



STARcars

The Business Plan

STARcars Purpose:

The purpose of STARcars is to provide fans the most innovative and unique ways of showing driver support, through the process of creating graphics to replicate driver paint schemes on actual vehicles.

Problem:

In the market we are trying to reach, our potential customers have severe pain. These people yearn for the ability to show support for their favorite NASCAR drives in a unique fashion. Today, the way people satisfy their need of showing support is buying driver related merchandise such as, hats, t-shirts, bumper stickers, car flags, and miniature die-cast vehicle replicas.

Solution:

Offering a product such as STARcars, fans and their vehicles will become easily identifiable, making their support feel one-of-a-kind, which allows them to customize the look and feel of their personal ride. At STARcars we didn't invent the wheel we are using current technology to fulfill a need. Technically speaking, this product is very feasible. Vinyl graphics are becoming more popular, not only in homes, as wall decorations through the Fathead brands, but also on the street, seeing elaborate designs on city busses and promotional vehicles. STARcars wants to bring this form of uniqueness to the ultimate consumer. Initial reaction to our product may bring concerns of theft; however, vinyl can only be removed with the proper tools. By providing the Vinyl-Off product for our consumers, they will be able to remove the STARcar graphic with no damage to the vehicle's finish. In terms of intellectual property, the most difficult portion will be obtaining the rights to sell officially licensed NASCAR products.

Why Now:

Historical evolution of category:

Beginning with the use of bumper stickers on car, people were able to express their opinions and character. In the beginning, the main idea our product focuses around is the ease of vinyl stickers being put on and taken off of various mediums. One of our top competitors, Fathead, LLC was able to accomplish this in early 2003. Fatheads became the forerunning company exclusively marketing and



selling vinyl stickers that could be safely applied and removed from walls without causing damage. Instantly, consumers found great value in the idea of stickers that were made to be applied, removed, and then could be once again reapplied. Many companies today have decided to use vinyl stickers for advertising and promotion. In the realm of advertising, the sport of NASCAR lives and thrives on it. This sport has grown to be one of the most popular among the United States population. This is where the evolution of the vinyl sticker industry expands further. Our product, STARcars, is bringing the sport of NASCAR straight to your vehicle. STARcars is able to offer quality vinyl stickers that are easy to apply and easy to remove with the correct tools.

Recent trends that make solution possible:

Due to recent advances in the technology of removing vinyl stickers, our product will surpass the competition by having this as a competitive advantage. The vinyl and adhesive removal breakthrough in technology as created a product that direct consumers can adhere and remove a vinyl product themselves. In addition to causing no damage to the vehicle, customers will find value in this breakthrough because this new technology cuts over 90% of the time used to remove vinyl off your car, truck, or trailer. Before this advancement, vinyl removal was very time consuming and often left damages to the spot of application.

Another recent trend that is apparent is the recent surge in the amount of businesses shifting their focus towards wrapped car advertisement. STARcars in essence is the ultimate way to show your support for your favorite sport, but also a way for sponsors to increase their exposure. As NASCAR grows in popularity within the United States, a way to show your love for the sport will need to be satisfied. This seems to be a strong trend within the market and has high promise in the future. In general, the advancements of technology within the printing industry can be viewed as an opportunity newer for markets to emerge and grow.

Market Size:

Our market for our initial year will be focused on the Daytona International Speedway. In order to gain confidence in our product without a large risk, we would like to spend our first year targeting a small portion of the target market. The Daytona International Speedway hosts a variety of events:

- NASCAR Sprint Cup Series
 - Daytona 500
 - Coke Zero 400
 - Budweiser Shootout
 - Gatorade Duel
- NASCAR Nationwide Series
 - Camping World 300
 - Winn-Dixie 250
- NASCAR Camping World Truck Series
 - NextEra Energy Resources 250



Daytona 500 will be our 2010 debut rollout and test site. On February 15, 2009 the Daytona 500 started off the 2009 season of the NASCAR Sprint Cup Series before a capacity crowd of 180,000.

Out of the 180,000 fans in attendance we estimate the 46% or 82,800 will be our potential customers. We came to this number by the determining our target customer is between the age of 24-44 and their income level is between \$30,000 and \$70,000. Of this number, we predict that 4,769 fans will purchase our product. We came to this prediction by a recent survey of NASCAR fans that found 72% of attendees consciously purchase NASCAR products. We feel that we can capture 8% of those fans by being in the parking lot and the first available vendor and also by offering a new, unique product, which is only available through our vendors. To reach these potential customers it will be imperative that we have at least 5 vendors, 1 in each parking facility to sell the STARcars product.

NASCAR Demographics:

There are an estimated 75 million NASCAR fans in the United States. NASCAR races often draw larger crowds than a Super Bowl, NBA Finals game, and World Series game combined

Gender

Gender	NASCAR Fans
Male	60%
Female	40%

Age

Age	U.S. Population	NASCAR Fans
18-24	13%	14%
25-34	19%	20%
35-44	18%	20%
45-54	20%	21%
55-64	13%	12%
65+	17%	13%
18-34	32%	34%
18-44	50%	54%



Income

Income	U.S. Population	NASCAR Fans
Under \$30,000	34%	32%
\$30,000-\$50,000	25%	27%
\$50,000-\$70,000	18%	19%
\$70,000-\$100,000	12%	12%
\$100,000+	11%	10%
\$50,000+	41%	41%

Competition:

Direct Competitors –

Motorsports Authentics: This Company specializes in the creation of merchandise for over 30 NASCAR drivers. They are particularly good with their at-track distribution, with merchandise trailers for specific drivers. They create many items from apparel like hats and t-shirts, to unique items like die-cast vehicle replicas and pit signs.

Bumper Sticker Manufacturers: While these items have a much different price point than STARcars, bumper stickers are still in direct competition with us because both of our products are applied directly on vehicle.

Indirect Competitors –

Fathead LLC: In recent years, Fatheads have become a well-known vinyl product, targeted specifically to consumers. Fatheads are produced for being placed on display on a wall inside of the home. They are large vinyl, high-resolution images of sports figures, superheroes, and even NASCAR cars. Fatheads were the original inspiration for the STARcar idea.

Automotive Vinyl Wrap producers: Used by many radio stations, restaurants, and companies looking to increase brand awareness, have increasingly utilized this popular form of promotion. The decreased costs of digital imaging and printing allow very elaborate images to be recreated on a vehicle.

Barriers to Entry: Resulting from the decreased printing and digital imaging costs, our product is very feasible from a production standpoint. However, the issue over obtaining licensing rights to teams and drivers will be a long and complicated process. Most likely, we will have to go through this process on a



team-by-team level. Please see the appendix with the Joe Gibbs Racing Licensing Application. You will note that they require prototypes and deposits in order to proceed through the process. We will need to pick the teams we feel will generate the highest demand. (Most likely starting with Joe Gibbs Racing – 3 teams, and Hendricks Motorsports – 4 teams)

Competitive Advantage:

- Eventually obtain licensing rights to many of NASCAR’s top drivers and teams
- Offer a variety of packages to allow for ultimate customization
- One Size fits most mentality – able to sell to most vehicles on the road
- Initial at-track distribution will generate great awareness and buzz for our brand
- Our product is removable – it does no damage to a vehicle’s finish

Value Factor Analysis

After surveying a number of potential customers, we have posted and compiled the results for all of our surveys.

Attribute	Importance	Car Magnets Avg. Score	Rear Window Average Score	Bumper Sticker Avg. Score	STARcars Avg. Score
1 Quality of Graphics	5.000	3.000	3.333	3.333	4.833
2 Variety of Graphics	4.500	3.667	3.167	4.167	4.500
3 Durability of Graphics	4.500	3.000	4.833	4.167	4.833
4 Minimal Damage to Car	4.333	4.167	4.167	1.333	3.333
5 Ease of Removal	4.167	4.667	2.500	1.333	3.000
6 Anti-Theft	4.167	1.167	4.333	4.500	3.667
7 Ease of Application	3.667	4.833	2.833	2.833	2.833
8 Customization	3.500	3.000	2.667	4.500	4.500
9 Size of Graphics	3.167	2.167	3.333	2.333	4.667
10 Compatibility Vechile	3.167	4.000	1.833	4.333	4.333
Avg. Score		33.667	33.000	32.833	40.500
Cost					
1 Base Price	4.667	4.500	3.833	3.667	2.667
2 Time of Removal	3.167	3.667	3.833	2.167	2.500
3 Cost of Application	3.000	3.667	3.833	4.667	2.667
4 Cost of Removal	2.833	3.667	3.667	4.333	2.667
5 Time of Application	2.833	3.500	3.167	4.500	2.500
Avg. Score		19.000	18.333	19.333	13.000



Product:

Development Roadmap:

- Step 1: Set-Up a patent for our product
- Step 2: Search for vinyl printer – based on following criteria:
 - Small Sections of print
 - High quality
 - Removability
- Step 3: Select vinyl printer through contract bids, quality, and location
- Step 4: Identify initial racers to target
- Step 5: Develop design team to create prototypes
- Step 6: Gain Licensing Rights
- Step 7: Train Sales Force
- Step 8: Promotion of Product
- Step 9: Develop Website
- Step 10: Identify Races to Sell at
- Step 11: Obtain vendors license at race tracks
- Step 12: Purchase company fleet
- Step 13: Develop inventory 10 days prior to race
- Step 14: Set up at track
- Step 15: Sell product directly to Ultimate Consumer

Business Model:

Revenue Model

Our revenue model is based on a business to consumer business structure, so our revenue model will be money for products. Our revenues are assumed to be a combination of cash and credit based through sales at NASCAR sporting event and online purchasing, eventually working up to retail distribution. Our inventory levels are maintained and paid for on specific terms, and our sales commissions are based on a five percent of sales. Additional revenue will be pulled from various NASCAR events and holiday based sales incentives. There are two basic ways to model our revenue approaches:



Immediate

- *Direct:* In this model, STARcars can collect cash, credit cards, checks or even Pay Pal as a method of payment. Upon fulfillment of the orders, revenues will accrue directly to STARcars. Purchases can be made at NASCAR events and online at our STARcars website.

Future

- *Retail store:* Intermediaries can collect cash, credit, or check and receive a previously negotiated commission for total monthly product sales.

Pricing

The pricing strategy will be based on the fact that the products aim is towards a “niche” market, with specialized needs. With that in consideration, we intend to offer a premium price for our product. Currently, the closet competitors to our market are selling their products at about \$30 for a simple number decal. We intend to keep our prices competitive and relative to that of current and potential market rivals. By offering great value for the money spent on our product we believe that our number decals should be sold between \$60-100, including the adhesive to apply. However, for the entire car decals, prices will be running from \$400-550. With a combination of selling our product at a premium and skimming, we will attack the high-value market segments. This will in turn put our initial risk at a minimum. When the product gains acceptance, and when the investment is partly paid back, then a penetration policy will be adopted. These lower prices should allow for production costs to be low and sales to reach high volumes. Thus, allowing for dominating of the market through penetration pricing and harness the long-term rewards of a leading market share. It should be noted that the slope of the learning or experience curve, price sensitivity of the marketplace, and possible competitive reactions will dictate whether or not our current pricing strategy will remain viable. Depending on how the market pans out, these prices should remain stable with some leeway to promotional stints and sales.



Target Market:

- *Beach head segment:* The beach head segment we wish to target is the fan base of the Sport of NASCAR. Within this parameter, these customers include people between the ages of 22 and 44 with an average income between \$30,000 and \$70,000.
- *Customer Lifetime Value:* The average account size is usually one purchase per household, of those that are willing and actually purchase our product. Customers are unlikely to repeat within two or three years because of our products durability. Instances where a household will repeat a purchase within two or three years is if they make a new vehicle purchase, replacing on that had a STARcar package placed on it. However, even though customers will not repeat, their value is still important. The fact that they drive their vehicles around, and talk to their friends and people who inquire about the STARcar product, increases their value through Word-Of-Mouth promotions.
- *Customer/pipeline list:* Our customer and pipeline lists will be derived from sales made at NASCAR events and races. This is where our initial sales exposure will derive from. The drivers we plan to provide STARcars for initially, include the drivers from Hendrick Motorsports (24-Jeff Gordon, 88-Dale Earnhardt Jr., 48-Jimmie Johnson, 5-Mark Martin) and Joe Gibbs Racing (11-Denny Hamlin, 18-Kyle Busch, 20-Joey Logano). Fans of these drivers will be primary purchasers of STARcars. During the third year of sale, we plan to extend the line-up of available drivers to other top organizations like Roush Racing, Stewart-Haas, and include legendary drivers like Dale Earnhardt and Richard Petty.

Sales & distribution model:

Collection: It is critical to place a firm deadline for the submission of orders from the retailers or personal sales. Allow for at least one week after the deadline for orders to trickle in. Once the orders are collected, totals for each product must be produced before a bulk order can be placed with us. For



individual online sales, orders can be obtained and processed instantaneously. An order confirmation will be sent to the customer's email address after payment as been processed and confirmed. In the event of mass personalization, any handwriting that is not clearly legible should be followed up by sending us an email confirmation of the spelling. This confirmation copy can be referred to in the event that there is a discrepancy in the order. After confirmation of payment, the order can be placed.

Order Fulfillment and delivery: It is important to work with sales representatives that can provide consistent quality and delivery methods. The highest inventory turnover sales representative is often not the best choice for a business model that resembles ours. The delivery quality of our products will dictate the future retention of current and potential customers. Assuming that the products are being produced in-house, production overruns can be built into the program in order to present free products as gifts to the sponsors that are included in the graphics. The sponsors can then use the production overruns for whatever they desire. Also, some of the production overruns can be used to special sales promotion and free customer contest prizes. There are two methods of delivery. Bulk product can be delivered directly to the seller or customer. The other method of delivery involves creating individual packages for each order and delivery of products to the customer. The individual packages can be delivered by the seller we intend to work with. The labor costs of this level of service will be incorporated into the revenue strategy.



Financials:

STARcars Cash Flow					
Budgeted Cash Flows					
For the Years Ending					
	2010	2011	2012	2013	2014
Cash flows from Operating Activities					
Net Income	\$ 934,724	\$ 1,524,096	\$ 1,834,560	\$ 2,836,512	\$ 3,556,224
Depreciation Expense	\$ 3,500	\$ 3,500	\$ 3,500	\$ 7,000	\$ 7,000
Amortization of Intangibles	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Sales Commission (15%)	\$ 140,209	\$ 228,614	\$ 275,184	\$ 425,477	\$ 533,434
Royalties (4%)	\$ 37,389	\$ 60,964	\$ 73,382	\$ 73,382	\$ 142,249
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation Expense	\$ 3,200	\$ 6,400	\$ 9,600	\$ 12,800	\$ 16,000
Net Cash Provided by Operating Activities	\$ 749,926	\$ 1,224,118	\$ 1,472,394	\$ 2,317,353	\$ 2,857,041
Cash Flows from Investing Activities					
Expenses	\$ 609,775	\$ 860,104	\$ 946,809	\$ 1,373,253	\$ 1,641,372
Purchase of Equipment	\$ 22,440	\$ -	\$ -	\$ 25,000	\$ -
Purchase of Patent	\$ 7,000	\$ -	\$ -	\$ -	\$ -
Purchase of Licenses	\$ 195,790	\$ 196,085	\$ 283,780	\$ 325,275	\$ 428,570
Purchase of Domain	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35
Net Cash used by Investing Activities	\$ 835,040	\$ 1,056,224	\$ 1,230,624	\$ 1,723,563	\$ 2,069,977
net increase in cash	\$ (85,113)	\$ 167,894	\$ 241,770	\$ 593,790	\$ 787,064
cash at beginning of the year	\$ 1,360,000	\$ 1,274,887	\$ 1,442,781	\$ 1,684,550	\$ 2,278,340
cash at end of year	\$ 1,274,887	\$ 1,442,781	\$ 1,684,550	\$ 2,278,340	\$ 3,065,404
noncash investing and financing activities					
cash flows from financing activities					
net cash provided by financing activities	\$ 1,360,000	\$ -	\$ -	\$ -	\$ -

Please be sure to take notice, in the appendix, we have included sheets that help to further break down the cost estimates for our cash flows from 2010 to 2014.

Our initial source of funding will be the Ohio Northern University – New Venture Club, who will invest \$1.36 million dollars in support of STARcars. After the first year, the revenues we create from our sales will support us.



Gate 3:

After further investigation through the Sequoia Capital's process for building our business case, we have made a few conclusions about STARcars. The general STARcar idea seems like it could be very successful. Licensing is the most difficult information to obtain, because all of the parties involved, from individual drivers, race teams, and NASCAR, are all private. Joe Gibbs Racing was able to provide us with our most in-depth look at the initial stage of becoming a licensing partner of theirs (see the form located in the appendix). At this moment, more investigation of the licensing process will need to be conducted.

Another approach that might also be a viable option is to partner with another company who has already obtained the rights to license NASCAR and other driver-related products. Two potential companies could, one, be our competitor, Fathead LLC, or two, Motorsports Authentics, the company specializing in at-track merchandising. Doing so, has the potential to reduce our fees, but also our profit margin.

While we cannot give this endeavor a green light just yet, we feel that this is an idea to be perfected.

Appendix:

- The Value Factor Analysis Form – Extended
- Sample Licensing Application from Joe Gibbs Racing
- Extended Financial Statements, Years 2010, 2011, 2012, 2013, 2014