

# SKIVVIES

## International Category

Skivvies is an intimate apparel brand that will sell underwear domestically in order to subsidize undergarments and microfunding opportunities for women in Haiti, creating jobs and improving women's health and access to education.

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## **I. Executive Summary**

Only one-third of Haitian secondary school graduates are female (UNIFEM, 2004). Along with cultural norms, poor sanitation and widespread poverty increase the effects of this disparity. These factors are even more prominent in rural Haiti. Skivvies will address these issues by selling underwear domestically in order to subsidize undergarments and microfunding opportunities to women and entrepreneurs in Haiti, creating jobs and improving women's health and access to education. The "buy-one-give-one" model, popularized by TOMS Shoes, allows us to connect with American consumers and create reliable revenue streams to maximize our impact in Haiti. Microfunding will provide rural Haitians with tools to develop infrastructure and employment opportunities in ways that fit the existing needs and culture. Entrepreneurial workshops will build the skills and experiences necessary to create local leaders and put the economic power back into the hands of the Haitian people.

## **II. Problem Statement**

The problems Skivvies intends to address are multi-dimensional by nature. At our core, we are focused on closing gender-based educational and economic disparities. Factors influencing these issues include access to clean water and sanitation economic opportunities.

In rural Haiti, only 20% of the population has access to sanitation facilities and 38% practice open defecation (UNICEF, 2012). The consequences of poor sanitation and access to water are relatively more severe on women and young children than on men (Schechtman, 2013). As documented by WASH, a division of UNICEF committed to providing access to clean water and sanitation facilities, women worldwide struggle to manage menstruation and remain active in their daily lives when basic sanitation is absent (2012). As women and girls take time to manage their basic biological functions, they fall behind in their schoolwork, which contributes to the 60% drop out rate in Haiti (Haiti Partners, 2008). Furthermore, the focus on the addition of separated latrines and menstrual health education has been pointed to as a catalyst for change in education in Haiti (UNICEF, 2012, CFR, 2004).

Another contributing factor is the economic status of Haiti. 88% of rural Haitians live in poverty (CIA, 2013). Meanwhile, the fertility rate remains around 3 (CIA, 2013). Many families cannot afford to keep their children in school and children become a source of income just to make ends meet. UNIFEM estimates that of the 200,000 child servants in Haiti, 120,000 are female (2004). Without education, children grow up without the ability to apply for future available jobs.

Ensuring that employment opportunities exist is the next factor. Much of Haiti's infrastructure is in Port-au-Prince and surrounding urban areas. Oxfam International, an activity non-government organization (NGO) in Haiti, has found that the majority of rural Haitians are subsistence farmers and that finding work was the top priority among rural populations (2014).

While attempting to solve these challenges, it will be important to take a holistic approach addressing these and other factors influencing women's education and employment. We intend to partner with existing NGOs to ensure our efforts are best placed. Some organizations under consideration include Sustainable Health Enterprises, Oxfam, and Sustain Haiti.

## **III. Solution**

Skivvies' proposed solution is two-tiered. We will operate a buy-one-give-one (BOGO) business model, selling premium underwear domestically in order to donate an identical pair to a

young girl in need in Haiti. These underwear will be designed with utility in mind for both customers, while keeping in line with current domestic trends. Skivvies will be made of ecologically sustainable materials, like organic cotton and bamboo rayon. We will manufacture in Minneapolis for the pilot line, and would like to keep production in the United States beyond that. If the women in Haiti express interest, a future iteration might be to move part of the production to Haiti. The BOGO model will allow us to impact the perceptions of international aid held by many Americans. We hope to bring more compassion and understanding to the issues faced by individuals in developing nations.

For the young girls of Haiti, new underwear provides an additional barrier to potentially hazardous sanitation environments. To provide a more complete solution to women's menstruation, Skivvies hopes to partner with Sustainable Health Enterprises (SHE). SHE has brought technology to Rwanda that allows women to manufacture their own sanitary napkins from banana leaf fibers and has expressed interest in projects based in other countries.

In addition to merchandise donations, Skivvies will donate 25% of its pre-tax profits to existing NGOs to bring micro-entrepreneurial training and funding primarily to aspiring female entrepreneurs. To create real change, the people of Haiti must have the power to directly influence their own local economies and independently provide for themselves and their families. Our training will help create educated leaders in the community while providing local job opportunities. Job opportunities allow parents to keep their children in school for longer and provide richer opportunities once children have completed school.

#### **i. Customer**

Domestically, our target market is upper-middle class women ages 19-35 that shop with purpose and consciousness. They are creative and trend-conscious and seek to live purposefully. This customer segment has been gaining attention over the last decade. Other companies with similar focus include TOMS, Whole Foods, Bogobrush, Grown Eyewear, and many more. This market is willing to pay premiums for goods reflecting important social causes. We believe highlighting our story and allowing consumers to feel a connection to young women in Haiti will be the key to our success.

In Haiti, our target market will be two-tiered. For our underwear donations, we are targeting school-aged girls in rural communities. We plan to partner with existing organizations to bring a holistic solution to the many issues facing these communities. Potential pilot communities are Leogane, Cap-Haitien, and Ca Ira. For our profit donations, we are targeting primarily women who are heads of households. It is estimated that women in Haiti run 43% of households, and 85% of those households are under the poverty line (UNIFEM, 2004). For that reason, we feel it is imperative to provide these women with entrepreneurial training sessions and initial funding so that they may take control of their futures.

#### **ii. Differentiation**

Skivvies will compete with current domestic market offerings on price point, quality, design, product placement, and marketing strategy.

THINX is an existing social undergarments company, donating pads for every sale. THINX currently offers one color in a few different cuts, made of conventional spandex and cotton fabrics. THINX undergarments cost between \$24 and \$34 (sheTHINX.com). While similar in concept, we will have a superior product line with a variety of colors and designs at a slightly lower price point of \$20. We believe consumers will find value in high-quality,

sustainable materials, and will be more likely to order in high volumes if a variety of colors and patterns are available.

PACT is another similar business concept, offering a large variety of undergarments for both men and women. PACT has control of their entire supply chain, beginning their production with family-owned farms. A portion of profits goes towards microloans in developing communities. Skivvies will compete with PACT on product placement and marketing strategy. PACT sells underwear at Whole Foods, which we believe might be hindering sales numbers. Consumers do not visit Whole Foods with the sole intention of purchasing apparel. Skivvies BOGO model is catchy and gives consumers an immediate, tangible sense of contribution. Furthermore, we will have more focus on particular communities and will be able to build compelling casing to engage our customers. Similar to more traditional non-profits, we hope to highlight individuals in Haiti making a difference.

### **iii. Impact**

82.6% of the rural population in Haiti lives without access to adequate sanitation facilities, which is about 3,894,000 people (CIA, 2013). This means about 1,947,000 million girls live without sanitary methods of managing their feminine health. This is our target market for social impact. As mentioned previously, we will maximize our impact by partnering with organizations dedicated to building comprehensive, lasting infrastructure in rural Haiti. By focusing on women, we are impacting an underprivileged but extremely influential subset of the local community. As cited previously, women run 43% of households in Haiti, who provide the developmental framework for the next generation of young Haitians.

### **v. Financials**

Skivvies' initial fixed costs will be limited to basic web hosting and inventory costs. A conservative estimate per garment is \$2.50 for materials and construction costs. Web hosting will be around \$10 a month, assuming a three-month pilot. We are projecting around \$3 of variable overhead per unit for the pilot round. Our breakeven point in units is 124, assuming a selling price of \$20. As proven by other market examples, including THINX and PACT, we believe this is a reasonable estimate.

Our pilot will earn us a \$10 per sale in profit. \$2.50 per sale will be donated to partnering organizations for microfunding and entrepreneurial workshops. Skivvies then pockets \$7.50 for company growth—a total of \$3,750 for our pilot round.

In order to take full advantage of our business model, we will be taking a tax deduction for pairs of underwear donated. We can achieve a tax write-off of fair market value of goods sold; we will be able write of a total of \$10,000 on initial taxes (SBA, 2013; IRS, 2013).

### **vi. Market Analysis**

Skivvies believes that we have the right timing and location for a pilot. Retail sales in Minneapolis were high in the last half of 2013, and projections show the trend to continue into 2014 (D'Innocenzio, 2014). According to research compiled by B-Corporation, 73% of consumers care about the company behind the purchasing decision (B-Corp, 2014). These trends differentiate Skivvies from existing competitors, like Free People and Victoria's Secret. Our strategy for differentiation from other undergarment b-corporations is discussed in section ii.

### **vii. The Team**

We believe we are the right team of people to make Skivvies a reality. We are all members of our target market and passionate about working with the people of Haiti. We represent a wide variety of skill sets and are constantly seeking education in new areas.

Kelsey Fecho is an undergraduate student studying Financial, Entrepreneurial Management, and Accounting. She has had been involved in the Minneapolis fashion community since she was 14. She is passionate about women's equality and education, and is excited to continue her family's work in Haiti. She has experience with start-ups, bookkeeping, and logistics.

Colin Fecho is a University of Minnesota alumnus with a degree in Marketing and Business Management. He has had corporate experiences in marketing and logistics and is currently a freelance marketing and e-commerce professional. He is also a contributor to a fashion and lifestyle blog.

Amanda Arends is a University of Minnesota alumnus with a degree in Marketing and Business Management, with a minor in Fashion Design. She is currently a financial advisor and a contributor to a fashion and lifestyle blog. She has designed and constructed our prototype.

We are seeking an advisory board before the launch of our pilot. We are especially interested in individuals with experience in retail, apparel, and web development.

#### **viii. Risks & Assumptions**

One of our biggest risks will be forecasting trends for current production schedules. We will mitigate this by using classic patterns and colors that have been prevalent for many seasons, rather than trying to use absolutely novel designs. For future iterations, we will be able to mix in current season lines in addition to this timeless line, and encourage volume consumption.

Skivvies assumes that people will care about our cause, and will be willing to pay a premium versus conventional underwear brands. We can project a favorable response based on the recent rise of benefit corporations and the current marketplace of such goods.

Skivvies assumes that the young women of Haiti will accept help and donations from foreigners and will be productive with these tools. Given existing projects by Sustain Haiti, we believe the group has been able to successfully influence a community of people, who have reacted in a positive and productive manner. We will be able to cement this hypothesis following the pilot donations and investments.

#### **ix. Pilot Proposal**

Skivvies proposes a 1,000-unit pilot, in which 500 units will be sold and 500 units will be donated. Skivvies is currently in talks with local tailors and manufacturers, and currently projects construction prices to be \$2/pair, though our financial projections were calculated with \$2.50/pair for conservatism. We hope to utilize University connections and local media to generate a buzz and potential presale revenue. Potential local media outlets include The Star Tribune, l'etoile magazine, and local nightly news channels such as KARE 11. Skivvies also hopes to create a following using the Carlson School of Management's network, primarily the Carlson School Magazine. Steele Lorenz of MyRain, a former Acara participant has utilized this strategy (CSOM, 2014).

Skivvies will sell primarily via our e-commerce site and area boutiques for our pilot. With samples now in hand, we will be contacting boutiques and brands such as Hot Mama, Blue Bird Boutique, Francesca's, and more. Skivvies hopes to have feedback before Friday, February 21<sup>st</sup>, 2014.

A small initial pilot will help Skivvies ensure that our chosen partners are the right fit. Both the merchandise and monetary donations will be given to Sustain Haiti, who has proven a holistic view of community growth. Sustain Haiti has existing programs in women's health education, community education, and micro-enterprise training and funding. Sustain Haiti's efforts are currently based in Leogane. We hope that providing them with a reliable source of funding and tools will help them expand to other rural communities in need.

#### **x. Growth and Scaling**

For growth beyond the pilot and small batch production, we will likely have to move production out of state to a more developed textile market, such as North Carolina. More formal fabric sourcing agreements must also be established. One potential method would be to start at family-owned cotton farms and develop our own fabrics. In this supply chain, we would be able to ensure the fair trade of our merchandise and mitigate risks associated with international supply chains.

In future donations and development projects, we also hope to partner with Lunapads and SHE, who have been industry leaders in women's health initiatives in developing nations. We understand that our impact must be in conjunction with many other organizations to bring about the change we have proposed. At scale, we will require a full time coordinator and public relations professional to manage this aspect of our business.

Beyond the pilot line, Skivvies would like to explore opportunities for a men's line. One potential risk would be the price point. Based on the current market environment, women are willing to spend significantly more on undergarments than men. However, women tend to be the primary purchaser, making over 80% of all consumer purchase decisions (Holland, 2014).

The problems presented here in a Haitian context are echoed in many developing countries around the world. While our pilot will be focused on one community in rural Haiti—as decided by Skivvies and partnering organizations—we believe similar projects can be duplicated in countries like Peru, India, Bangladesh, Sierra Leone, and Ghana. These countries face similar issues with sanitation and women's health and education and are often reported on in the same journals and studies as Haiti.

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