**Interior Design Business Plan**

**Executive Summary**

Barton Interiors is a proposed venture that will offer comprehensive interior design services for homes and offices in the Boulder, Colorado area. Barton Interiors also will provide access to products to complement the design consulting services including furniture, both new and antique, decorator fabric, and home and office accessories. This venture offers the personalized services the target market desires and can afford in a way that is unique from concept to implementation.

Recent market research indicates a specific and growing need in the area for the interior design consulting services and products Barton Interiors offers the market it will serve. The market strategy will be based on a cost effective approach to reach this clearly defined target market. Although the population of Boulder is under 100,000, the market has a significant quantity of relatively wealthy households that are conscious of the appearance and feel of their home and offices.

The approach to promote Barton Interiors with be through establishing relationships with key people in the community and then through referral activities once a significant client base is established. Barton Interiors will focus on developing solid and loyal client relationships offering design solutions based on the client’s taste, budget, use, and goals for the space. The additional selection, accessibility of product, design services, and value-based pricing will differentiate Barton Interiors from the other options in the area.

Total revenues in the first year are projected to exceed $46,000 with a loss. The venture will show increasing profits in year two and three, with revenues projected to increase to almost $80,000. This interior design business plan outlines the concept and implementation and details regarding the first three years of this venture.

**Objectives**

Realize an average of $3,870 of sales each business month for the first year, $5,720 for the second, and $6,600 for the third year.

Generate a minimum of 45% of revenues from product sales versus consulting billing.

Establish a commercial revenue client base accounting for 10% of total revenues.

Mission

Barton Interiors is an interior design service for discerning, quality-conscious clients that seek assistance in their design choices for their primary residences, vacation homes, and businesses. This experience offers personal attention through the design process and also provides design resources and products to its clients through special purchases of furniture, fabric, and accessories. The total experience is provided in a way to inform, inspire, and assist people through the process of transforming their home or business environment to become a unique and personalized expression of themselves and add to their enjoyment of that interior space.

**Keys to Success**

The primary keys to success for Barton Interiors will be based on the following factors:

Provide the highest quality interior design consulting experience possible.

Sell specially selected products to these clients to further meet their interior design needs.

Communicate with our client base through the website and personalized communication techniques.

Retain clients to generate repeat purchases and initiate referrals.

Company Summary

Barton Interiors is a start-up business that will offer comprehensive interior design services for home and office. This business will assist those that want to have guidance and council in developing a basic design concept of their project, to the person that desires someone to take it from concept to complete implementation. Barton Interiors will offer the ability for clients to purchase new and antique furniture, art work, decorator fabric, and home accessories. The website www.bartoninteriors.com will be used as another way to communicate the services available and provide a portfolio of the work accomplished. The business will begin as a home-based business and is expected to remain in this structure through at least the first three years.

**Company Ownership**

Barton Interiors, located in Boulder, Colorado is registered in the State of Colorado as a sole proprietorship owned and operated by Jill Barton dba Barton Interiors.

**Company Locations and Facilities**

Barton Interiors is operated from a home office located in Boulder, Colorado. A room is dedicated to support a work area, a client contact work center, and display samples of design concepts, products, and past work.

**Products and Services**

Barton Interiors focuses on providing interior design consulting. This is complemented by specially purchased furniture, art pieces, decorator fabric, and accessories for the home and office. The sales process will begin with interior design consulting services, and then progress on to offer specially selected components to complement the design theme.

Products available through Barton Interiors include:

Furniture available through special purchase arrangements with Thomasville, Drexel Heritage, and Henredon and local craftsman.

A selection of decorator fabrics from Waverly, P Kaufmann, Fabricut, Ralph Lauren, Regal, Robert Allen, Latimer Alexander, Covington, and Portfolio.

A line of drapery hardware called “Oval Office Iron” purchased through Dept. of the Interior Decorator Fabrics in Eugene, Oregon found at www.fabric-online.com.

Accessory and art pieces available through wholesale shows.

Hunter Douglas window treatment products including a variety of hard window coverings.

Interior shutters made of wood and a plastic/resin product called “polywood.”

Antiques acquired for specific client needs through an arrangement with a local antique buyer and through direct purchases through other sources.

Product and Service Description

Our primary points of differentiation offer these qualities:

A unique client experience from a trained and professional interior designer that is qualified and capable of meeting the needs of discerning clients with high expectations.

Access to a wide and unique selection of new and antique furniture, accessories, and special-order decorator fabrics.

Personal assistance from a complementary product offering, including hard-covering window treatment, hardware, and home accessories that fit the look and objectives of each project.

Competitive Comparison

Our competition is primarily from other interior designers. Looking at a broader picture, there is also competition from the “do-it-yourself” resource providers that have retail stores and websites that include the following:

Bed, Bath and Beyond moved into the market in the year 2000 at an excellent location.

Discount stores including Target, Wal-Mart and Home Depot have expanded their fabric, bedding, pillow, and ready-made drapery selections often representing lines including Waverly.

Norwalk continues to make purchasing “blank” furniture and making a designer fabric selection an attractive option to recovering furniture.

Catalog sales continue to be a strong force with a list including Pottery Barn, Calico Corners, Ballard Design, and Eddie Bauer expanding purchasing selection.

The list of competitors for home accessory competition includes Pier 1 and local competitors that provide an entire list of other furniture, accessory and gift stores.

Web sales of furniture, fabric and other interior design-oriented products has expanded dramatically and in many cases is easily available.

Sales Literature

A simple and professional looking brochure will be available to provide to referral sources, leave at seminars, and on a select basis, use for direct mail purposes.

Market Analysis Summary

Barton Interiors has a defined target market client that will be the basis of building this business. This client is identical for both the residence and office spaces, but the target market is identical based on her different roles for each of those spaces.

Effective marketing combined with an optimal product offering is critical to the Barton Interiors’ success and future profitability. The owner possesses solid information about the market and knows a great deal about the common attributes of those that are expected to be prized and loyal clients. This information will be leveraged to better understand who Barton Interiors will serve, their specific needs, and how to better communicate with them.

Market Segmentation

The profile of the Barton Interior client consists of the following geographic, demographic, psychographic, and behavior factors:

Geographics

The geographic market is the affluent sector within the Boulder, Colorado area with a population of 94,673. (Based on the 2000 Census data.)

A 20-mile geographic area is in need of the products and services offered and do not intend to pursue the Denver market at this time.

The total target market population is estimated at 24,000 based on the following demographics.

Demographics

Female, married and have attended college.

Have children, but they are not necessarily at home.

A combined household annual income greater than $100,000.

Age range of 35 to 55 years, with a median age of 42.

Owns their home, townhouse and/or condominium valued at over $425,000.

They and/or their spouse work in a professional setting and may have interior design requirements for their office space as well as their homes.

Belong to one or more business, service, and/or athletic organization including:

Boulder Country Club.

Junior League of Boulder.

American Business Women’s Association.

American Auxiliary of University Women.

Doctor’s Wives Auxiliary.

The following is known regarding the profile of the typical resident of Boulder:

67% have lived in the area for seven years or more.

23% are between the ages of 35 and 44.

40% have completed some college.

24% are managers, professionals and/or owners of a business.

53% are married.

65% have no children living at home.

56% own their residence.

Psychographics

The appearance of her home is a priority.

Entertaining and showing her home is important.

She perceives herself as creative, tasteful and able, but seeks validation and support regarding her decorating ideas and choices.

She reads one or more of the following magazines:

Martha Stewart Living.

Country Living.

Home.

House Beautiful.

Country Home.

Metropolitan Home.

Traditional Homes.

Victoria.

Elle Decor.

If she does seek out television as an information source for home decorating that is most likely to be “Martha Stewart” and, on a lesser basis, “Interior Motives.”

Behaviors

She takes pride in having an active role in decorating their home.

Her home is a form of communicating “who she is” to others.

Comparison positioning and stature within social groups are made on an ongoing basis, but rarely discussed.

Barton Interiors is providing its clients the opportunity to create a home environment to express who they are. They seek design assistance and have the resources to accomplish their goals. They desire their home to be personal, unique, and tasteful as it communicates a message about what is important to them. Barton Interiors will seek to fulfill the following benefits that are important to our clients.

Target Market Segment Strategy

Our marketing strategy will create awareness, interest, and appeal from our target market for what Barton Interiors offers its clients. The target markets are separated into four segments; “Country Club Women,” “Boomers in Transition,” “Professional Youngsters,” and “Home Builders.” The primary marketing opportunity is selling to these well defined and accessible target market segments that focuses on investing discretionary income in these areas:

Country Club Women - The most dominant segment of the four is comprised of women in the age range of 35 to 50. They are married, have a household income greater than $100,000, own at least one home or condominium, and are socially active at and away from home. They are members of the Boulder Country Club, Junior League of Boulder, AAUW, and/or the Doctor’s Wives Auxiliary. They have discretionary income, and their home and how it looks is a priority. The appearance of where they live communicates who they are and what is important to them. This group represents the largest collection of “Martha Stewart Wanna Be’s,” with their profile echoing readers of Martha Stewart Living magazine, based on the current demographics described in the 2001 Martha Stewart Living Media Kit.

Boomers in Transition – This group, typically ranging in age from 50 to 65, is going through a positive and planned life transition. They are changing homes (either building or moving) or remodeling due to empty nest syndrome, retirement plans, general downsizing desires, or to just get closer to the golf course. Their surprisingly high level of discretionary income is first spent on travel, with decorating their home a close second. This is what makes this segment so attractive. The woman of the couple is the decision maker, and often does not always include the husband in the selection or purchase process.

Professional Youngsters – Couples between the ages of 25 and 35 establishing their first “adult” household fall into this group. They both work, earn in excess of $80,000 annually, and now want to invest in their home. They seek to enjoy their home and communicate a “successful” image and message to their contemporaries. They buy big when they have received a promotion, a bonus, or an inheritance.

Home Builders – People in the home building process, typically ranging in age from 40 to 55, are prime candidates for Barton Interiors. This applies to both primary residences and vacations and secondary homes. Although only expected to occur two to fives times each year for the business, this event will be the single largest dollar transaction amount.

Market Trends

The home textile market, considered to include sheets, towels, draperies, carpets, blankets, and upholstery, accounts for 37% of all textile output. The trade publication “Home Textiles Today” estimates the size of the U.S. home textiles market at the wholesale level, excluding carpets, to be between $6.5 billion to $7 billion annually. The industry is expected to realize a steady increase over the next few years.

The industry is driven by the number of “household formations” which is expected to continue through the first years of the new millennium. This is primarily due to the solid growth in the number of single-parent and non-family households. This growth also comes from baby boomers needing bigger houses to accommodate growing and extended families and, as people get older, they are buying homes rather than renting to realize tax and equity building benefits. Favorable mortgage rates will also enable others to invest in their existing home.

The “do-it-yourself” (DIY) market continues to grow and closely parallels the professional home-improvement market. DIY market growth is attributed to an increased presence of products, the personal satisfaction experienced, and the cost savings clients realize. A portion of the do-it-yourself market is the “buy-it-yourself” (BIY) market. Consumers are buying the product and arranging for someone else to do the fabrication and/or installation. This is more expensive then the do-it-yourself approach, but less costly than buying finished products from other sources. It also provides similar feelings of creativity, pride, and individuality associated with direct creative involvement. This sense of “participation” in home decorating is an important factor for many of these committed clients.

Regardless of this data, the following trends and issues impact the success and challenges of Barton Interiors.

National economic health: The industry performs better when the country experiences “good times” regardless of its direct impact on the local economy. Sales decrease when the stock market falls and when NATO takes military action. An upbeat State of the Union address by the President correlates with an increase in sales.

New home construction activity: More closely related to what is taking place in our local economy, new home construction has a significant impact on sales across all product lines.

Shifts in design trends: Major changes in design trends increase sales. The Boulder market lags behind metropolitan design trends by six to 12 months. This offers a buying advantage for the store, offering a preview of what is coming and how we should adjust our in-stock inventory.

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Market Growth

American Demographics projects the number of U.S. households will grow by 16% to 115 million by the year 2010. Almost half of the households comprised of people from 35 to 44 years old are married couples with children under the age of 18. Based on this research, households in the 45 to 65 age range will grow to 34 million by the year 2000. These households will increase another 32 percent to 45 million in 2010 as baby boomers add to this peak-earning and spending age group. These families will either build new homes or move into existing dwellings. With approximately 46.2% of the nation’s 93.3 million dwellings built before 1960, many of these homeowners are also expected to update.

One important factor is that married couples in the 35 to 65 age range represent a growth segment and enjoy larger incomes than other family structures. They enjoy the choice to spend their disposable income on life’s amenities. They may demonstrate “cocooning” by making their home a more comfortable and attractive haven. They choose to spend resources here rather than on vacations and other discretionary options. This group represents a larger subsegment of the target market.

These factors contribute to an increased need for home decorator fabrics for window treatment, upholstery, pillows, bedding, and other fabric accessory needs. This demand is expected to be complemented by the growth in the Boulder market. The majority of homeowners spend a large percentage of their disposable income on home goods within two years after buying a new house. Therefore, positive trends in new housing activity represents growth and opportunity for home textiles.

Recent slow downs in the local economy have resulted in falling below sales projections and these factors will affect market growth. Adding additional revenues through the website will hopefully add a more stable factor in to the revenue stream.

The publication, American Demographics, projects the number of U.S. households will grow by 16% between 1995 and the year 2010, an increase from 98.5 million to 115 million. Of the households comprised of people from 35 to 44 years old, almost half are married couples with children under the age of 18. Based on research by American Demographics, households in the 45 to 65 age range should grow to 34 million by the year 2000. These households will increase another 32 percent to 45 million in 2010 as baby boomers add to this peak-earning and spending age group. With approximately 46.2% of the nation’s 93.3 million dwellings built before 1960, many of these homeowners are also expected to update. These factors contribute to an increased need for home decorator fabrics for window treatment, upholstering, pillows, bedding, and other fabric accessory needs. This demand is expected to be complemented by the growth in the Boulder market. The majority of homeowners spend a large percentage of their disposable income on home goods within two years after buying a new house. Therefore, positive trends in new housing activity represents growth and opportunity for home textiles.

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Market Needs

Barton Interiors will provide its clients the opportunity to create a home environment to express who they are. They have the choice to actively participate in the design, look, and feel of their home. They desire their home to be personal, unique, and tasteful as well as communicate a message about what is important to them. Barton Interiors seek to fulfill the following benefits that we know are important to our clients.

Service Business Analysis

The industry continues to be competitive with a “commodity” concern with “designers” of all skill and background levels available throughout the market.

Potential Competitors: There are many other interior designers in the Boulder area and these competitors range from those that provide simple-focused services, such as draperies only, to a more full-service interior design approach similar to Barton Interiors.

Power of Suppliers: Moderately high in most anyone that has a business licence can have access to wholesale purchase of furniture, fabrics and accessories.

Power of Buyers: Very low as buyers work within the financial terms and product availability offered through the suppliers that specify the terms and conditions.

Substitute Products: High as many people refer to themselves as interior designers regardless of background, training, or certification. Substitute products are also high in the area of window treatment as hardcovering solutions have become available and increasingly affordable. This includes blinds, shutters, and other “manufactured” treatments. Substitute products are not as prevalent in the area of antiques and art pieces.

Rivalry: Moderately low with the “territorial” structure that the industry experiences and moderately low exit barriers. The easy entry is accompanied with an easy exit and people get out when it is not working.

With the slow, but steady, growth of the past few years, the industry is now experiencing a “cautious optimism” regarding the future. Growth and expansion activities for most areas of the interior design industry appear to be carefully considered. Many in the industry continues to decide what to do and buy as the economy has experienced a slowdown and increased uncertainty from the more economically confident 1990’s.

Distributing a Service

Our primary method of distribution will be on a direct sales basis for each individual client.

Competition and Buying Patterns

Competition in the area is strong, with designers ranging from the home-based, no formal training individuals to the more formalized store front, American Association of Interior Designers (ASID) certified designers that have close relationships with prestigious architects. In most cases, clients make the provider decision on the basis of three criteria in this order with these percent influences indicated after each:

Referrals and relationship with other professionals, particularly architects (55%).

Personality and “expected relationship” with the designer (25% ).

Past work (15%).

ASID certification (5%).

Understanding the influence of these factors on the prospective client will be key in the marketing strategy.

Main Competitors

Current local competition includes the following:

Interior Designers: There are 37 interior designers listed in the Boulder Yellow Pages (Year 2000-2001 issue) that offer fabric as a part of their services. Interior designers make profit off mark-up of fabric in addition to their hourly services charges. Their costs per yard are typically higher since they do not benefit from retail or volume discounts. Therefore, their costs to their client is often two to four times higher than the price per yard from Barton Interiors.

House of Fabrics: Nationwide recognition and buying power of numerous types of dated fabric with strong product availability. This store has experienced financial difficulty in recent years and has closed several locations throughout the country.

Warehouse Fabrics: Locally owned, offering low-cost products with a wide selection of discontinued fabrics and only a limited number of “current” fabrics. This warehouse concept offers marginal client service with what many “upper end” clients consider to be an “undesirable” shopping environment.

JoAnn’s: Nationwide chain with strong buying power. They have a broad fabric selection for clothing with a limited number of in-store decorator fabrics available. Their primary target markets are the clothing seamstress, with an increasing emphasis on craft items. Low prices are fabric main point of competitive differentiation.

Website Providers: Fabric sales over the Web are limited at this time, and this will be a source of competition for the future to watch. Currently, there is no measurable impact on our market through competitive websites.

Catalog Competitors

An increasing level of competition is anticipated from catalog sales. Recent trends, such as those demonstrated in the well established but evolving Pottery Barn catalog, indicates increased interest in offering decorator fabric, window designs, and other home decorating products through this increasingly popular channel of distribution. Catalog sources do not offer clients the option to see, touch, and have the fabric in their homes. Price is the most significant competitive factor this product source presents. The most aggressive catalog competitor is Calico Corners followed by Pottery Barn and other home-accessory-based providers.

Discounters

Channels of distribution continue to shift in favor of discounters, who account for a significant portion of the growth in the industry. As consumers experience lower levels of disposable income, discounters leverage frequent store promotions to entice frugal, value-oriented consumers. One of the biggest criticism of discounters is their failure to offer a quality service experience and their failure to present inviting displays to promote sales. These discounters, along with specialty store chains, present one of the most severe competitive threats for individually-owned specialty stores. This is partially due to extensive promotional efforts, price advantages, and established relationships with their vendors. One example of these discounters is the “home improvement” chains, such as Home Base. This aggressive retailer has adopted a strategy to include complete decorator departments in their metropolitan stores. Currently existing in the Los Angeles market, this strategy is anticipated to be introduced into the Seattle area and other select metropolitan markets within the year. Although the Boulder Home Base store sells basic curtain rod hardware and other hard cover window treatment, there are no known plans at this time for the Boulder Home Base store to implement this in the foreseeable future. This will be an important issue to monitor for competitive purposes.

Business Participants

Industry participants in the area of interior design comes from six general categories; interior designers, traditional furniture stores, traditional fabric retail stores, catalog and Web-based sales, click and mortar discounters, and individually owned stores. Most of these players have some type of an online presence. The following provides an overview of the type of participants that are most active and most successful in this arena.

Interior Designers

This large group makes up a substantial quantity of higher-end fabric purchases. For example, there are 37 interior designers listed in the Boulder Yellow Pages (Year 2001-2002 issue) that offer fabric as a part of their services. Interior designers make profit off mark-up of fabric in addition to their hourly services charges. Their costs per yard are typically higher since they do not benefit from retail or volume discounts. Therefore, their costs to the client is often two to four times higher than the price per yard from Barton Interiors. It is unusual to find an independent interior designer that has a website.

Traditional Fabric Retail Stores

The traditional retail stores are corporate stores (not franchises) that have multiple locations in select metropolitan markets. Example of these stores include:

JoAnn’s www.joanns.com – Nationwide chain with strong buying power. They have a broad fabric selection for clothing with a limited number of in-store decorator fabrics available. Their primary target markets are the clothing seamstress, with an increasing emphasis on craft items. JoAnn’s purchased the House of Fabric chain and has a link set up from the previous URL www.houseoffabrics.com.

Calico Corners www.calicocorners.com – This national chain was a franchise through the 1980s (no longer selling licenses) and has been purchasing those stores throughout the country. Calico Corners stores number about 90 and are in most larger cities, with a concentration in the Northeast.

Catalog and Web-based Competitors

Virtually every catalog and major retail store in the industry now has a website. The most aggressive and direct catalog competitor is Calico Corners at www.calicocorners.com which complements their 80+ retail store network. An increasing level of competition is anticipated from these catalog and Web-based sales. Recent trends, such as those demonstrated in the well established, but evolving, Pottery Barn catalog at www.potterybarn.com and Ballard Design at www.ballarddesigns.com indicates increased interest in offering decorator fabric for window design and upholstery through this increasingly popular channel of distribution.

Click and Mortar Discounters

Channels of distribution continue to shift in favor of discounters, who account for a significant portion of the growth in the industry and who have been extremely active on the Web. As consumers experience lower levels of disposable income, discounters leverage frequent store promotions to entice frugal, value-oriented consumers. One of the biggest criticism of discounters is their failure to offer a quality service experience and their failure to present inviting displays to promote sales. One example of these discounters is the “home improvement” chains, such as Home Base at www.homebase.com. This aggressive retailer has adopted a strategy to include complete decorator departments in their metropolitan stores. Currently existing in the Los Angeles market, this strategy is anticipated to be introduced into the Seattle area and other select metropolitan markets within the year. Although the Boulder Home Base store sells basic curtain rod hardware and other hard cover window treatment, there are no known plans at this time for the Boulder Home Base store to implement this in the foreseeable future. Bed, Bath & Beyond at www.bedbathandbeyond.com has an even larger assortment of hardware with a selection of pre-made solutions for window treatments, bedding and pillows. Both of these retailers have stores in our market and with selection activity on the Web, this will be important to monitor for competitive purposes.