**Urban Outfitters** 

**INTERNATIONAL BUSINESS PLAN EVENT**

Retail Store

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**I. Executive Summary**

For our international business plan, we have decided to open up and Urban Outfitters store in Oslo, Norway. Oslo is the hub of all things fashion and art in Norway, and their collective appreciation for culture and contemporary style is why we think opening up an Urban Outfitters store would be perfect. Urban Outfitters is already a brand that is very well known all over Europe. Though many times the costs of shipping can get out of hand and quite often, Urban Outfitters is unable to ship certain products internationally. We will be opening up a location that is convenient and in the middle of all the major fashion and shopping in Norway. Urban Outfitters is a brand known for their hip and eclectic style, that not only focuses on the clothing itself, but how it connects to different people. They emphasize fashion as an art, and their line of clothing markets to the most hip and trendy individuals. The line of products Urban Outfitters advertises not only includes apparel and accessories for both men and women, but also a home décor line. The company has additionally collaborated with many designers and luxury brands, managing five separate brands including its namesake, Anthropology, Free People, Terrain, and BHLDN. Together, the brand operates 400 retail locations worldwide. Opening a location in Norway, profits would increase sharply alongside a thankful consumer base that, for the first time, would have access to clothes they love without having to shop online.

**II. Introduction**

In Norway, fashion is a means of expression that the young dedicate themselves to in order to express their individuality. Scandinavian style is sophisticated and consists of dark colors, layers and unique accessories much like the rest of Europe. Online shopping is major as many retailers which the young Norwegian crowd peruses do not have standing locations in Norway. Shipping costs quickly get out of hand and the inconvenience of having to wait weeks for clothing to arrive is frustrating, and many times Urban Outfitters is unable to ship certain products international such as many home and beauty items. What Norway needs is a store that is convenient, close by and fits their need for contemporary fashion. Urban Outfitters is the company that meets all of these standards and more, and it is our firm belief that opening a location in Norway would cause the economies of both countries to flourish.

Urban Outfitters is based out of Philadelphia, giving it an urban take on the fashion industry and keeping its products hip and trendy. They offer an array of inventory including clothing, footwear and even home décor. Urban Outfitter’s main emphasis is on creativity. Creating an environment and offering products so compelling and distinct, it draws people to the store. Targeting mainly teenagers and young adults, Urban Outfitters markets to the most bohemian, vintage, and retro individuals. Everything in their line screams different which is something that meshes impeccably with Norwegian culture. The company has additionally collaborated with many designers and luxury brands, managing five separate brands including its namesake, Anthropology, Free People, Terrain, and BHLDN. Together, the brand operates 400 retail locations worldwide. If opened in Norway, profits would increase sharply alongside a thankful consumer base that, for the first time, would have access to clothes they love without having to shop online. In 2014, Urban Outfitters achieved a total revenue of 3,086.608 million US Dollars, and a total net income of $ 282.36 million.

Within Norway, we would open a store in the heart of its urban center and capital, Oslo. Urban art and theater is popular here and Oslo is one of the most inhabited cities in Norway. Urban Outfitters would thrive in this area filled with pop culture and trendy teens that are constantly searching for the best fashion. The city is also a hub of Norwegian trade, banking, industry and shipping. It is an important center for maritime industries and maritime trade in Europe, and is home to many companies within the maritime sector, some of which are among the world's largest shipping companies, shipbrokers and maritime insurance brokers. Oslo, Norway was also ranked 2nd in the category of business friendliness, behind Amsterdam. Norway is one of the most prosperous nations in the world with a total GDP of $499.8 billion dollars as of 2012. Because they are one of the most prosperous and expensive nations in the world, it makes the cost of labor and other structural features very high which may be a small problem for us in the future. Also, with Oslo hosting 2,654 of the largest companies in Norway, we are bound to come face to face with many other competitive retailers in the area. However, what makes Urban Outfitters different from the rest is our sense of style and international marketing experience that will help us stand out and thrive in this area.

With Urban Outfitters being a chain clothing store we will obtain information and help from the head of corporations of Urban Outfitters and their store management team. Together we will work to create the store design that suitably fits Norwegian culture. Urban Outfitter’s innovative and contemporary store design resonates with the target audience, and it’s electric mix of style will perfectly fit in with Norway’s fashion culture. Deciding where to open up a store is not the hardest part, it’s the design of the store and the architecture of the building that will attract our target market of teens and young adults into Urban Outfitters. Most of the clothing sold in Urban Outfitters is made up of one of a kind, hand crafted material from around the world, so we would have to work with the outsourcing companies and the managers of the corporation to ship the clothing into Norway. Also, with Urban being an already popular brand in Norway and all of Europe, many will already be familiar with the store, and what we have to offer. With an array of other locations all over Europe, we have the experience and knowledge to successfully open up an Urban Outfitters store in Norway.

**III. Analysis of the International Business Situation**

Norway is a developed mixed economy. Shipping has long been a support of Norway's export sector, but much of Norway's economic growth has been fueled by an abundance of natural resources including petroleum exploration and production, hydroelectric powers, and fisheries. As of 2012, Norway's GDP was recorded at $499.8 billion dollars, with their GDP per capita recorded at $55,398 dollars. 2.2 percent of Norway’s workforce is involved in the agriculture industry and 77.6 percent of their population works in services. The continuously expanding market of textile goods adds to the level of competition in existence and pushes each Norwegian company to strive for a higher quality product. With an unemployment rate of only 3 percent and nearly 2.6 million workers, Norway has a very high standard of living compared with other European countries and a strongly integrated welfare system. Norway’s exceptional support system for welfare recipients allows for a shortened period of time for welfare recipients to be integrated into the workforce, whereas people in the United States could be stuck within the welfare system for a much longer period of time.

Norway highly encourages and holds positive attitudes toward foreign investment.

Norway only has a narrow domestic market making its domestic market limited in scope; however, it has a rich geographical location in a fertile region, favored ties with the United States, a skilled and multilingual population, a modern economy, and rich energy resources. In general, the industries that attract the most foreign direct investment are retail, wholesales, oil, gas, and banking. They have a competitive textiles market which displays the emphasis and importance placed on having quality clothing. Norway is known for producing great clothes and has several well established clothing companies in the area. This is due largely as a result of their strong textile market and added experience in the industry. As a newcomer to this field, the competition we face will be strong. Customers who are loyal to Norwegian textile companies may be hesitant to give money to a foreign competitor who has just broken into the market, and who manufacturers abroad. In some cases, to preserve their national pride, some may shun away from foreign manufacturers.

Norway's population enjoys a high purchasing power and has a stable business environment. Norway’s labor department statistically shows that the majority of their employments are highly skilled in technical labor. Meaning that there is great growth potential in services and knowledge based industries. Some of Norway's major exports include petroleum, machinery, and chemical goods, exporting almost 5 percent of their agricultural goods to the United States. Norway was the United States 45th largest supplier of goods import in 2013. The five largest import categories from Norway were mineral fuel, oil, machinery, and fish and seafood. US imports of agricultural products from Norway totaled $77 million dollars in 2013.

Norway is a parliamentary representative democratic constitutional monarchy. Most of the executive power is exercised by the King's council, the cabinet, and is led by the Prime Minister of Norway. Legislative power is vested with the government and the Parliament of Norway, elected with a multi party system, with local government not having a major say in the law. The Judiciary is independent of the executive branch and the legislature. The executive branch consists of the King, Harald V and the Prime Minister, Ema Solberg. The functions of the king are mainly ceremonial, standing as a symbol of national unity.

Norway is very much pro-free trade and they encourage business with a myriad of developed and developing nations. They are part of the European Free Trade Association which also includes Liechtenstein, Iceland, and Switzerland. These four countries have agreed to adopt very relaxed free trade policies within their governments. There are no major tariffs or taxes placed on imports, making doing business with Norway pleasurable and practical. The United States, on the other hand, is torn between maintaining free trade policies while also listening to many of its citizens who favor protecting domestic markets at all costs. As mentioned previously, there is an almost equal trade balance between the United States and Norway.

Norway comprises of the western part of Scandinavia in Northern Europe. Most of the country is dominated by mountainous or high terrain, with a great variety of natural features caused by prehistoric glaciers. Because of the large latitudinal range of the country and varied topography and climate, Norway has a greater number of different habitats than almost every European country. The southern and western parts of Norway typically experience more precipitation and the south eastern region experiences milder winters. The lowlands around Oslo have full seasons due to the mild winters and warm summers. Urban Outfitter’s variety of clothing options will accommodate a Norwegian's needs with this milder climate.

        In 2010, the Norwegian population density was recorded at 16 people per square kilometer. This was up from 13 people per kilometer in 1990, and the country also saw a shift in geographic distribution, with an additional 5.6 percent of the population moving to urban areas. The rural population dropped 5.6 percent as well, accounting for the number of people who had moved to the city. Urban Norway is becoming more and more populated, with much of the population moving into major cities such as Oslo. This would heavily increase foot traffic to the Oslo location, thus bringing higher chances of sales. The majority of Norway’s population consists of individuals between ages 15- 54, which consists of 53 percent of Norway’s entire population. This is great for Urban Outfitters as our target market is male and female Norwegians aged 15-25.

Education in Norway is mandatory for children ages 6-16. With a 100 percent literacy rate and 99.9 percent graduation rate for both males and females, most of Norway’s population is highly educated. Norwegian’s value in high education leads to more professional and successful workers. As a result, the median income for an average Norwegian is 516,840 Norwegian Krones, converted to 78,786 US dollars. This wage in comparison to the US average income is 51,017 dollars. In addition, an average Norwegian’s disposable income is 32,098 US dollars, the same as 210,173.19 Norwegian Krones. What this means is that the average Norwegian citizen has a high purchasing power, allowing us to price our products at a higher margin.

In addition to looking at income, we must examine the cultural and psychological effect of placing a United States brand store in Norway. The residents of Norway are generally ethnic Norwegians who are of North Germanic/ Nordic descent, including some communities of Scandinavian natives. In the last few decades, Norway has become home to increasing numbers of immigrants and foreign workers from various parts of the world. Having a steady influx of  immigrants from South Asia, East Asia, Eastern and Southern Europe, as well as some Somalis, Turks, and Moroccans. Immigrants were represented in all Norwegian municipalities, with Oslo containing the highest share of immigrants as of 2012.

With the increase in immigration throughout the years, many religions have enjoyed religious freedom, particularly Islam and Roman Catholicism. Although, the Lutheran Church of Norway is the former state church, the vast majority still remain at least nominal members, with Christianity holding the majority. The most widely spoken language in Norway is Norwegian. It is a North Germanic language, closely related to Swedish and Danish.  Norway is seeing an increasing amount of religious and lifestyle diversity, with tolerance and openness in the greater part of the population. Although the feeling of being one unitary nation is strong, Norwegians obtain strong individualistic and egalitarian attitudes, being self reliant and equal is highly regarded. This meshes best with Urban Outfitter’s overall view on clothing and style, for they advocate for individuality. It has also been said that Norwegians are notoriously informal, particularly in clothing, preferring more casual dress, which corresponds with Urban Outfitter style of clothing.

Norwegians are also very keen on sports, with around a third of the population reportedly participating regularly in some form of sporting activity. Oslo and the other main cities offer a range of arts and entertainment facilities, including cinemas, theatres, and night clubs. Entertainment is often held in hotels and major restaurants. Norway has a rich culture, which is often celebrated in traditional song and costume-wearing, especially on the biggest public holiday, Constitution Day, on 17th May. On Midsummer's Eve, usually on 23rd June, celebrations are held on the beaches, where many families come out and enjoy all types of recreational activities.

Major competitors that we would face in Norway are the other US brands that have also been open in Norway. In the Norwegian Outlet, US brands such as Vans and Quicksilver have similar clothing types to Urban Outfitters. Although Vans segment their product line by allowing us to sell certain products, they still pose a significant threat to us with their other product lines sold in store. Quicksilver, on the other hand, is known for their youth lifestyle and culture clothing brand, specializing in snowboarding, and surfing wear. Their specialty being in recreational type sports clothing holds a threat to us, because of Norway’s keen interest in recreational activities. However, they hold the disadvantage in selling basic casual clothing that Norwegians also look for. Urban Outfitters may not provide clothing for snowboarding, but we do hold everyday clothing that is essential to the basic consumer.

Our target market consists of residents aged 15 to 25. Here in the United States, the demographics of our customers range in that same category, and it is fully expected that the same crowd will be drawn into the store opened in Oslo. Economically, within this age group it is expected that the majority of shoppers will be in the middle class, being which the majority of the population falling into this demographic, as the prices are relatively expensive.

Being in Oslo, we expect a high percentage of patrons to be inhabitants of the city as Oslo is the largest city in Norway by far. However, we also expect many customers from all over Norway as travel to the capital city is not a farfetched idea, especially given the attitude of Europeans to travel far in their country and even frequently to other countries. For example, many young Norwegians travel back and forth between Finland and Denmark on the weekends for a number of different sporting events. Based on the psychographic segmentation, people who shop at Urban are expected to enjoy artistic activities in addition to any other activities they like. Urban is not a retailer of athletic wear, but many Norwegians who participate in sports also participate in visual or fine arts sectors such as theater. Urban Outfitters elaborate and unique clothing will draw artists and creative Norwegians from all over the country.

We decided on Oslo as the location for our Urban Outfitters store because it is one of the most populous cities in Norway and the hub of Norwegian banking, trade, industry and shipping. Oslo has a varied and strong economy and was ranked number one among European large cities in economic potential in the fDi Magazine report European Cities of the Future 2012. Oslo also holds the main center for arts and entertainment in Norway, with urban culture thriving in all areas of the city. Oslo has a large and varied number of cultural attractions, which include several buildings containing artwork from several international artists around the world. With the majority of the product line produced in Asia, the cost is substantially lower than either producing in the US or Europe; thus, could potentially offset the transportation cost to Norway. Moreover, we could potentially price our product line at a higher margin.

**IV. Planned Operation of the Proposed Business**

The type of business ownership model that we will utilize for our company is a corporation. This will best fit our needs as a business as the additional capital raised through selling stock will aid in our ventures overseas and the limited liability will ensure that our company will not dissolve if the store's success does not go according to plan. A corporation model will also mesh well with our business due to our company’s size and its being a business with stores in multiple countries.

We must follow a six stage process that Norway requires for opening a new company. This six stage process first includes depositing a capital in a company bank account. Then have a certified auditor examine the balance sheet, which costs approximately 4000 Norwegian Krones. Furthermore, after the memorandum has been signed, we need to complete the registration with the Register for Business Enterprises. This is a approximated to take 3 days and cost approximately 6000 Norwegian Krones. Finishing the steps we must register for value added tax with the regional tax office, register for employees’ injury insurance, and register for pension plans for employees. A downside of our business model centers on the large amount of time and energy that is required to set up the corporation. The registration process is a very complicated one that requires strong support from investors in order to get our company up and running in Norway.

In order to get our business up and running, we must first file a claim with the government to register our company as a corporation. Then, we must get approval to take Urban Outfitters into Norway which should not be too difficult as we already have operating store fronts in other European countries. Opening a store in Norway will consist of four procedures that will take approximately five days. We anticipate that the corporation set up process and the process of raising capital from investors will take far longer than finalizing the business in Norway. To find domestic investors, we will research the best investors who work specifically with the clothing industry as they will tell us where we need to have capital to break into the Norwegian marketplace. As far as foreign investors, we will look for investors who are the most welcoming and helpful to American companies. They may or may not necessarily be familiar with the clothing industry, but what is important is that we have a foreign partner who can give us insight into how Norwegian business operates.

In dealing with the staffing and personnel, we will work with the Board of Directors and the CEO of Urban Outfitters to help begin the process of opening a store in Norway. Due to their past experience in starting a business in a variety of European countries already this will be a familiar process to complete. We will need to hire an accountant and bookkeeper to manage the revenue of our store. We also need to hire a financial analyst to handle all of the larger financial issues and to provide guidance as to the overall success and efficiency of the company. Along with our financial department, we need to hire a marketer to deal with all of the advertising we need to promote our company to this new city. For the store, and the on site location itself, we will hire a retail store manager and all of the basic sales associates to fill the store. Our complete staffing and personnel needs are represented more deeply in the chart below.

The products that we will be offering at Urban Outfitters include a variety of different apparel for both men and women, along with our accessories and home décor line. For women’s apparel we will be offering an assortment of dresses, tops, outerwear, bottoms, intimates, active wear, jewelry, hair accessories and shoes. Our men’s department will also include all of these same categories. Not only will we be offering apparel and accessories, we also will sell various home décor items such as bedding, lighting, and a variety of other trinkets our younger target market will enjoy. Our home décor line features a variety of hip and trendy decorations that the new and younger generation will appreciate. Alongside our apparel and home décor line, we also set aside a small portion of the store to sell music items including record players and records. The appreciation of art and music is very prominent in Oslo, Norway, and we think this addition will be very beneficial to increasing our overall sales.

Because Urban Outfitters hosts such a variety of different brands and products within the store, our suppliers will be coming from many different sources from all over the world. We will have all of the products shipped directly to our store in Norway. As far as when we will receive shipments, we will order new products on an as-needed basis. Our stores will keep record of how much of a product is in stock every week, and at the end of the week, products in need of restocking will be ordered again and then shipped.

One of the most important aspects of this business venture is how we will market these products to consumers who may or may not know what Urban Outfitters is. No matter how well our products fit the needs and wants of the Norwegian consumers, without a promotional plan, our business will not flourish as it should.

We believe that the best promotional plan for our business will be to heavily advertise on immobile media, such as billboards, magazines and buses. The young people of Norway are always out and about in urban settings, and the best way to catch their eyes- and their interest- is to promote Urban Outfitters in a flashy and modern way. Such as with movie trailers, the best way to spark interest in a product is to give the consumer a little bit of a taste of the product and then drop it. We will employ the use of high context advertisements- for instance, a picture of a young adult wearing our clothes and accessories with simply the words ‘Urban Outfitters”.

For the next year, our promotional plan will go as follows.

|  |  |
| --- | --- |
| **Promotion** | **Timeline** |
| January 2016 | Grand Opening special |
| March 2016 | Direct Mail postcard ad- high context with name and store address |
| May 2016 | Summer sale- 30 to 70% off regularly priced merchandise |
| September 2016 | Back to school sale |
| December 2016 | Fashion show promoting winter line |

We will have 5 promotional events held throughout the first year to encourage traffic in our stores, and keep our customers interested. Our biggest promotional event will be held in the Grand Opening special to promote a good first impression within the public and our customers.

The currency we will be using is Norwegian Krones. One US dollar is equivalent to 7,61 Norwegian Krone. In determining the prices of our products in Norway, we will mark up the US prices by 10 percent. So a 20 dollar shirt in the US will  be 22 dollars in Norway (167.47 Norwegian Krone).  We will face some competition with the other retail stores around Oslo such as Quicksilver and Vans. Because of our similar product base, the pricing will be much more competitive. Norway is one of the most highly taxed countries in the world with a total tax rate of roughly 45% of their GDP. This means that the tax for our products will be much higher than normal.

**V. Financial Planning**

We project that our income after our first year in Norway will be around 42.5 million U.S. dollars. This is after we pay the Norwegian corporate tax, which is 28 percent, 12 percent less than the United States’ corporate tax. We estimate that the new store will bring in a total revenue of 650 million U.S dollars. After the costs of our products are subtracted, we will then have 415 million dollars of revenue. The total operating expenses that we predict for the upcoming year is roughly 213 million dollars, along with the selling, general and administration expenses of 179 million. After all taxes and expenses have been paid, we will finish with a total of roughly 37.5 million dollars net income.

We looked at past data from Urban Outfitters stores and chose the one that had started up the earliest. This works in the startup costs and we believe this gives us an accurate portrayal of what our expenses, revenue and eventual profit will be like in the first year. Over the next few years, we will look at a combination of past financial statements as well as the progress of the Norwegian store to adjust our budget as needed and report to headquarters in the United States. After about three years, we will abandon looking at other Urban Stores’ financial statements and simply focus on our Norwegian location and how it is performing.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Period Ending | | **Jan 31, 2017** | **Jan 31, 2016** | **Jan 31, 2015** |
|  | | | | |
| **Assets** | | | | |
| Current Assets | | | | |
|  | Cash And Cash Equivalents | 242,058 | 245,327 | 145,273 |
|  | Short Term Investments | 281,813 | 228,486 | 89,854 |
|  | Net Receivables | 83,934 | 54,233 | 41,916 |
|  | Inventory | 311,207 | 282,411 | 250,073 |
|  | Other Current Assets | 75,968 | 61,827 | 69,876 |
|  | | | | |
| **Total Current Assets** | | **994,980** | **872,284** | **596,992** |
| Long Term Investments | | 366,422 | 149,585 | 126,913 |
| Property Plant and Equipment | | 806,909 | 733,416 | 684,979 |
| Goodwill | | - | - | - |
| Intangible Assets | | - | - | - |
| Accumulated Amortization | | - | - | - |
| Other Assets | | - | - | - |
| Deferred Long Term Asset Charges | | 52,903 | 41,926 | 74,824 |
|  | | | | |
| **Total Assets** | | **2,221,214** | **1,797,211** | **1,483,708** |
|  | | | | |
| **Liabilities** | | | | |
| Current Liabilities | | | | |
|  | Accounts Payable | 331,830 | 250,195 | 233,466 |
|  | Short/Current Long Term Debt | - | - | - |
|  | Other Current Liabilities | - | - | - |
|  | | | | |
| **Total Current Liabilities** | | **331,830** | **250,195** | **233,466** |
| Long Term Debt | | - | - | - |
| Other Liabilities | | - | - | - |
| Deferred Long Term Liability Charges | | 195,214 | 192,428 | 183,974 |
| Minority Interest | | - | - | - |
| Negative Goodwill | | - | - | - |
|  | | | | |
| **Total Liabilities** | | **527,044** | **442,623** | **417,440** |

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