

# Sample Business Plan

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## *I. Executive Summary*

### **Description of Proposed Business:**

This business will focus on providing top quality machine quilting services to individuals who have completed quilt tops. This process involves using a special long arm quilting machine to stitch the quilt top, batting, and backing fabric together to create a finished quilt. Other services may include basting, quilt top preparation, binding, and design consultations. Some products will be available for purchase, such as batting, thread and backing fabric.

### **Customer Base Research:**

Quilting as a hobby continues to be a top hobby in the U.S. According to a survey completed in 2017 by Quilting in America™, the total number of quilting households in the U.S. is between 6 to 8.3 million..

This same survey discovered that individuals who are considered “dedicated quilters” spend more than \$500 per year on quilting-related purchases. These dedicated quilters spent a total of \$2.4 billion.

Demographically, the survey indicates that a dedicated quilter is well educated, affluent (an average of \$95,900 household income), and spends an average of \$3,363 per year on quilting. These dedicated quilters are 63 years old on average, and have been quilting 19 years. Those who consider themselves intermediate quilters spend 11.7 hours a week quilting, and those who are advanced spend 17.6 hours a week at the hobby. Beginner quilters average 6.9 hours a week.

This spending means that quilters are creating more and more quilt tops each year, but are often unable to complete their quilting projects themselves. This can be due to available time as well as health concerns, since traditional machine quilting with a home machine can be very physically demanding. As a result, these quilters send those completed tops to other areas of the country to be finished by professional machine quilters.

Our target market will include those quilters locally producing quilt tops, as well as those in other areas of the country who are searching for professional machine quilters.

**Meeting Customer Needs:**

Our mission is to provide high quality machine quilting services for quilters. In doing so, we will develop ongoing relationships with quilters in the area who will be loyal to our company, providing repeat business as well as referrals for new customers.

Local quilters must currently send quilts out of the area for completion due to a lack of machine quilters in the region. This makes their project completion time anywhere from 10 weeks to 6 months. With the number of dedicated quilters growing each year, more work is available than a machine quilter can accept. This results in potential customers being turned away. We will gain customer trust by maintaining regular contact hours, and providing pick up and delivery services at area quilt shops. We will strive to offer excellence as well as value by maintaining a reasonable turn around time, and will stay competitive with our pricing strategy.

**Quilting Industry Projections:**

We expect the growth trend to continue in the industry. As more “baby boomers” reach the average age for a “dedicated quilter”, industry spending will increase even further, with no downturn expected for many years.

## ***II. General Company Description***

**Mission Statement:**

Imaginary Quilting Services will provide high quality machine quilting services to quilters locally and nationally.

**Company Goals and Objectives:**

We want Imaginary Quilting Services to be seen as a leader in the machine quilting industry. Our goal is to provide high quality quilting that will set us apart from other providers who place no value in customer service or a loyal customer following.

Our sales objectives are based on a production capacity of completing 200 quilts per year (3.8 quilts per week). Current national machine quilting prices range from \$135 to \$300 for labor per quilt. This does not reflect material costs, which would be added to the labor charge. Using an average charge of \$180 per quilt, the projected gross revenue for each of the first three years is \$36,000.

Customer satisfaction will be determined by the number of repeat customers, as well as the number of referrals from current customers. In addition, we will encourage customers to display their completed quilts in public venues, such as quilt shows and state and county fairs.

**Business Philosophy:**

Our goal is to be recognized as one of the best machine quilting service providers. This means placing customer service as a high priority, as well as continually developing and refining our technical skills through classes and workshops. By staying abreast of trends and innovations in the quilting industry, we will be able to meet the changing needs of our market. We will be able to accommodate a beginning quilter while still providing advanced services to more experienced quilters.

**Company Strengths:**

I bring years of experience to the business as quilt piecers and sewers. This will help me relate to the customers more easily, and will make it easier to understand both the creative and technical phase of quilt making. My training from experienced quilters will continue to give us an insight to all aspects of running a machine quilting business.

**Legal Form of Ownership:**

This business will be established as a Sole Proprietorship (other forms include Partnership, S-Corporation, Limited Liability Corporation) since I will be the owner and operator of the business with limited inventory or risk.

### ***III. Products and Services***

**Long Arm Quilting Services:**

The long arm quilting process is different from the steps a quilter would take to complete a quilt on her home machine. So that the quilts are functional as well as beautiful, the batting needs to be secured between the pieced top and bottom material. This prevents shifting and bunching during use. The edges of the quilt are then bound with fabric to encase the layers and prevent the quilt from fraying. This process is time-consuming and physically demanding; therefore, machine quilters are called upon to turn the quilt top into a functional and beautiful quilt.

In simple terms, the long arm quilter attaches the customer's quilt top to a roller on the machine. The quilt's backing fabric is attached to a second roller. The batting is then added between the two fabric layers, creating a "quilt sandwich". These three layers are then stitched together using the long arm machine. The customer can choose very simple or elaborate designs for the stitching. Once the machine quilting is completed, the quilt is returned to the customer, who will bind the edges and complete the process.

The machine quilting service will be the primary focus of this business.

Other services which may be offered include:

- Pressing the quilt top and trimming threads;
- Preparing the backing fabric by sewing seams, squaring, and pressing;
- Attaching binding to the quilt's edge
- Adding a personal label and hanging sleeve to the quilt
- Design consultation
- Basting quilts for hand or home machine quilters

### **Competitive Advantages:**

Imaginary Quilting Services thrives on fast turn-around and quality work. By using software such as “The Professional Quilter’s Business Manager” we will be able to maintain a workable schedule, inventory, and customer database. We will develop and maintain customer files which will help us customize our work to each customer’s likes and dislikes. This extra knowledge will help us build a loyal client base, and attract repeat business. This file will include the following information:

- Customer name and contact info
- Customer likes and dislikes concerning design, thread, and batting
- Quilt history, including thread used, batting, design, quilt pattern, etc.
- Photos of customer quilts (before and after)
- Permission slip regarding publication of quilts and crediting the quilter
- Insurance information for each quilt (formal appraisal needed for anything beyond the fabric value)

To maintain a fast turn around time, we will develop an appointment schedule based on thorough pre-qualification of quilts. This would include such information as the quilt’s desired completion date, piecer’s price range, design considerations, etc. This will allow us to properly allocate quilting time for each project to avoid falling behind schedule. In addition, we will build a “catch up” day into our schedule every two weeks to allow for unforeseen delays.

A stitch-regulated machine provides an advantage over other machines since consistent stitches are considered highly desirable, especially in quilts that will be entered in competitions or quilt shows. This feature will be highly touted in advertising and marketing literature, setting us apart from our competition.

### **Pricing:**

The pricing structure for Imaginary Quilting Services will be based on the current market value of quilting services in our area. During the time we are establishing ourselves in the industry, we will offer an “Introductory Rate” on prices. This will allow us to gain valuable experience during our skill development, yet will enable us to eventually move to a standard fee that is consistent with the competition.

One goal for long range pricing is to educate the client about the added value the quilting process adds to the completed quilt top. Without the quilting step, the project is not complete, and is not usable. Quilters invest hundreds of dollars into the fabric of the quilt, and countless hours constructing the quilt top. They must learn that the actual quilting step has a tremendous impact on their quilt, and that the end result will vary greatly based on the money invested in the quilting step.

To illustrate that point, we will construct three small quilts, each from the same fabric and from the same pattern. We will quilt them in the following manner:

- Overall pantograph or overall freehand quilting
- Simple custom quilting, such as border and block designs, some stitching in the ditch
- Heirloom custom quilting, such as feathers, stippling, heavy quilting.

Each of these quilting styles represents different price points for the customers. This visual aid will help quilters see the impact that the quilting process will have on their project, and can encourage individuals to choose a more expensive quilting option based on the quilt's final appearance. By interviewing the customer about the quilt's purpose, durability issues, quilt show possibilities, etc., we can effectively advise the client about which quilting style and price would best suit her project.

Our pricing will be based on a "square inch" system, where the price is determined by multiplying the quilt's length by its width.

We will have "stepped" pricing based on the amount of quilting and/or difficulty in executing the quilting design (see bullet points above). Each customer will pay a "Minimum Charge" of \$35 which will cover the time it takes to prepare the quilt, load it on the machine, prepare batting, etc. Quilting charges will be for labor only. Additional costs would include thread, batting, backing, or special services such as binding, trimming, pressing, etc.

Pricing will be reviewed annually, and adjusted as necessary to reflect changes in the quilting market, increases in our skill level/expertise, etc.

### **Pantograph Pricing:**

For overall pantograph quilting, we will analyze each pantograph we purchase. We will determine how long it takes to quilt "one row" of the design for the width of each of the following:

- Crib quilt
- Lap quilt
- Twin quilt
- Full size quilt
- Queen size quilt
- King size quilt

By multiplying the number of rows that will fit on each quilt by the time it takes to complete one row of the design, we can accurately set prices according to pattern difficulty. This means we will have a pricing sub-structure for pantographs broken down into three or four categories. “Category One” would include simple, quick designs at an appropriate price, and more complex pantographs would fall into the other pricing categories. We will factor in the time it takes to align each row with the previous row

The “per-square-inch” price would be determined by the amount of time each design takes compared to the “per hour” wage we want to earn.

### **Freehand Overall Pricing:**

We will establish a stepped-pricing structure for freehand designs based on complexity and quilting density. To accomplish this, we will mark one-foot squares on plain fabric. Next, we will complete three squares for each design we do—one small scale, one medium scale, and one large scale. We will time how long it takes to fill each square with the differently scaled designs. This will give us two useful tools—a visual aid for clients to see what each design looks like at different densities, and a mechanism to establish pricing based on the time it takes to complete a design.

### **Simple Custom Pricing:**

Custom quilting prices begin whenever something specific is done to any area of the quilt, including borders, blocks or other sections. We will maintain a log book that specifies each aspect of custom quilting, such as setting up a border, quilting in the ditch of a typical block, centering and quilting a design, etc. As we add to each column in the log book we will be able to determine “average” times for each part of the custom quilting process. This will help us establish a “square inch” rate for simple custom designs that ensures we will be paid for the actual labor that goes into completing the quilt.

### **Heirloom Custom Pricing:**

This category includes specialty techniques that are typically very time consuming, such as micro stippling, cross hatching, trapunto, etc. Since each quilt can be vastly different in this category in terms of technique and time commitment, we will use the log book maintained from simple custom pricing as a basis. To that we will plan extra time for the additional techniques the quilt requires. We will also take photos and log our time for any technique beyond simple custom work, and add it to the log book. Since each project can be unique, we will only offer an “estimate” of charges as opposed to a definite “per inch” price for this work.

We will strive to accurately estimate each quilt’s time commitment based on our experience and log book, and will offer a “high estimate” so as not to surprise the quilter with unexpected charges. If we encounter a problem or issue that will cause us to go over the estimate, we will immediately contact the client and discuss possible solutions.

## ***IV. Marketing***

As earlier listed, Quilter's Newsletter Magazine sponsored the Quilting in America™ 2017 research project. The results indicate that quilting continues to grow as a hobby across the United States, with 6 million to 8.3 million households reporting quilting participation. The total number of quilters is estimated at 7 to 10 million.

As a company, we will market to the “dedicated quilter” indicated in the survey. This individual has more discretionary income, and spends an average of more than \$500 per year on quilting-related purchases. Dedicated quilters make up only 16.4% of all quilters, yet account for 72.2% of the total quilting industry expenditures. According to the research project, the dedicated quilter has the following characteristics:

- Female
- 63 years old
- Well educated (70% attended college)
- Affluent (\$95,900 household income)
- Spends on average \$3,363 per year on quilting
- Has been quilting for an average of 19 years

The research also explored quilters' preferences and skill levels. This information will help us determine what type of quilting to promote in different venues:

- 85% prefer traditional quilts
- 20% prefer art quilting
- 37% prefer modern quilting
- 59% consider their skills to be intermediate, and spend 46.8 hours a month quilting
- 31% consider their skills to be advanced and spend 70.4 hours a month quilting
- Over the past 12 months, each purchased an average of 99 yards of fabric
- Subscribe or read an average of 3.4 quilting magazines
- Spend 7.9 hours a week on the internet browsing quilt-related sites
- 85% obtain information and/or inspiration about quilt making from magazines

**Competition:**

Suzy Q Quilts 321 Border Lane Hometown, USA 00000	Tip Top Quilt Shop 222 Have It All Road Dresden Plate, USA 00000	J & B's Sew & Sew 3 Irish Chain Street Ohio Star, USA 00000
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Competition Comparison: Importance to Customer rating: 1= critical; 5 = not very important

FACTOR	Me	Strength	Weakness	Suzy Q Quilts	Tip Top Quilt Shop	J & B's	Importance to Customer
Overall Pantograph Quilting	Pantographs seem "simple" to clients	Stitch Regulator makes quilting consistent	Not much experience	Does not offer pantographs	Only offers Pantographs	10 years experience	3
Freehand Overall Designs	Inexperience means limited choices	Not trapped into one or two "stock" designs	Work isn't recognizable/no defined "style"	Has many design choices	Does not offer	Some limited choices for freehand	3
Custom Quilting	Experience from domestic machine quilting	No bad habits to break	Quilters reluctant to try new quilter	Known for custom quilting	Does Not Offer	Limited choices for custom work; no stitch in the ditch	2
Heirloom Quilting	Lots of knowledge from personal machine quilting	Good eye for design	Not much practice using a long arm machine	High quality reputation	Does Not Offer	Does Not Offer	1
Fast Turn Around	No "backlog" to worry about	Organizational structure in place to keep on schedule	No backlog can be perceived as "not any good"	Booking two years in advance	Booking 4-6 weeks out	Booking 6-10 weeks out	2
Price	Reduced price expected as the "newbie"	Introductory Rate will allow customers of other quilters to try me	Lower price can be associated with poor quality	Most Expensive	Low Prices rely on quantity vs. quality	Comparable to my starting price structure	2
Quality	Customer satisfaction will be top priority	Known for best product	Quality can take more time than some can afford	High quality reputation	Known for utility quilting only	Has had issues of miscommunication and dissatisfied clients	1

**Sales Strategy:***Quilt Shops*

We will investigate local quilt shops within a 100-mile radius to determine if they offer quilting services to their clients, or if they refer their customers to other long arm quilters in the area. To help establish our business, we will arrange to meet each shop owner and discuss our services, highlighting our advantages of quality and quick turn-around. If we can assure a quick turn around for our clients, it means that person will be back to the quilt store sooner to begin her next project—putting profit into both our pockets. We will show the owner our quilting samples of overall, simple and heirloom custom designs, as well as our freehand designs. Our goal will be to establish a working relationship with the shop in one or more ways:

- Quilt the shop's samples in exchange for being recommended to students who take classes or purchase kits (we will ask the owner to include our brochure in each class kit)
- Refer clients to our business either verbally or by displaying brochures or business cards
- Serve as a “drop off point” for customers who need the quilting completed (this gets the customer back into the store again, where she may spend more money)
- Recommend our services to quilt guilds for raffle quilts, charity programs, etc.

*Quilt Guilds*

We will join local quilt guilds within our area, as well as any long arm quilt guild or state guild. By participating actively in the quilt guilds we will develop trust among quilters, and can begin the networking process. We will take advantage of the “show and tell” program common to most guilds by showcasing our work. By placing ads in the guilds' newsletters, offering to quilt some charity projects, and proposing presentations on machine quilting, we will increase our visibility and in turn generate more customers.

*Internet*

We will develop a home page and web site that showcases our business. This resource will provide vital contact information, as well as information for potential and returning customers. This could include pages on how to prepare a quilt for a machine quilter, a checklist for choosing the right batting, thread and designs for a quilt; links to appropriate partners, such as the local quilt shops, guilds, etc.

This site will be maintained and updated regularly to stay abreast of technological changes. Any photos posted of quilts must credit the quilting pattern designer, piecer, and quilter to address copyright issues.

We will maintain an email address to increase our accessibility for clients.

### *Promotional Literature*

Word of mouth will be our main advertising method. However, we will also place ads in local quilt guild newsletters to target our market. We will develop an informational flyer about our business for distribution at quilt shops, quilt shows, state fair booths, etc. This flyer will only cover basic information about our business due to copyright concerns with publishing quilting designs that are not original. In addition, we will stipulate that “Prices are Subject to Change without Notice” to avoid repeated updating.

Business cards bearing our name and contact info will travel with us at all times to take advantage of any networking situation.

The budget to establish promotional literature, set up the web page, and design info packets for quilt shops and guilds will be \$1,000.

### **Sales Forecast:**

During our first five years of operation, our production capacity will start at 200 quilts per year (an average of 3.8 quilts per week) for the first two years. We anticipate growing from there at the rate of about 16 quilts per year. The current labor pricing for our area ranges from \$135 to \$300 per quilt. These prices do not include the cost of materials, which will be added to the labor charge. Using an average price of \$180 per quilt completed, the projected gross revenue for each of the first three years is \$36,000. This is based on research completed for our area in terms of income, quilters, competition, etc.

The expected start up cost for the machine quilting system, training, facilities, supplies, and promotion will be (*your figure here*).

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Sales</b>					
Labor	\$36,000	\$36,000	\$39,000	\$42,000	\$45,000
Batting	1,550	1,550	1,800	\$1,900	\$2,200
Thread	400	400	400	450	450
<b>Total Sales</b>	\$37,950	\$37,950	\$41,200	\$44,350	\$47,650
<b>Cost of Goods</b>	1,650	1,650	1,750	\$1,850	\$1,950
<b>Gross Margins</b>	\$36,300	\$36,300	\$39,450	\$42,500	\$45,700

## ***V. Operational Plan***

### **Location:**

The business will be home-based. Zoning requirements prevent any signage or other indicators of a home business. Therefore, we will use landscaping or other methods to distinguish our

location from other homes and make us easy to find. Hanging a small seasonal quilt on the front door will be one way to indicate the correct address.

We will strive to provide a safe environment for clients and their quilts. This requires regular maintenance to outside sidewalks, stairs, lighting, etc. In addition, we will avoid smoking in the quilt area (or where quilts will be stored or shown) and will restrict pet access to these areas.

Clients will not be permitted into the work area for safety and insurance reasons. We will maintain a common meeting area to accommodate the customers that is large enough to open out the quilt and evaluate it with the client. We will provide both hard and soft chair surfaces to increase the customers' comfort (with an average age of 59, health issues are more prevalent).

We will maintain an answering machine to handle after-hour calls, which may require a separate phone line for business purposes only (this is especially important for internet dial-up homes).

### **Legal Environment:**

Our home-based business has been approved by our local city/ county official (Mary Q. Public, city clerk).

We have obtained the following permits (these will differ with each region):

- City License
- County License
- Retail Sales Tax ID (State Department of Revenue)
- Employer Identification Number (U.S. Govt.)
- Business Name Registration (County Recorder)

Our insurance agent has reviewed our coverage, and we have added a home-based business policy. This policy covers the quilting machine and all supplies associated with the business. We have added a separate rider for covering the value of quilts that customers leave in our care. The insurance company will only cover the value of the *fabric* in the quilt, not the hours of time it took to construct. The policy also maintains liability coverage.

We will devise an order form/work order that covers all the vital information for completing a quilt, including:

- Customer name and address
- Customer phone, cell phone, email
- Quilt's Description
- Quilt's Current Condition (note any stains, tears, piecing issues, etc.)
- Quilt's Estimated Value in Fabric
- Directions for quilting, including thread choices, pattern choices and locations
- Anything the quilter does NOT want the quilter to use, such as invisible thread, marking tools, etc.
- Backing preparation, whether it has direction, etc.

- Disclaimer stating that the customer realizes that long arm quilting still poses some risks, just as all machine quilting does, such as broken needles, tension changes, etc.
- Acceptance of quilter's request that any display or publication of the quilt include the machine quilter's name

**Personnel:**

The company currently will have only one employee. As the business grows, a second, part-time person may be added to handle inventory, bookkeeping, quilt preparation, etc.

Job descriptions will be developed as the need arises.

**Professional and Advisory Support:**

- APQS (machine needs)
- Attorney
- Accountant
- Insurance Agent
- Banker
- Mentors or key advisors

**Inventory:**

The following supplies will be kept in stock. New supply orders will be placed monthly or once back stock moves to the front room:

- 100% cotton batting
- Cotton/polyester blend batting
- 100 % polyester batting
- 108" wide muslin for occasional quilt backing
- Assorted thread
- Pre-wound bobbins
- Needles
- Extra bobbin cases

(List your supplier preferences here)

**Credit/Payment:**

Payment for services will be expected once the quilt is completed and picked up/delivered. Terms will be cash or personal check.

For shipped orders, ½ of the service fee will be collected up front. The remainder, including shipping costs, must be paid in full before the quilt will be mailed to the customer.

Extenuating circumstances may require special consideration. Since the average age of quilters is 63, it is reasonable to assume that some will have limited resources to pay for quilting services all at once. A deposit or payment plan may be instituted in these cases, which might result in higher sales as well as choosing higher-priced quilting methods.

For delinquent accounts or customers who fail to pick up their quilts, we will:

- Make an initial phone call stipulating that the quilt is complete and must be picked up in 15 days;
- Send a letter after 30 days to remind the client, and stipulate the timeframe by which the client must pay for the services provided.
- After 60 days, send a registered letter indicating that the bill has still not been paid, and indicate that if the quilt still has not been paid for and picked up within the next 6 months, the quilt may be donated to a charity as it will be treated as abandoned property according to the laws of my state. (*you must research that information and modify this section based on your local or state laws.*)

### **Emergency Plan:**

For emergency back-up, we will train Sally May Quilter in daily business operations. This will include locating the customer schedule, billing database, information about the quilt currently on the machine, etc. This will ensure that customers are contacted and that the business can function should something happen to the primary operator, such as illness or even death. This person will have knowledge about insurance policy locations, water shut-off valves, circuit breakers, etc., and all info necessary to protect the business property and customer quilts.

We will develop policies that address “worst case scenarios” for the business to avoid making decisions based on emotion. These could include, but are not limited to:

- Needle breakage
- Oil or stain on a quilt
- Tearing the quilt
- Using the wrong thread, batting, design
- Loading the quilt incorrectly
- Other quilt damage, such as water, smoke, pet hair

Our procedure will include the following steps:

- Determine if the problem is caused by our mistake or by a poor choice of the client (any issues that present concern regarding the quilt’s condition or construction should be addressed BEFORE the quilt is accepted)
- Call the customer and explain the problem
- Offer possible solutions, such as replacing a fabric square
- Offer a 10% discount on the labor for the quilt
- Provide a coupon for the customer’s next visit

## ***VI. Appendices***

- Brochures and advertising materials
- Detailed list of equipment owned or to be purchased
- Copies of leases or contracts
- Market research studies
- Financial Statements