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Footloose Business Plan

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Footloose

An Honors Thesis submitted in partial fulfillment of the requirements for Honors in the
Parker College of Business.

By Ashlyn Burnsed

Under the mentorship of Dr. William Norton

ABSTRACT

Savannah, Georgia has over ten million visitors that spend over three billion dollars each year. The streets of Savannah are filled with countless retail stores to meet the needs of every tourist and local. Unfortunately, even with all of these stores there is still an unmet need. There is currently no store in Savannah that offers a trendy and affordable shoe. The following business plan presents a way to capitalize on this unmet market need. Our company, Footloose, has the potential to have a competitive advantage in an unsaturated shoe market. Footloose will cater affordable shoes to any women looking to elevate their style for whatever occasion.

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Executive Summary:

Footloose is a retail shoe company, but it is more than just that. Our store aspires to bring an overall enjoyable shoe shopping experience to the Savannah market. It has the potential to change the way women in the area shop for shoes because they will now have easy access to fashionable shoes at a low price. Savannah brings in an extreme amount of money each year. In 2017, \$2.91 billion dollars were spent. In 2018, \$3 billion dollars were spent. The Savannah historic district, which is the concentrated area of tourists, is 1,300 acres. Within these 1,300 acres, there are only three shoe companies, and only one of them sells trendy shoes. Thus, just in opening, Footloose could hold 25% percent of the shoe market in the downtown Savannah historic district. Footloose's business concept is to provide fashionable shoes at a price averaging \$60. The target market is women aged 15-45. We will be taking advantage of the steep prices of competitors by undercutting their prices. Coupled with these lower prices will be great customer service, cleanliness, and a vintage vibe that will appeal to a younger base. Footloose will also strategically position themselves with a brick and mortar store in downtown Savannah, Ga in order to draw customers and foot traffic from competitors. The next step to reach customers will be through a strong social media presence. I will personally be acting as head entrepreneur and CEO of Footloose. As of Fall 2021, I will have a degree in management with an emphasis in entrepreneurship. I am a member of a sorority and have noticed the trends and money to be made in selling shoes. I am also from Savannah, Georgia and realized the need for a shoe store that has not yet been met. Footloose will need approximately \$80,000 to open. This includes inventory, construction cost, all the necessary shoe retail equipment (mirrors, benches, shelving, and cash register), and rent.

Industry Analysis:**Threat of New Entrants**

The boutique shoe store industry is very easy to enter, which is a positive for Footloose. This is also a negative because another company could easily enter the market. There is also very little knowledge needed to open a shoe store. All that is required is a business license. This business license gives companies access to shoe suppliers and trade shows. Then a company needs to pick a location in order to sell their product. Thus, there are no intense barriers to entry.

Supplier Power

There are numerous suppliers to choose from when deciding which products will be selected for Footloose. There is easy access to these suppliers through trade shows and different fashion districts across the country that include shoe wholesalers. Thus, suppliers do not hold much power because of the availability to connect with competitive suppliers. There is also no significant price to change suppliers.

Buyer Power

There are many women who could potentially be customers of Footloose. They could be tourists, locals, or college students. The size of each order will be small. They will not be buying in bulk, but will be purchasing individual pairs of shoes. So, in regard to price, customers do not have extreme power in changing the purchase price. Customers do have power in purchasing from a competitor if Footloose does not provide the quality and style they desire. The cost of shopping at another shoe store differs, but ultimately the option of substitute is readily available for customers. So, that is a power that buyers hold in the shoe industry.

Competitive Rivalry

There are few competitors in the Savannah, Georgia market. There are currently three other shoe stores in the downtown area, and of those three there is only one (Steve Madden) that is a direct competitor. Steve Madden sells trendy shoes at a higher price range than Footloose would be offering. The quality of Footloose would be similar to the good quality already being offered in the area. However, Footloose will be offering a great quality and trendy shoe at a lower price than competitors. Globe shoe company is the only shoe store in Savannah that has a loyal following, and they service mostly older women and men. This is not the market segment Footloose will be targeting, instead we would be targeting younger women who desire trendy more fashionable shoes.

Threat of Substitution

If a customer wants the ability to try on a shoe in person and have the ability to wear their shoes immediately after the purchase, then there are only three stores that could be a substitute in the downtown Savannah area. Footloose could also argue there is only one direct substitute in the greater Savannah area (Steve Madden). Customers always have the option to purchase shoes online, but that is only if they are willing to wait the time necessary to ship the product and hope they fit.

Market Research and Analysis:

A. Customers

Footloose is receiving its products from a distributor and then selling directly to customers either through our brick and mortar store or online website. Footloose will look into shoe vendors such as Judy Blue, White Birch USA, Cupid, Cj Shoes, and

Bernes. The company's target market is all women, but particularly women aged 15- 45 who live in Savannah, Georgia and surrounding areas. These women will desire to wear outfits that are up to date on the latest fashion trends, and particularly trendy shoes. The company will be based in downtown Savannah, Georgia. This strategic placement will attract locals, college students, and tourists through high foot traffic into the store.

Customers are thus easily reached. They can easily flow in and out of the store as they graze the options. The customers are buying individual pairs of shoes. Customers will be drawn to Footloose for its trendy and clean appearance, and then will be persuaded to purchase because of the low prices and high quality. I gathered data in the Fall of 2020 that shows the great potential of a very supportive customer base. These data are located in appendix A.

B. Market Size and Trends

Savannah has an extremely large and profitable market. This is due to the populated area and the tourists that flood into the area every year. In 2017, \$2.91 billion dollars were spent. In 2018, \$3 billion dollars were spent. The Savannah historic district, which is a concentrated area of tourists, is 1,300 acres. Within these 1,300 acres there are only three shoe companies. Thus, Footloose could have 25% percent of the shoe market in the downtown Savannah historic district. As a result of COVID-19, the number of dollars spent in 2020 will be skewed, but the Savannah market is only growing. There is constant construction and improvement being done in the area. It should be expected that the numbers will grow past 3 billion for the next three years. Footloose holding 25% of the market has the opportunity to grow, compete, and be profitable in an unsaturated market.

C. Competition and Competitive Edge

Customers in the Savannah, Georgia area have two choices. They can either purchase shoes online or in person. If they choose to shop in person downtown there are three options. They are Globe Shoe Co., Charleston Shoe Co., and Steve Madden. Globe Shoe Co. and Charleston Shoe Co. cater to the shoe needs for older women, a market that Footloose is not targeting. On the other hand, Steve Madden provides trendy and good quality shoes that sell at a higher price approximately \$75 and upwards to \$150. There is high foot traffic in downtown Savannah, and a great opportunity to make many sales to women of all ages. This can be seen in appendix B. However, there is still a customer need that must be met, and that is a quality shoe that is fashionable yet costs on average \$60. Footloose will serve this need. Steve Madden is a national brand, and they are vulnerable because of this. They do not have the ability to easily switch us styles and adjust to the local consumer. Footloose will be able to. The company can easily pivot in order to have up to date trendy shoes for its customers. This gives Footloose a competitive edge.

D. Estimated Market Share and Sales

There is not currently a shoe store in the Savannah area that sells trendy shoes at a mid- price range. Customers will now have the convenience of being able to walk into the brick and mortar store and try on shoes fashionable for whatever occasion. Previously these customers would have had to order online and go through the stress of wondering if they will fit, look the same as the picture, or get shipped in time. There is relatively no shoe store competition in the Savannah market, so it is not hard to be differentiable. Footloose will be a relaxing and fun experience for all who enter the store. This

difference coupled with the lower prices will differentiate it in the market. Footloose will also have an online presence, so that means the market is even larger as the company will be able to reach women across the country. Footloose projects great growth potential over the next three years in a market economy that is only growing. This is especially good when it could hold 25% of the downtown shoe store market.

E. Ongoing Market Evaluation

Footloose will be able to continue to evaluate our target market by analyzing our sales. We can also continue this by surveying our customers in order to continually improve the inventory, the customer service, and the overall experience of shopping in store.

Financial Objectives:

Footloose has a few financial objectives we are aiming to achieve in the first few years of business. If I can afford to complete a proof of concept, and the results are favorable, then the first step is to raise approximately \$80,000 to open the first store in downtown Savannah, Georgia. This will be raised through family loans and bank loans. The second goal is to break even within the first year of business. The third goal is to pay myself a salary within the second year. The fourth goal is to grow my profits every year for the next five years. The fifth goal is to constantly work to decrease the costs of the company and improve profit margins by testing the elasticity of our products. With a potential 25% market share in historic downtown Savannah the opportunities for Footloose are endless, and the net income should only increase every year as the store makes a name for itself in the area and online.

Marketing Plan:**A. Overall Marketing Strategy**

Footloose's first intensive selling effort is to serve women around the average age range of 15-45 in the local Savannah, Georgia area. The marketing effort is to inform customers that Footloose provides great service and care for customer needs, along with great quality products at a good price. These customers will be met with a brick and mortar store located in an area of downtown that receives a high number of foot traffic. The next step on our strategic marketing plan is to have a social media presence. This is extremely important as it is the number one way to reach the surrounding area to advertise our products, and our target market is most active on social media sites. There will be constant postings on social media pages such as Instagram and Facebook. Footloose will also have an online store, thus helping our later selling efforts to reach women nationwide. Initially, Footloose will not be offering products internationally, but just nationwide. There will be no down season as the products will change with the seasons. For example, boots will be offered in the winter and fall, and sandals will be offered in the spring and summer. Lastly, Footloose has no plans to interact with government contracts.

B. Pricing

The pricing strategy is to keep the average price of the shoes at \$60. This price is much lower than the competitors pricing in which they are upcharging for name brand products. Footloose will not be manufacturing our shoes, thus we will be purchasing them at a lower wholesale price from different suppliers. Depending on the products chosen each season, there should be good room for margin. The margin will increase as we

continually work to lower our expenses. This price under \$60 is very appealing to the age group being targeted, especially when shoes of the same quality are being offered with much higher prices at competing stores. Furthermore, if our shoes are even more desirable considering their design, customers will choose to shop at our store.

C. Sales Tactics

Our products will either be purchased in store with customers having the ability to walk out with their shoes, or our products can be purchased online. If they are purchased online, customers will pay for shipping, and then we will ship their purchase to them as soon as possible.

The next goal would be to have brand ambassadors who we will pay a small price to promote our products on their social media. These ambassadors must have a large following in order to be selected. They would post a picture in our products, and tag us in the picture so that girls could easily find out where they purchased their shoes. This is an extremely easy way to advertise to our target market. Footloose expects a great deal of engagement on social media. The good news is that social media is free advertising. There will be a small budget for boosting posts on instagram and facebook, but overall the price is low. Footloose might also choose to advertise in Savannah magazines, and those prices will differ depending on which ones. Overall, advertising cost is low.

D. Service and Warranty Policies

If a customer makes a purchase in person or online, the policy is that they will be able to return their purchase within 30 days for store credit if the shoes have not been worn.

E. Advertising and Promotions

Advertising will begin by word of mouth, ads in Savannah magazines, newspapers, and social media. Footloose will also be advertising in a way by just having a physical store presence in a high foot traffic area downtown. Footloose will also attend different shopping pop-up markets around the greater Savannah area.

F. Distribution

There will be no initial international selling, so that is not of concern for distribution. Footloose will distribute its products via in person at a store or by way of UPS or Fedex nationwide.

Operations Plan:**A. Operation Cycle**

Footloose will need two facilities. The first is a physical store located downtown in which customers can try on and purchase shoes. The second facility will be a storage unit. The storage unit will need to be relatively close to the main store in order for easy exchange between the two. The only lag time should be if the supplier is running late in delivering an order. There should be no lag time between the two facilities.

The goal would be for there to be no seasonal product leftovers. Instead products will go on sale off season. This should allow for more space in storage for new products instead of the old shoes.

B. Geographical Location

The planned geographic location is downtown historic Savannah, Georgia. The big advantage is high foot traffic. Savannah has a 3 billion dollar tourist industry with our target markets streaming from SCAD, Georgia Southern University, tourist, and locals.

C. Facilities and Improvements

Footloose will need at least a 700sq ft space equipped with plumbing and a bathroom that can accommodate our needs. This space will be leased, so paying rent will be a large expense especially downtown. Another expense will be to the shoe wholesale suppliers. The improvements will be made by a contractor. There will need to be a checkout area, shelves on the walls, mirror on the walls, and places for customers to sit in order to try on the shoes. Construction time should not take long because there is not much, if any, intense construction work that needs to be done.

D. Regulatory and legal issues

Footloose will have to apply for a business license in Georgia and Savannah. Footloose will also have to make sure that we can legally name our company “Footloose” because of the popular movie from the 1980s. If not, we will then rename the business. Other than these two steps there are no other regulatory or legal issues Footloose will have to deal with.

New Venture Team:**A. Organization**

Footloose will be a limited liability company. The organization is small and for the initial opening years will be family owned. I will personally be the CEO of Footloose.

I will be the head buyer and manager initially. Footloose will hire part-time employees to stock the store and sell to customers.

B. Key Management Personnel

I am currently the CEO and manager. As of Fall 2021, I will have a degree in management with an emphasis in entrepreneurship. I am a member of a sorority and have noticed the trends and money to be made in selling shoes. I am also from Savannah, Georgia. I have observed the Savannah retail market for my five years living downtown. I have recognized the need for a shoe store in the downtown area through my own needs. This is why I created and am passionate about Footloose.

C. Management Compensation

I do not know how much of a salary I will be able to pull out of the profits for myself within the first year, but a financial goal is to pay myself a salary within the second year of business. The part-time employees will be paid \$10 an hour.

D. Investors

The current investors are my parents and family. The exact price they will be investing is not yet concrete, so their stake in the company is not yet identifiable.

E. Employment and other agreement and stock options and bonus plans

There will be two employees working every Monday to Sunday from 10am- 6pm. Each employee will be paid \$10 an hour. There currently is no stock option for employees.

F. Board of Directors

There will initially be no official board of directors.

G. Other Shareholders, Rights, and Restrictions

The company is currently private, and therefore offers no stock or rights.

Critical Risk, Problems, and Assumptions:

There are a few critical risks that Footloose potentially needs to be prepared for. The first is if there was a grid network failure in downtown Savannah. Our store will have a backup generator on-site in order to prepare for this risk. The second is a supply chain disruption in getting shipments to the store. We could prepare for this by having a certain amount of inventory in a warehouse at all times. The third is a shutdown such as the COVID-19 pandemic. It is hard to anticipate how we could potentially respond, but we could bolster our online presence and do home deliveries.

Financial Projections:

Below is a financial projection for the next three years. All the sales projected are on the basis of the average cost per shoe being \$60.

Year 1:

Revenue: \$475,200 (22 shoes a day @ \$60 avg. per shoe)

COGS: (\$237,600)

Wage Expense: (\$57,600)

Electric and Water: (\$13,132 electric bill, \$480 water/trash)

Rent Expense: (\$24,324)

Opening Expense: (30,000)

NOI: \$112,064

Year 2:

Revenue: \$626,400 (29 shoes a day @ \$60 avg. per shoe)

COGS: (\$313,200)

Wage Expense: (\$57,600)

Electric and Water: (\$13,132 electric bill, \$480 water/trash)

Rent Expense: (\$24,324)

NOI: \$217,664

Year 3:

Revenue: \$691,200 (32 shoes a day @ \$60 avg. per shoe)

COGS: (\$345,600)

Wage Expense: (\$57,600)

Electric and Water: (\$13,132 electric bill, \$480 water/trash)

Rent Expense: (\$24,324)

NOI: \$250,064

There should be a steady increase in sales per month as the store establishes itself in the Savannah market. The price of rent is high on Broughton street, so the price advantages between different locations must be analyzed considering foot traffic. The current rent calculated above is with Footloose being located one block off Broughton street. The NOI will increase each year according to the increase in sales per month.

Proposed Offering:

All funds that will be needed for Footloose will be met through family loans. Footloose will need approximately \$80,000 to open. This includes inventory, construction cost, all the necessary shoe retail equipment (mirrors, benches, shelving, and cash register), and rent.

There will be no public offering for the company. This is because the company is small and funded by family loans. Family members might request part ownership, but that is not confirmed. More than likely I will be the sole owner. The return on investment

has also not yet been discussed for each family member that chooses to invest and loan money.

Works Cited

Spinelli Jr., S. and Adams Jr., R.J. *New Venture Creation* (10th Ed.). 2016. McGraw Hill, New York. ISBN: 978-0-07-786248-0.

Appendices

Appendix A

A survey was sent out this past week to female friends within the age range of 18-24 that live in the South. There were two questions on the survey. The first question was “how often do you look at stores whether online or in-person to purchase shoes?” The second question was “what price range excites you and makes you more eager to purchase as a customer?” I received thirty responses. In addition, I introduced my concept to them to see if they would be interested in my product.

Question #1 results:

Once a week= 5
Once a month= 6
Twice a month= 3
Three times a month= 3
Every two months= 1
Every three months= 2
Every 4-5 months= 5
Every six months= 3
Once a year= 2

Question #2 results:

Below \$50= 16
Below \$60= 5
Below \$100= 8
Greater than \$100= 1

In response to the first question, I have found that 100% of the people that responded to the survey are looking to purchase shoes within a year, and 57% are looking for the opportunity to purchase every month.

In response to the second question, I have found that 53% are more willing to purchase shoes if they are under \$50, an additional 16% under \$60, and 26% are willing to purchase under \$100. So, a great majority are willing to pay for shoes around the price range of \$50/\$60.

Appendix B

I stood outside Steve Madden from 10am- 1:30pm in order to observe how many customers walked into the store, and how many walked out with a purchase. I also observed the demographics of the customers. During this time fifty-eight people entered the store. Out of the fifty-eight, six people walked out with a purchase. Out of the six purchasers, four out of the six were in their 30s to late 60s. This is very interesting because I would have hypothesized that the purchasers would be younger. I assume this is because older women have more money to make these purchases, and it was in the middle of the week. It is something to consider when purchasing the shoes for the store. It will be important not to deter a certain age group, but have all ages of women feel comfortable in entering and purchasing.