



# Diaper Delivery

## BUSINESS PLAN

### DIAPERS 'N MORE

*Betty and Barney Smith*

*555 Granite Ave.*

*Bedrock IL 60614*

*April 17, 1993*

*Offering the area's only diaper delivery service, this new business seeks to reach the developing market demanding a more environmentally safe and less expensive option than traditional cloth diapers. This plan offers an example of how to attract a larger customer base by capitalizing on society's changing views .*

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## STATEMENT OF PURPOSE

Diapers 'N More is seeking a loan of \$25,000 to purchase equipment and inventory, purchase chemicals and softeners, purchase saturation advertising, maintain sufficient cash reserves and provide adequate working capital to run a diaper delivery and pickup service. This sum, together with the \$6,500 equity investment of the principals, will be sufficient to finance transition through the beginning phases of the business and support a profitable enterprise.

## DESCRIPTION OF BUSINESS

Diapers 'N More will be a diaper service delivering fresh clean diapers to northeastern Maine. Diapers 'N More plans on offering two sizes of diapers, an infant and a toddler size. The customer will have the added option to buy diaper wraps at an additional cost. Delivery to the various households will occur once a week at which time any used diapers will be picked up and returned to the laundry mat to be cleaned. A premium service will also be offered for those customers who wish to have the same set of diapers they used be returned to them. In essence they will pay extra for the guarantee that no one else has used their diapers. Deliveries will be made

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Monday through Saturday, official holidays excluded.

## THE MARKET

Our goal is to provide cloth diapers that are less expensive and more environmentally safe than the currently used disposable diapers. This market has a total population of 3,200 households with babies under age 2. Currently 80% of these use disposable diapers and the remaining 20% use cloth. Of the amount using cloth we conservatively estimate that 20-30% will subscribe to the diaper service. At present birth rates and the above percentages this will give us a customer base of 130 to 200 households (excerpt on population reports and projections available). However, we feel with the changing viewpoints on waste disposal and the environment that a larger percentage of the people with children under 2 will switch to using cloth diapers. Customers will be attracted by

- A local radio advertising campaign
- Fliers placed in care packages to new mothers
- Pamphlets placed with OB/GYNs and Pediatricians\* offices
- Promotions done in pre-natal and birthing classes
- Direct phone solicitation
- Door hangers
- Word-of-mouth advertising

## THE COMPETITION

Currently there are no known diaper delivery services in northeastern Maine and the surrounding areas. Clean Babies Inc., part of the General Health Services Corporation, is the only diaper service serving the southeastern area of Maine and has no present plans to deliver in the northeastern Maine area. In fact, Don Taylor, their main diaper salesman gave us a tour of their operation and offered us help on any questions we might have in beginning our business.

## LOCATION

Diapers 'N More will operate from Laundry Inc. located at 254 Main St. The rent for the laundromat is \$340 per month, with total square footage of 2,250 feet. The diaper service will occupy approximately 700 square feet, thus contributing to 1/3 of the rent or \$115. The water district covering this area is district 9 and has one of the lowest water rates in the region. There will be no charge for sewage as the system is furnished by the building owner. The electric is furnished by Maine Electric Cooperative. The facility is approximately 1/4 a mile from an easy access to the Interstate.

## MANAGEMENT AND MAINTENANCE

Barney Smith was born July 10, 1959. He was a journeyman electrician in Bangor for two years. He has 140 hours of college in areas of electrical and computer engineering. He currently owns and operates a company specializing in commercial refrigeration, heating and air conditioning repair. He is also a member of the Maine Army National Guard, 1/128 HHB Field Artillery Battalion. After 4 years service he has obtained the rank of Sergeant (E-5). He presently is a subcontractor. He has extensive long-term knowledge in pickup and delivery service in the and surrounding areas. His mechanical expertise is the real cost savings to this project. Mechanical repairs tend to be one of the most variable and highly unpredictable costs to a business of this sort. Barney has enough knowledge and experience to handle just about any breakdown that may occur, whether it be with the machinery or with the trucks.



Betty Smith was born on February 14, 1962. She graduated from UMC in 1984 with her Bachelor of Arts degree in honors Economics. She then pursued and obtained a masters degree in Economics and is currently working on her Ph.D. in the same field. She is an instructor for University of Maine in the evening program. Classes taught include basic Micro and Macro Economics, Theory of the Firm, Money and Banking, Real Estate, Corporate Finance and Investment Management. Betty handles the books of MGL Service and Maintenance with the help of a personal IBM compatible computer and DACEASY, an accounting program. She is the mother of two children, Abbey, age three and one half and Jack, age one and one half. Both children were raised in cloth diapers from birth and Jack is still using them.

Barney will be responsible primarily for set up of the routes, delivery and maintenance of equipment. Betty will be responsible for the cleaning and packaging of the diapers, customer consultations, inventory control and the basic accounting. In order to augment their skills, they have enlisted the help of a CPA who currently handles the tax accounting for MGL Service and Maintenance and the Smith's personal finances.

## SALARIES

Betty will be earning a salary from MGL Service and the University of Maine, and Barney will be earning a salary from the Maine National Guard, his present employer, and profit from his existing business. This money coupled with the earnings from their real estate and the laundromat will enable them to support their family with very little help from the diaper service. At the end of the first fiscal year any net profit will be retained and invested in the diaper service to further enhance future earnings. In future years approximately 50% of the net profits will be drawn to pay the salaries of Mr. and Mrs. Smith. The remaining half will be retained to either continue expansion or accelerate payoff of the SBA note in an effort to improve the financial position of the company.

## APPLICATION AND EXPECTED EFFECT OF LOAN

The \$25,000 will be used as follows:

### Purchases:

Diapers, infant and toddler size (Diapers last approximately 3 years w/150+ washes)	\$7,500
Hampers	\$500
Diaper wraps	\$840
Plastic Bags	\$420
Diaper wraps (to replenish inventory in month 9)	\$420

### Supplies:

3 months supply of salt	\$120
Chemicals, approximately 1 year's supply	\$650

### Advertising:

Door hangers	\$200
Radio for first week	\$500

### Equipment:

Washer/dryer (NADS (National Association of Diaper Services) approved)	\$9,000
Setup charges	\$400
Shelving	\$400
Water softener (used, four years old)	\$1,500
Reserve (not disbursed)	\$2,550

Total.....\$25,000

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The reserve will be held in an interest bearing account at the bank to be used to take advantage of special opportunities or to meet any unforeseen expenses not mentioned above. The setup charge will be for parts and material used in installing the washing machine and dryer as Mr. Smith will furnish the labor involved. Chemicals needed included 400 lb. drums of detergent and bleach, 100 lb. drums of fabric softener/bactericide and sours. Washing machine will be a Unimac Uniwash 50 (4 speed) 50 lb. washer. This carries a 5 year warranty. Dryer will be a 75 lb. Hibbs Commercial Dryer.

## Small Business Development Program

We wish to thank the University of Maine Small Business Development Program for all of their help in preparing this proposal and for their general overall good advice. Special thanks are extended to Lydia Ferris for her time, dedication and hard work.

## SUMMARY

Diapers 'N More will be a diaper delivery service covering the northeastern Maine area. We offer an alternative to the popular but often environmentally harmful disposable diapers and convenience for those household currently handling their own cloth diapers. The owners are seeking a \$25,000 loan to help begin and maintain this potentially profitable venture. Careful analysis of the potential market shows an unfilled and growing demand for cloth diapers. We feel that the time is right for entry of this type of business. The city landfill has approximately 2-3 years of life left and the landfill problem has reached such proportions that they have resorted to charging "by the bag," for trash in an effort to encourage recycling. Several states in the Northeastern area of the country are severely restricting if not completely eliminating the use of disposable diapers and other such products. This trend will most likely penetrate to other parts of the United States and carries the possibility of an expanding market for our particular area. Possible further markets include entrance into the geriatric field of cloth diapers to handle the urinary incontinence that affects millions of the elderly in America. This type of service is a major part of the Rockport General Diaper's business. Several of the nursing care facilities and hospitals (including Tri-County and Maine Regional) have expressed an interest in this type of service and would entertain a bid at some later date.

## CASH FLOW PROJECTION

*A monthly cash flow projection worksheet has been prepared .*

Notes and Explanations for Diapers 'N More Monthly Cash Flow Projections

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- Cash sales: Estimate 50 customers × \$9/week=\$37 per month, which comes out to a total of \$1,800 for month 1; month 2, 55 customers; month 3, 60 customers; month 4, 65 customers etc.
- Supplies include \$40 in salt per month for water softener and a \$500 expenditure to replenish chemical supplies in month 12.
- Advertising includes \$200 for door hangers and fliers each month.
- Maintenance is only \$20 per month because the business is renting the facilities and part is for laundry.
- Car & Travel is \$500 per month and will stay about the same even when more customers are added because of the route layout. However, in month 10 an additional \$20 is added to compensate for extra gas that may be used do to the increase in customer stops.
- Accounting & Legal: The accounting is based on a quarterly retainer.
- Telephone & Utilities: Based upon the knowledge of laundry business.
- Insurance: Insurance quote from Morgan Mutual.
- Interest and Loan Payment: based upon a \$25,000 loan, 12.5% interest for 7 years.

## INCOME PROJECTION 3 YEAR SUMMARY

### Pro Forma Profit & Loss

	Year I	Year II	Year III
Sales	\$37,080	\$64,800	\$86,400
Purchases	420	840	1,680
Gross Margin	37,500	43,060	84,720
<b>Operating Expenses:</b>			
Supplies	980	1,180	1,500
Maintenance	240	240	240
Advertising	2,400	2,400	2,400
Car	6,060	6,240	6,240
Acct & Legal	400	400	400
Rent	1,380	1,380	1,380
Telephone	960	960	960
Utilities	1,800	2,200	2,750
Insurance	1,800	1,800	1,800
<b>Other Expenses:</b>			
Interest	2,991	2,888	2,558
Loan payment	2,348	2,488	2,817
Total	21,846	22,176	23,985
Net Profit pre-tax	15,234	20,884	60,735
Salaries	0	10,442	30,367.50

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<b>Operating Expenses:</b>			
Supplies	980	1,180	1,500
Maintenance	240	240	240
Advertising	2,400	2,400	2,400
Car	6,060	6,240	6,240
Acct & Legal	400	400	400
Rent	1,380	1,380	1,380
Telephone	960	960	960
Utilities	1,800	2,200	2,750



	Year I	Year II	Year III
Insurance	1,800	1,800	1,800
Other Expenses:			
Interest	2,991	2,888	2,558
Loan payment	2,348	2,488	2,817
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### Notes and Explanations for Income Projections

Sales: year 2 based upon a constant 150 customers per month; year 3 based upon a constant 200 customers per month.

- Purchases: based upon the percentage change of customer sales.
- Supplies: based upon the percentage change of customer sales.
- Maintenance should remain relatively constant.
- Car & Travel is \$520 per month and will stay about the same even when more customers are added because of the route layout.
- Rent will stay constant since the building is leased for 5 years.
- Utilities are increased based upon percentage of additional customers.
- Insurance should remain constant since the quote is based on a gross of \$100,000 a year.

## POPULATION PROJECTIONS

A table of actual and projected births through 2005 for the northeastern Maine region has been prepared and is available.

## FLOOR PLAN

A floor plan of the laundromat from which we propose to do business is available upon request.