Global Enterprise Experience
Team 60:

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1. Introduction

One of the United Nations’ Millennium Development Goals is to promote gender equality and empower women. In developing countries especially, women are more likely to end up in poverty than men, as they are often expected to spend their time doing household activities, giving them less experience in the labour force. Their families are also less likely to invest in their education, which is the fastest route out of poverty.

Haiti is one such country where poverty and gender inequality are prevalent. While Haiti’s constitution prohibits discrimination, Haitian women are restricted in the exercise of their rights, and have a lower social and economic status than men. Having a history of political violence and being prone to frequent natural disasters, Haiti is one of the poorest nations in the Western Hemisphere, with 80 percent of the population living under the poverty line (Central Intelligence Agency, 2010). Unemployment is widespread with more than two-thirds of the labour force not having a formal job (Central Intelligence Agency, 2010).

Additionally, in January 2010, Haiti was hit by the worst earthquake to occur in the region in the last 200 years, and now requires a huge amount of international assistance to recover. Our business aims to address these problems by enabling women to better support themselves and their families, in turn supporting the country’s rebuilding efforts.

2. The Business Concept

We propose the establishment of Fashion Recycled, a company based in Haiti, modelled after the successful Rags2Riches business operating in the Philippines. We will employ local women to produce a range of handicraft products made from recycled materials, which will be sold overseas, targeting style-conscious young adults.

The basic designs will be made in collaboration with an internationally recognised design school in the USA, to make the products more marketable. As Haiti has an established apparels industry, we expect that sourcing our raw materials and seamstresses will be relatively easy.
3. The Location

Overview of Haiti

Haiti is located in the Caribbean, occupying the island of Hispaniola along with the Dominican Republic; the capital city is Port-au-Prince. According to recent estimates, Haiti’s population is approximately 9.8 million people. It is the third largest country in the Caribbean, behind Cuba and the Dominican Republic (Central Intelligence Agency, 2010).

The country’s economy is based to a significant extent on industry and manufacturing, with textiles and apparel being some of the leading industries – in 2008, the apparel sector comprised two-thirds of Haiti’s annual US dollars exports (Central Intelligence Agency, 2010). With regard to female workers, 39 percent of the official workforce is female, ranking the country’s female participation as one of the highest among developing countries (United Nations Statistics Division, 2007).

The Ouest Department

Ouest is one of the ten regions that Haiti is divided into, and is where Port-au-Prince is situated. Additionally, Haiti’s largest seaport, Port international de Port-au-Prince, and the Toussaint Louverture International Airport are also situated in this area. Our company’s operations will be based here.

4. Competitive Advantages

Our business concept has some unique characteristics that can be considered as competitive advantages, which differentiate our products and our company itself from competitors:

First, our production methods using only quality, recycled raw materials (such as off cuts and waste fabric) constitute a competitive advantage, especially when considering the current trend of greater concern for the natural environment. These raw materials are also cheap to source, which has a positive impact on our business, lowering the costs of the production.

Second, forming a partnership with an internationally recognised design school in the United States helps to differentiate our products – they are not just cheap, mass-produced accessories, but unique designer items. This is highly beneficial because not only does it add value, and thus allow us to charge a higher price, but also because it acts as a barrier to entry for competitors, as they must first enlist the help of a designer.
Lastly, while our personnel will need a lot of training in order to make our products comparable with existing products in our target market, in the near future this will become another competitive advantage in terms of creating a supply of skilled and productive human resources. We hope to empower our workers and provide them with tools to get out of the current crisis and poverty that is affecting Haiti.

Our biggest challenge will be to ensure that these features are perceived favourably and valued by our target market, keeping them in the minds of customers for as long as possible. Additionally, it will be important for us to keep innovating in each and every task of the company to impose our own rhythm in the industry over the next few years.

5. Operations Strategy

We intend to form a partnership with an internationally recognised design school in the United States, working together with design students, who will supply the basic product designs to our Haitian workers, at least initially. We believe this to be the most feasible option for our business, rather than working with an established designer, which would be perhaps too expensive. Students will essentially undertake a 3-month internship at the company (we will pay travel and living costs), approximately the same length of time as a university semester.

Our workers will learn basic design skills from the students, and will then be able to add their own touches to the products they create, resulting in a unique combination of Haitian style and stylish design – this will appeal to fashion-conscious consumers in our target market. In preparation for launch, we aim to accept between 5 and 10 students, keeping a 1 to 10 ratio of students to workers. We expect that the number of students required will lessen over time, as our workers become more confident in their skills. However, due to the benefits that come from maintaining a close relationship with our chosen design school, students will still have a role for the foreseeable future. In time, we intend for our workers to be able to pass on some of their skills and knowledge to other Haitian women.

At launch, our range of products will include handbags, tote bags, scarves, and other fashion accessories; we may however introduce new items to the range as required. The raw materials for our products will consist mainly of discarded textiles and off cuts sourced from local textile factories, recycled into our products. Over the longer term, we intend to launch an improved website that will allow customers to purchase our products directly over the Internet; we may also begin to target additional markets.
6. Marketing Strategy

Target Market
Our business will target men and women between 18 and 30 years old in the United States. This group of people are mostly working professionals who enjoy wearing exclusive stylish accessories and don’t mind paying a high price. People in this group have buying power, and since they are young adults, they care about planet earth and therefore are keen to purchase products made with recycled materials that are good for the environment. More importantly, however, members of this group care about people. They are concerned about what Haitians have had to live through in the last few months, and want to help by buying our company’s products, so that our female workers can afford a home or a shelter and care for their families.

Marketing Objectives
Our main marketing objective is to satisfy our customers, by delivering high-end fashion accessories, including handbags, man-bags and scarves. The US fashion accessories market represents $16.3 billion (Business Wire, 2009). In addition we want to provide our customers with personal satisfaction – by purchasing from us, they know that they are making a difference to the lives of Haitian women. The latter objective is one way in which we intend to differentiate ourselves from other accessory brands. We wish to position our brand as a socially friendly high-end brand. We will achieve this positioning by focusing our resources on the following factors.

Marketing Mix

Product: As mentioned, our initial products will include a range of accessories, from handbags to earrings and necklaces. The products will be designed by design students, from which we will benefit from their fashion awareness and their designing skills and capabilities, which they will be asked to transfer to the Haitian workers. After the basic design is ready, our Haitian workers will finish the products by adding personal details to the accessories, reflecting their culture and roots. This entire process will be completed in Haiti, after which the finished products will be exported to the USA. The products will be made out of waste fabric, and the materials for the decorations will be made out of recycled material.

Place: Our products will be distributed through high-end department stores and other retailers such as The Body Shop, for example, across in major US cities such as New York (where The Body Shop has 23 establishments) and Los Angeles (where The Body Shop has 15 establishments) among others. The retailers will only pay for the products sold, through which we wish to avoid our products to be sold in discount sales, as this would be damaging to our brand image.

One avenue we may look into is building a relationship with The Body Shop, because they already have a fully functional support trade programme called “Support Community Trade”. Through this programme they purchase accessories and other items at a fair price from workers in developing
countries, they do not however have a programme targeting Haitian women. The Body Shop has about 400 stores in North America and is present in over 48 states.

**Promotion:** The promotion of our products will be done mainly through the Internet, using social networking sites such as Facebook, which will direct people towards our own web site. This is a low cost way of attracting and finding potential costumers – by browsing our web page they will be able to become familiar not only with our products, but also with our activities in Haiti. For example, our web page will have videos showing the Haitian women happily working for us, telling their personal stories and how working for us has changed their lives.

**Price:** Our products will be sold at a relatively high price, in line with our positioning strategy as a high-end brand. A high price is also necessary because a percentage of our profits will go into further developing opportunities for a better life for Haitian women.

7. Financial Overview

**Estimated Start-Up Costs**

The main costs incurred during the company’s start-up will be:

- Purchasing equipment and preparing our factory for use
- The website
- Acquiring a building

The cost for the website is a one-time fixed cost with a maintenance, repair, and updating fee in the subsequent years. Rent and administrative costs are also considered as fixed costs. The equipment purchased at launch depends on the amount of workers hired. Although we intend to launch with a relatively small number of employees, keeping a 1 to 10 ratio of students to workers, there are planned increases in the number of employees in following years, so an equipment expense is expected if more employees are hired. It is because of the equipment expense that net profit is expected to be very low during the first year of operations.

Wages are paid to workers at $5 per day for 8-hour days (breaks included). This is only slightly higher than the average wage in Haiti; however, women who design successful products will receive 5% of the profit earned off of their design. This bonus is not available in the first year due to a shortage of liquid assets because of start-up costs. Productivity will also be lower because time is needed for the interns to teach the women the basics of design and for the women to design products. The design students hired for the internship will have their flight and accommodation expenses paid for by the company, and will also receive a reasonable compensation for their time spent in Haiti.
We are planning to raise capital from the following sources: donations, the World Bank, and grants and foundations. We expect to raise a large amount in donations in our first year of operations, because the recent earthquake that struck Haiti will help to encourage people to donate more. Through raising money in public, we can also promote our brand and acquire public support for our products and activities; as a result, we can attract more investors to our company due to our good public image. As is shown in the chart, initially we will rely heavily on grants and foundations such as the New York Women’s Foundation, Mama’s Cash, and others. However, as the company grows stronger and more independent, reliance on this external capital resource will gradually decrease.

<table>
<thead>
<tr>
<th>Sources of Capital</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>10,000</td>
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<td>World Bank</td>
<td>300,000</td>
<td>250,000</td>
<td>100,000</td>
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<tr>
<td>Grants / Foundations</td>
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<td>300,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>710,000</strong></td>
<td><strong>555,000</strong></td>
<td><strong>202,000</strong></td>
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**Projected Profit and Loss Statement**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>600,000</td>
<td>800,000</td>
<td>1,000,000</td>
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<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Wage expenses</td>
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<tr>
<td>Haitian women workers</td>
<td>126,000</td>
<td>189,000</td>
<td>252,000</td>
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<td>Design school student expenses</td>
<td>80,000</td>
<td>80,000</td>
<td>80,000</td>
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<tr>
<td>5% commission</td>
<td>40,000</td>
<td>50,000</td>
<td></td>
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<tr>
<td>Material costs</td>
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<td>150,000</td>
<td>200,000</td>
</tr>
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<td>Rent</td>
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<td>20,000</td>
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<tr>
<td>Equipment</td>
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<td>Freight</td>
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<tr>
<td>Website costs</td>
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<tr>
<td>Administrative costs</td>
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<td><strong>Total Costs</strong></td>
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<td><strong>686,000</strong></td>
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<td><strong>Net Profit</strong></td>
<td>9,000</td>
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8. Reference List

