



**Blak=Out**

*1 Site...1 Team...1 Dream*

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# Blak-Out

## Executive Summary

"Are you tired of buying normal sneakers at your local sneaker retailer, such as Footlocker?" Blak-Out has been providing unique custom sneaker experiences for fashion-conscious people since the spring of 2004. Our shoes have been featured in several industry magazines and traveled the world during Sneaker Pimps sneaker gallery show (sponsored in part by the Finish Line retail chain). As one of five designers selected to produce a customized sneaker for NBA Phenom LeBron James (below), we are one of the best in the industry. We tickle unsatisfied demands of sneaker collectors, trendy consumers and celebrities (i.e. Guerilla Black and DJ Clinton Sparks) across the globe with unique designs, prompt service and excellent quality. The initial reactions to our products have been very good.



### Market and Customer Strategy

Customized sneakers have a great potential to appeal to the fashion conscious mass market as well as a collector group. Young consumers (15-24 year old "trend setting" consumers) are buying as many as three pairs of sneakers a year and they want more unique designs than offered by current brands. According to a Mintel survey, 72% of sneaker purchasers are willing to spend more money on good sneakers. Our strategy is to first target the fashion leading groups of celebrities and collectors. These groups drive the high end of the athletic shoe market. According to Forrester research, online sales in the two segments we operate in – Footwear and Luxury Goods, were respectively \$2.1 billion and \$2.8 billion in 2004. After we capture the celebrities and collectors market around the world, we will then move into the mass market through a mass customization offering.

### Product Line

We plan to have two product lines, our: 1) On-Demand customs and 2) Team Blak-Out customs. Our On-Demand customs will allow customers to choose the colors and designs of their sneaker through our "Build Your Own Shoe" technology (to be developed). We plan to debut the On-Demand feature in the Fall 2005 and will charge \$180-\$200 per pair for these sneakers. Our Team Blak-Out customs appeal to customers due to the sneakers' originality and freshness. The shoe is a piece of "art" created by one of our Team Blak-Out members. We currently produce a



limited number of these shoes, thus creating scarcity. This product line leverages the Blak-Out brand allowing us to charge a high premium price (\$200-\$300+ per pair). We are currently selling Team Blak-Out sneakers and they are generating 40%+ margin. In the summer of 2005, we will distribute Team Blak-Out sneakers in boutique stores in New York, Boston, Atlanta, Denver, Los Angeles, Shibuya (Japan).



### **Process**

Upon receipt of an order, Blak-Out transforms “normal sneakers” into “your only one sneaker.” Our creative and talented designers will add unique designs and high quality artwork on standard sneakers. We create sneakers that represent your personality. Therefore, creative designs, exclusivity, and quality are the key ingredients of Blak-Out’s customized sneakers.

### **Financial Plan**

We currently do business with four Team Blak-Out designers and market mainly through our ‘www.blak-out.com’ website. Blak-Out is already generating profit and the margins are high. Our product, which sells on average for \$180, has a margin of ~40%. As our operation process does not require heavy up-front investment, we expect that our profit will increase significantly along with the volume growth. Also, our cost optimization efforts will enable a more profitable business model.

We plan to improve our operations and expand our capability in order to meet the expanding demand. We plan to raise approximately \$60,000 from our family, friends and angels. The funds will be used to: 1) create inventory, 2) launch a new web-site with “Build Your Own Shoe” technology and 3) develop internal control systems. We will also attain the number of talented designers. By leveraging our brand and appealing to celebrities, we can attract talented designers. In two years, we will achieve sales of \$3.6 million (~20,000 pairs of shoes).