, and friends, to other businesses. Getting these individuals promotional materials and maintaining a strong relationship can be a promotional tactic in itself.

Sponsor Local Events: Host, sponsor, or create local fundraisers, and community building events. This will get the company's name into the community and position it as a community leader.

Direct retail sales: The main source of distribution is direct sale to customers through the store location. An entrepreneur would do well to prioritize the attractiveness of the store, making it a place they will enjoy interacting with the products.





Financials

The following are tables outlining basic financial information for a clothing store up in the BREOC region. Included are projections of start-up costs, operating costs, and income statements.

Start-Up Costs

Generally, most clothing stores range from \$24,000 - \$524,000 in start-up costs. The cost of starting a clothing store, however, will depend on the business model of the entrepreneur(s) and the size they envision the store to be.

Two large contributors to the range of start-up costs are the size of the starting inventory, as well as the decision to rent, purchase, or build the clothing store.

Table 2: Approximate start-up costs for a clothing store

Item	Cost (\$)
Building Rent (Average Cost per Square Foot)	\$8.00-\$12.00
Building Purchase	\$150,000 – \$500,000
Building Build	\$250,000 – \$450,000
Necessary Equipment	\$10,000
Monthly Inventory Costs and Purchases (Variable based on Sales)	\$5,000
Insurance	Dependent on business model
Liability	Dependent on business model
Errors and Omissions	Dependent on business model
Building and Equipment	Dependent on business model
Licencing/Regulations	Dependent on business model
Professional Fees	\$2,000-\$3,000
Legal	\$1,000
Accounting	\$1,000
Consulting	\$0-\$2,000
Marketing Budget	\$5,000
Total	\$24,000 – \$524,000

Operating Costs

In operating a clothing store, the costliest expenses are the salaries associated with the staff as well as the inventory management. As shown in the table below, it is estimated that a clothing store will cost approximately \$15,000 - \$20,000 without insurance and licencing fees considered. The final operating

costs will depend heavily on the business model chosen by the entrepreneur.

These monthly costs represent the amount of revenue needed to ‘keep the lights on’. This is also referred to sometimes as your operating break-even point.





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Table 3: Projected monthly operating costs for a clothing store based on the concept presented throughout the prospectus

Item	Cost
Rent/Lease/Mortgage	\$2,500
Salaries/Benefits	\$10,000
Sales Team x 2	\$5,000
Management/Ownership x 1	\$5,000
Monthly Inventory Purchases (variable based on sales)	\$5,500
Cleaning Supplies	\$250
Equipment Maintenance and Upgrades	\$500
Point of Sale Subscriptions and Other Subscriptions Services	\$50
Insurance	Dependent on business model
Ongoing Licencing and Fees	Dependent on business model
Cost of Free Offerings to Customers (i.e. Food, Events, etc.)	\$500
Total	\$15,000 – \$19,300

Income Statements

Below is an income statement showing the average cost of goods and net profit within the clothing retail industry in Canada. The numbers represent percentages of revenue with the goal of determining net profit. It should be noted that in the retail clothing

industry it can be difficult to generate a profit, as the industry average is 4.7%. Net profit margin on clothing items is generally low; therefore, a business must rely on making a significant volume of sales each month.





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Table 4: Income statements based off the industry average of physical therapy offices, presented in percentages of revenue

Revenue	100%
Cost of Goods Sold	53.9%
Wages and benefits	1.3%
Purchases, materials, and sub-contracts	53.6%
Opening inventory	25.1%
Closing inventory	26.1%
Operating expenses	41.5%
Labour and commissions	17.2%
Amortization and depletion	1.5%
Repairs and Maintenance	0.9%
Utilities and telephone communication	1.4%
Rent	8.5%
Interest and bank charges	0.8%
Professional and Business Fees	1.5%
Advertising and Promotion	2.0%
Delivery, shipping and warehouse expenses	0.5%
Insurance	0.7%
Other Expenses	6.6%
Total Expenses	95.3%
Net Profit/Loss	4.7%

Critical Success Factors

The following section explores different factors that are critical to the success and survival of the business once it is operational.

Attractive Store Front: For the store to be successful, customers must enjoy being in the store. Using some of the suggestions above such as good lighting, prioritizing the flow of the store, and keeping it clean and tidy, will lend itself to the store's attractiveness.

Quality Customer Service: Customers need to feel welcome in retail spaces. By prioritizing customer service within the work culture, customers will look forward to entering the store and being greeted and served by the sales team.

Low Cost of Goods: Due to the relatively low profit margin on clothing items, it is important that the owner maintains a low

cost of goods. This is especially key with inventory that is purchased on a daily, weekly, or monthly basis.

Effective E-Commerce Site: As mentioned earlier, e-commerce is an important and lasting change to the retail industry. Following best practices and providing an online distribution channel to expand beyond the BREOC region could prove to be a move that creates long term stability.

Quality Marketing and Branding: Effectively marketing and branding the business will be a challenge, but if done correctly it could position the store and penetrate the market, setting the store up for long term success. Since there are no stores within the BREOC region offering family clothing, the main messaging is clear.





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Conclusion

Citizens in the BREOC regions are constantly having to leave their communities to purchase clothes for themselves, and their families. This is causing willing spenders to take their money for essential purchases outside of their communities, including for

other items like food and gas. Therefore, not only will starting a clothing store prove to be a viable business for an entrepreneur, but it will also provide positive outcomes for the local economy.





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Contact Us

The Battle River Economic Opportunity Committee is here to help. If you are interested in further exploring this or any business opportunity within the region, contact us today. There are tailored one-on-

one business supports for business start-ups, buying/selling a business, growth and expansions of businesses. The first step is to contact your local Economic Development Officer using the information below.

Economic Development Department – Flagstaff County

(780) 384-4100

ecdev@flagstaff.ab.ca

Carol Thomson

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