



Fresh Cut Florals

So real you won't believe they are not Fresh Cut

Erica Fand
Shelley Kohan
Meghan Kohl
Lauren Kopach
Erin Wilson

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EXECUTIVE SUMMARY

The demand for lasting air freshener products that require minimal maintenance has grown exponentially as consumers lead fuller lives. Simultaneously, consumers have demonstrated increased awareness of and a desire to add ambiance and personality to their homes through décor purchases. The opportunity realized from capitalizing on these two trends is proven by the \$3.5 billion sales revenue generated by the air freshener industry and the \$750 million in home accent sales generated by lifestyle stores in 2004.

The vision of *Fresh Cut Florals (FCF)* was born from understanding these market opportunities. Through creative analysis, *FCF* has leveraged these opportunities by pairing the functional demand for air freshener products with the aesthetic appeal of décor design. In doing so, *FCF* developed the innovative product, *Fresh Cuts* that combines the functionality of an evaporating air freshener with the elegance of a silk flower. *Fresh Cuts'* 30-day scent delivery system enables the evaporation of fragrance gel contained within detachable stems to be emitted through five adjustable valves in the center of each reusable silk flower head. A non-provisional utility patent will cover, individually and in combination, the scent-dispersement method of the silk flower head and fragrance-containing replaceable stems. Composed of high quality silk, precision manufacturing, bold floral types, and subtle scents, *Fresh Cuts* will be sold in single flowers, arrangements of six, and sets of replaceable stems. Through numerous exotic and traditional floral and scent varieties; *Fresh Cuts* invites the end user to personalize each purchase.

FCF's competitive advantages lie in the strategic differentiation of its product through targeting a niche market with a new distribution channel and product positioning completely divergent from the existing models of current well-recognized air freshener players. *FCF's* first-mover advantage lies in its ability to satisfy *two separate markets* with a revolutionary product that offers stunning beauty and pleasing scents. *FCF* will satisfy *three consumer needs*: the functionality of an air freshener, the packaging of aesthetic beauty for a home accent, and a price point that allows for quality, luxury and style, unlike any product on the market or of a competitor.

FCF will capitalize on this strategic differentiation through its placement with, and benefit of the established brand images of its lifestyle retail customers such as Pottery Barn, Restoration Hardware, Crate &



Barrel and Pier 1 Imports. *Aldik*, a leading global silk floral manufacturer with substantial experience working in the targeted retail markets, has agreed to an exclusive manufacturing and supply agreement. *Aldik's* expertise in the market, established distribution methods and relationships with superior fragrance developers presents an opportunity for *FCF* and its customers to experience a high level of efficiency and quality control. *FCF's* price positioning in tandem with the existing economies of scale gained from *FCF's* cooperative alliance with *Aldik* will effectively heighten barriers to a competitor's entry.

FCF will draw on its founders' consolidated experiences in Retail and Marketing. This experience notably has entailed: production and merchandising at *Calvin Klein*, media relations at *LK Bennett*, price and international contract negotiations at *Liz Claiborne Inc.*, product management at *Nordstrom*, home goods product development at *Macy's Merchandising Group*, and financial reporting at *PriceWaterhouse Coopers*. *FCF* has established a Board of Advisors, which collectively has 75 years in the Retail Industry and entrepreneurial startups.

FCF's cost structure is dominated by fixed costs (60.94% of total cost) primarily to support its advertising budget, and low variable costs gained from streamlined operations resulting from outsourcing product manufacturing and distribution. High contribution margins (56.32% to 74.3%) will allow *FCF* to recoup fixed costs to achieve breakeven during year one of operations, at \$1,288,012 in sales revenue. Repeat sales of the replaceable stems will drive revenue. *FCF* will achieve flexible revenue streams and avoid the seasonality of sales via the sale of an extensive and diverse assortment of floral choices.

FCF will require \$250,000 in capitalization for initial start-up. The founders will contribute \$12,500 each totaling \$62,500 total. The company will first look to an SBA 7(A) backed loan from Keybank totaling \$250,000 with a three year term accruing interest at 7.75%. During the development stage, the Founders also will seek a second round of financing from a small network of angel investors, including certain members of its Advisory Board, to raise, up to, an additional \$500,000, which will generate a return on investment of 10%. Certain startup costs will be contributed, such as patent legal work and prototype development by *Aldik*.



THE INDUSTRY

FCF will operate within the air freshener industry which is in its early maturity stage. Its NAICS code is 325612 and SIC code is 2842¹ and can be segmented into four main categories: scented candles; auto air fresheners; potpourri; and home air freshener (i.e. sprays, solids, gels, and plug-ins), the segment in which *FCF* will position its product.² Three out of four households use air fresheners, which equates to 86 million users². Consumers are open to diverse air freshener types and willing to try products as evident by the success of newly introduced products.

Figure 1. Sales of Air Fresheners, by type, 2002-2004

	2002 Sales (\$ millions)	Share (%)	2004 Sales (\$ millions)	Share (%)	% Change
Scented Candles	1,785	52.6	1,815	52.2	1.7
Home Air Fresheners	1,205	35.5	1,228	35.3	1.9
Auto Air Fresheners	336	9.9	365	10.5	8.6
Potpourri	68	2.0	67	1.9	-1.5
Total	3,394	100.0	3,475	100	2.4

Innovation in the home air freshener category has been a key market driver in sales and growth. In recent years, new systems of scent delivery have been introduced including new oil warming products, battery and electric operated units, motorized products, such as air fresheners with fans and devices with “time-released poofs” of fragrance (i.e. Glade’s *Wisp*) and high technology air freshening products. Delivery systems utilizing new operational design are an emerging trend in home air care, in which 45% of goods in the home air freshener industry are sold in specialty retailers.³ Conclusively, this trend is important for *FCF* in that *Fresh Cuts* is an innovative product introduction in the home air freshener category and future expansion includes the opening of *FCF* retail stores.

There currently are four major distribution channels in this industry; supermarkets (20.6%), drugstores (6.1%), mass merchandisers, which include wholesale clubs and discount centers (28.5%) and specialty retailers including card shops and personal sales (44.9%).⁴ A major element of the *Fresh Cuts*’ innovation is

¹ US census bureau 1997 NAICS definitions (<http://www.census.gov/epcd/naics/NDEF325.HTM#N325612>)

² Mintel Reports, Market Segmentation. Air Fresheners-US-November 2004.

³ Source: Mintel Reports: Air Freshener Industry (November 2004). www.mintel.com

⁴ RetailWire, Directory of Mass Merchandisers, http://www.retailwire.com/TradeDimensions/default_dmm.cfm.

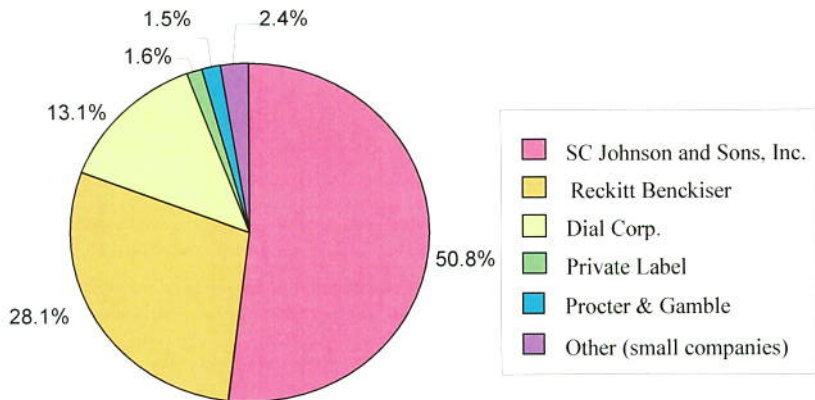


the introduction of a new channel of retail sales that is consistent with the product’s price points and home accent focus.

Competition and Competitive Advantages

As demonstrated by Figure 2 below, the home air freshener category is an oligopoly, dominated by a few large companies. The advantages of *FCF*’s competitors lie in their strong and enduring presence within the

Figure 2 Home Air Freshener Category, Market Share



home air freshener category contributing to brand recognition and loyalty. Each brand’s larger parent corporation has the ability to achieve economies of scale in production, research and development, and facilities. The main disadvantages of competitors are the limitations of their

current product positioning, customer perception, and distribution. The strategy of product placement in drug stores, convenience stores, and supermarkets has been successful for these brands, but also creates a price sensitive structure that limits their ability to expand beyond this current product placement.

Indirect competitors to *Fresh Cuts* such as boiling lemon slices, cloves, cinnamon sticks, and apple slices, as well as fresh flowers have severe functional, price or convenience limitations. Substitutes also include aerosol home fragrance sprays and deodorizers, candles, incense, potpourri, and custom home oil fragrances. However, these substitutes suffer from a lack of convenience and a significant element of work to maintain and cleanup.

FCF will overcome barriers to its entry in this industry dominated by large players through *FCF*’s innovative product, product placement, and niche distribution strategy. Moreover, through an exclusive business relationship with *Aldik*, a leading global silk floral manufacturer, *FCF* will acquire a more efficient and quality-controlled end product and a better transportation network that will achieve external economies of scale and make the product more financially attractive. *FCF* has created a barrier to competitors’ entry thru a



non-provisional utility patent pending (1161430.1) filed March 31, 2006. This pending patent will cover, individually and in combination, *Fresh Cuts* scent-dispersement method of a silk flower head and fragrance-containing replaceable stems and will help protect the *Fresh Cuts*' strategic differentiation as an innovative, unique air freshener.

COMPANY, CONCEPT AND PRODUCT OFFERING

The founders of *Fresh Cut Florals (FCF)* have developed the product, *Fresh Cuts*, which combines the functionality of an evaporating air freshener with the true aesthetic elegance of a silk flower. *FCF*'s product is unlike any on the market today as it will be the only high quality home air freshener that does not resemble traditional air fresheners, avoiding the subtle negative design impact of bringing plastic into a quality design environment. *Fresh Cuts* takes the air freshener out of the obscure corner of the room and places it in a place of prominence, adding elegant imagery and design to any room in the home. In this way, *FCF* will capitalize on the consumer's willingness to invest in the enhancement of the interior design of their home.

Fresh Cuts is sold in unique product offerings creating three distinct revenue streams. All flower offerings will be complete with a fragrance-filled, green leaved stems that are replaceable for easy use. In the first product option, flowers are sold individually allowing the end user to customize arrangements. A card describing the type of flower and how to use the product will accompany the flowers, tied with *FCF*'s signature vibrant satin mango-colored ribbon. The second option is for consumers who wish to purchase arrangements. To this end, *Fresh Cuts* will be offered in arrangements of six in a variety of traditional and exotic combinations packaged in glass vases with *FCF*'s signature ribbon. By offering a flexible product line, seasonality of one type of flower will be overcome and the arrangement can be changed according to the season of the year and the discretion of the end user. The third product option is refill stems sold in packages of six. The consumer has the option of purchasing the scent of their choice as the stems are interchangeable.

The scent delivery system of *Fresh Cuts* involves the evaporation of the fragrance via five small valves embedded in the center of each flower. Each valve will be adjustable, enabling control of the fragrance potency. The aroma will last for approximately 30 days. Once the fragrance has visibly evaporated the stem can be snapped off, thrown away, and a new stem attached.



Fresh Cuts can capture market share due to *FCF*'s competitors' being limited by an outdated business model that includes ineffective attempts at adding aesthetic quality to existing traditional products. The fundamental value added to the *Fresh Cuts*' consumer is that it functions as a fresh floral scent air freshener, while functioning as a beautiful home accent. *Fresh Cuts* offers a more stylish, aesthetically pleasing alternative catering to the current consumer focus on home decorating and trends of lifestyle branding. The nesting phenomenon that started in the 1990s is still on the rise as "more people will continue to spend both their time and money on their homes to improve its comfort and livability⁵."

Within five years, *FCF* will be at the forefront of an important niche in the air freshener industry that will move consumers to higher priced, higher margin products with an aesthetic feature. With a successful launch of this strategy, *FCF* will have the option to seek additional high end retail channels such as Nordstrom and Bloomingdales as well as consider different age demographics such as upscale younger markets, through multi unit stores such as Urban Outfitters and Anthropologie.

Aldik's renowned and expansive products, ranging from flowers to fruits and shrubbery, will allow *FCF* to be able to rapidly begin producing various innovative floral and fruit selections to their already existing *Fresh Cuts* line. *FCF* would also look to expand its product line into complementary products such as candles and home décor by establishing its own retail stores nationwide to further enhance *FCF*'s brand image of luxury and quality.

MARKET RESEARCH AND ANALYSIS

FCF's customers and target market are lifestyle/home accent specialty stores in the United States, defined as retailers that carry "accent furniture, portable lamps, area rugs, wall décor, other decorative accessories and soft goods at full price along with some combination of house wares, small appliances, gourmet foods, and apparel, jewelry or personal care items."⁶ These account for 11% of all home accent sales. Market size in dollars was \$7.4 billion in 2004, and was projected to grow 5% in 2005, reaching \$7.8 billion.

⁵ Home Accents Today. Consumer Counts: Consumers' Interest in Home to remain strong. (December 2003).

⁶ Source: Home Accents Today Channel Survey- Accent Stores <<http://www.homeaccentstoday.com/info/CA506319.html>>



32% of U.S. homeowner expenditures in 2004 was spent on financing, furnishing, and maintaining their homes, influenced by factors such as convenience, and aesthetics.⁷

Major players in this retail channel of 64,725 furniture and home furnishing establishments⁸ include Pottery Barn, Crate & Barrel, ABC Carpet & Home, Restoration Hardware, Bed, Bath & Beyond, and Linens 'N Things.⁹ From this potential market, *FCF*'s goal is to secure six initial customers: Pier 1 Imports, Crate & Barrel, ABC Home, Restoration Hardware, Pottery Barn, and West Elm, and will expand its market with a focus on additional retailers that fit the *FCF* image.

The target home retailers were chosen and defined by their bridge price points, design orientation, buying behavior, emphasis on product placement and visual merchandising, and the demographics of their end user. The bridge price point retailers provide a closer fit than the next lower level price range of better price point retailers as demonstrated in Figure 3.

Figure 3. Pricing Structure of Home Retail Market

	Restoration Hardware	Pottery Barn	Crate & Barrel	Pier 1 Imports
Price Range:	← Upper-Middle			Middle →
Bridge Price Points:	Throw: \$129 Vase: n/a DW: \$48/\$8	Throw: \$99 Vase: \$59 DW: \$35.20/\$7.05	Throw: \$79.95 Vase: \$49.95 DW: \$32.65/\$6.55	Throw: \$63.75 Vase: \$25 DW: \$40
	Linens' n Things	Kohl's	Bed, Bath and Beyond	Target
Price Range:	← Mid-lower			Lower →
Better Price Points:	Throw: \$59.99 Vase: n/a DW: \$24.99/\$6.25	Throw: \$39.99 Vase: n/a DW: \$22.50/\$22.50	Throw: \$39.99 Vase: n/a DW: \$15.99/\$1.99	Throw: \$39.99 Vase: \$19.99 DW: \$12.99/\$1.99

* most common price point * Vase: approx. 18-20" h * **DW** = set of 4 dinnerware (stoneware/earthenware)

By targeting the six leading retailers delineated above their end user is effectively *FCF*'s end user. These home retailers target end-user is predominately female, between the ages of 30 and 55 years old, sees their home as an extension of their personality, and in turn has a strong interest in home goods. The viability of targeting this segment is enhanced by the fact that "42% of home accent buyers at lifestyle stores have household incomes of \$75,000."¹⁰

⁷ Source: Mintel Reports: American Lifestyles (November 2004) www.mintel.com

⁸ Source: US census bureau 1997 Retail Trade Summary, Table 1: Summary Statistics for US, page 7

⁹ Source: Home Accents Today Channel Survey- Accent Stores <<http://www.homeaccentstoday.com/info/CA506319.html>>







¹⁰ Home Accents Today, 2004. <http://www.homeaccentstoday.com>>



Market Segmentation and Targeting

Each of the targeted retailer's design orientation can be defined by the merchandise they sell within the range of traditional to exotic, and their buying process. The traditional retailer is defined by Pottery Barn, Restoration Hardware and Crate & Barrel. Each carry more universal merchandise catering broader taste, mixing classic design with sophisticated, traditional, and clean lines. The traditional retailer values quality and timeless merchandise that seamlessly blends with the design continuity of their shop floor. *FCF* will offer its traditional customer arrangements using classic flower types, such as Roses, Tulips, Lilies, Gardenia, Peony, Amaryllis and Gerber Daises; in contrast, the exotic customer will receive arrangements with Phaleanopsis Orchids, Cymbidium Orchids, Hydrangea, Poppy, Lilac, Magnolia and Anemone.

Figure 4. Customer Design Orientation

	Restoration Hardware	Pottery Barn	Crate & Barrel	West Elm	Pier 1 Imports	ABC Carpet and Home
Design Orientation	Traditional ←					Exotic →
Description of Design Orientation	Quality, lasting value, classic design, free spirited individuality, at core is furniture restoration ¹¹	Traditional, Classic, American meets Euro., verstaile, timeless ¹²	clean, classic, contemporary utilitarian, fresh, consistent ¹³	modern, practical design, clean lines, elemental mat., sleek shapes ¹⁴	One of a kind, exotic, world-traveler, unique casual, yet distinct home furnishings ¹⁵	Organic, one-of-a kind, eclectic, luxury, beautiful, unique, sanctuary ¹⁶
						

Buyer Behavior

Each retailer has a distinctive methodology for purchasing merchandise through three distinct buying processes where merchandise is sourced globally from home goods designers/manufacturers, designed by an in-house team, or in combination. *FCF* will support its retail customers' desire for a degree of exclusivity in its

¹¹ Restoration Hardware Inc., About Us, http://www.restorationhardware.com/rh/info/about_us.jsp

¹² Williams-Sonoma, Inc. Pottery Barn: retail, http://www.williams-sonomainc.com/com/pbn/pbn_ret.cfm

¹³ Herrick, N., JS Online, Crate & Barrel Keeps up image, September 10, 2005,

¹⁴ Williams-Sonoma, Inc. West Elm, <http://www.williams-sonomainc.com/com/wlm/index.cfm>

¹⁵ Lori, Store Manager Pier 1 Imports Syracuse, NY; 9/29/05

¹⁶ David Reese, ABC Carpet & Home, Store Manager- Broadway Store, NYC



product line by offering exclusive product features and customized labels, for instance, “*Fresh Cuts* for Pottery Barn”.

Due to the fact that *FCF*'s buyers have a distinct identity and image typified by their design/style orientation, and recognized by the retailer's product placement and visual merchandising, *FCF*'s customer buying involvement is high and *FCF*'s customer satisfaction will be heavily contingent on *FCF*'s new products cohesively coinciding with the merchandise on the retailers' shop floors. As a result of extensive analysis of each customer's buyer behavior shown in Appendix Figure G (p.VII-XII), *FCF* will be prepared to meet the needs of all its retailers through distinct and consistently updated product offerings.

THE ECONOMICS OF BUSINESS

FCF has a high operating leverage, high volume, and high contribution margin economic model. *FCF*'s sunk, fixed, and variable costs are displayed in Appendix Figure H (p.XIII). Highlighted in these costs is a marketing budget, which essential to *FCF*'s initiative to provide customer support to our retail customers, which will entail print and online catalog co-operative efforts, product donation for visual merchandising purposes, product support, and in-store sales support. In order to reduce risk and achieve breakeven sooner, *FCF* has chosen to outsource the manufacturing of the product to eliminate the need to invest in labor costs, overseas operations, building expenses and the cost of equipment.

Estimated Market Share and Sales Projections

FCF determined its market potential by combining a first market of home air fresheners category customers (\$125.256 million) with a second market of home accent customers (\$37.5 million) for a combined market potential of \$162.756 million. This calculation applies (i.) the appropriate discount to reflect only the 10.2% of the total U.S. population with an income of over \$75,000 per year,¹⁷ and (ii.) small accents such as silk flowers and vases account for 5% of the total home accent market. *FCF* projects to capture 0.9% of the total market potential in 2007 accounting for \$1,464,804 in sales, increasing to 2.1% in 2008 and 4.0% in 2009 of this defined market. While 0.9% of the market may seem optimistic at first, *FCF* arrived at this methodology by estimating to acquire three of the six targeted retailers as customers in the first year. Thus, the

¹⁷ 2000 U.S. Census



first year, it is FCF's goal to obtain Pottery Barn, Restoration Hardware, and Pier One Imports as customers. Each retailer has a total of 178, 105, and 1,200 stores respectively. When dividing first year sales of 160,545 total units by 1,483 total stores, FCF will only need to sell 110 units per store to achieve this percentage, a sales goal which FCF certainly sees as attainable. More specifically, FCF estimates that to meet their first year sales goals, each store would have to sell 18 single flowers, 27 arrangements of six, and 66 replaceable stems. Through increase in market share, growth will be steady despite some loss of customer retention.

Figure 5. FCF's Projected Sales and Defined Market Share by Year

	2007	2008	2009
Sales (\$)	1,464,804	3,417,876	6,510,240
Defined Market Share	0.9%	2.1%	4.0%

Revenue Sources, Gross Operating Margins, and Breakeven

FCF's revenue sources are from the sale of single flowers, 6-pack flower arrangements, and the fragrance refills. After the initial investment in the flowers, the end user will purchase refills approximately every 30 days in order to continue to properly use *Fresh Cuts*. Given this assumption and displayed below in Figure 6, FCF estimates 60% of revenue generated will come from refill sales dollars, which also offer the highest margin.

Figure 6. Economic Breakdown/Contribution Margins (CM)

	Variable Cost/unit	Price To Retailer	CM \$	CM %	% of Total Sales	Weighted CM \$	Weighted CM %	Suggested Retail Value
6 Pack Arrangement	\$10.92	\$25.00	\$14.08	56.32%	24%	\$3.38	13.52%	\$50 (50% MU)
Single Flower	\$1.71	\$4.00	\$2.29	57.25%	16%	\$0.37	9.16%	\$8 (50% MU)
6 Pack Refill	\$2.57	\$10.00	\$7.43	74.30%	60%	\$4.46	44.58%	\$25 (52% MU)

FCF's breakeven point will be calculated according to unit sales and will be weighted according to expected sales percentage per product. Breakeven is achieved at 104,847 units and to \$1,325,266 in sales, in December 2007. With projected first year sales over \$1.4 million fixed costs will be recouped in the first year. Once FCF has achieved this breakeven point, high margins will allow the company to achieve growing profits from each marginal sale over the breakeven point.

THE MARKETING PLAN

Marketing efforts to retail customers will center on personal selling, as detailed in the *Sales Tactics* section (p.12). It is *FCF*'s main initiative to support their customers through their marketing efforts to generate buzz and excitement among their customer's end- user. In doing so, *FCF*'s customer support initiative entails print and online catalog co-operative efforts, product donation for visual merchandising purposes, product support, and in-store sales support. It is *FCF*'s goal to work with their retailers to ensure that excitement is created before the launch of the product in store. Thus, *FCF* has devised a budget (Figure 7) to delineate not only their commitment to this endeavor but, where funding will be placed to ensure they provide incentive to their retailers to offer *Fresh Cuts* in their stores, to generate excitement and buzz about *Fresh Cuts*, and capitalize on *FCF*'s first mover advantage. The largest portion of *FCF*'s market budget is dedicated towards print and online catalog co-operative efforts, which will entail inserts as seen in (Figure 8). These inserts are even more impactful and important, given that Pottery Barn, alone, has a catalog circulation of 98 million.¹⁸ Other marketing approaches used by *FCF* are direct mail advertisements and public relations efforts, which will include press release distribution, product donations, and guerilla marketing efforts.

Figure 7. Marketing Budget

	Percentage (%)	Dollar Value
Customer Catalog Contribution	55	\$330,000
Public Relations	35	\$210,000
Sales Promotion	10	\$60,000
Total	100	\$600,000

Pricing

FCF will implement a price skimming strategy in contrast to the competitors' employment of a price penetration strategy by selling large quantities at a low price to the mass public. *FCF* will be able to achieve its price points because of the superior silk flowers used, the quality construction of the product, and the variety and customizability of fresh floral scents. This price point effectively corresponds to its market position

¹⁸ http://www.williams-sonomainc.com/inv/anr/WS_04AR.pdf



as a high-end, high-quality product and comparatively matches the price points offered by its retail customers for home accents.

Sales Tactics

In the preliminary meeting with each retail customer, the product concept, features, and benefits of *Fresh Cuts* will be presented. In prototype meetings the final product design, intent, store merchandising, and economic breakdown (i.e. cost, mark-up, and suggested retail) will be determined. In sales presentation meetings, purchasing quantities/buys, shipping information, guarantees, warranties, suggested flower types, and corresponding scents will be confirmed. The sales force, originally comprised of the company founders, will visit customer stores, once accounts have been secured, to gain feedback, ensure correct product placement, visual merchandising, inventory over and underage, and product defects if any.

Customer Support Initiatives

Figure 8. Fresh Cuts Catalog Page



As previously mentioned and detailed in Figure 8, *FCF*'s customer support initiative will include customer catalog support, public relations, and sales support. Specifically, the role of public relations will be to generate buzz and word-of-mouth. To that end, *FCF* will send samples of *Fresh Cuts* to popular home decorating personalities, such as *Oprah*'s Nate Berkus, *HGTV*'s Debbie Travis and Kenneth Brown, *Queer Eye For the Straight Guy*'s Thom Filicia, and popular daytime television talk show hosts, who have a wide reach, large viewership, and a target audience similar to *FCF*'s target end-user shown in Figure C (p. 25). *FCF* has registered as a member of PR Web newswire to receive free press release distribution to "60,000 and 100,000 global contact points including journalists, analysts, freelance writers, media outlets and newsrooms."¹⁹ By making a voluntary contribution, *FCF* will be able to receive improved placement, next day distribution, additional industry targets, and media file attachment capabilities.¹⁷

¹⁹PR Web Press Release Newswire, Why Use PR Web, <http://www.prweb.com/whyprweb.php>, 10/19/05.

FCF plans to pursue placement in its customers' direct mail advertising (i.e. catalog, promotional information, email blasts). A guerilla marketing effort to further build excitement pre-launch of *Fresh Cuts* in *FCF*'s customers' stores will involve *FCF*'s retail customers placing elaborate, large-scale, dramatic arrangements of *Fresh Cuts* in each launch store location a week before the in-store date to generate interest and excitement by shoppers, who would be enticed by the great floral scent and superior quality silk flowers, to inquire about *Fresh Cuts*.

Warranty/Guarantee Policies

Under *FCF*'s Manufacturer's Warranty, the end users of *FCF* can return defective merchandise to the retail store where the product was purchased. The end user would receive a refund according to the retailer's return policy and the retail customer, if it is proven that the merchandise is defective, can return the product to *FCF*. Utilizing the current industry practices for defective merchandise, *FCF*'s home retail customers would receive 100% reimbursement of the cost of defective merchandise.²⁰ *FCF* will create appropriate limitations to its Implied Warranty of Merchantability (UCC 2-314), by defining specific criteria for reasonable fitness for its products' ordinary use.²¹

DESIGN AND DEVELOPMENT PLAN

Mike Stadlberger, President of *Aldik* and respected veteran in the silk flower industry, will personally work with *FCF* in the engineering and development of the *Fresh Cut* prototype. The cost of initial research and development including prototype testing, focus groups, and product refinement (shown in Overall Schedule p.19), is estimated at no more than \$50,000.²² *Global Technology Transfer*, an established fragancer in cooperation with *Aldik*, is engaged in gel fragrance development and testing that is projected to be concluded by May 2006. The technology for gel fragrance evaporation distribution system is well established and has been in use for over 25 years.²³

²⁰ Target Corporation, Personal Communication, Fayetteville, New York store location, Charge back/re-imbusement manager, Cindy Troutman.

²⁰ Wegman's, Personal Communication, Buffalo, New York store location, Grocer store manager, Joseph Lucarelli.

¹³ Tops Grocery Store, Personal Communication, Buffalo, New York Store location, store manager, Tom Walsh.

²¹ Clarkson, K., Miller, R. At alt. West Business Law, 9th Ed. South Western Thompson Learning, London, 2003.

²² Mike Stadlberger, President Aldik Artificial Flower Company, Personal Communication, 2/15/06

²³ http://www.renuzit.com/index.cfm?page_id=366

Aldik's reeds and sticks (i.e. Birch Branches, Curly Willow Sprays, Twig Branches) to add rustic scented fillers to more exotic arrangements.

OPERATIONS PLAN

FCF has strategically outsourced all production of *Fresh Cuts'* products to *Aldik*, the leading global silk flower manufacturer. *Aldik* has over 45 years experience, trend-forward award-winning silk flowers, an impressive production capacity, and has established relationships with retailers within *FCF's* targeted retail market, such as Restoration Hardware.²⁵ *FCF's* in-house operations will maintain business relationships with each customer, overseeing operations' scheduling, and ensuring the superior product quality. *FCF's* front stage operations entail the personal selling of *Fresh Cuts* in its New Jersey showroom, which will ensure correct visual merchandising and presentation.

The custom silk flowers assembly will be produced in three of *Aldik's* twelve Hong Kong facilities. The fragrance gel will be imported to Hong Kong from *Global Technology Transfer* and inserted into the stems as part of the assembly process. *Global Technology Transfer* is the leading firm in new product development in the air freshening industry, and has established relationships with numerous superior companies, including Renuzit and Bath and Body Works. *Aldik* will also be responsible to ship the assembled *Fresh Cuts'* products directly to *FCF's* retail customers in 40ft containers by ocean freight. Each container will accommodate approximately 300-450 cases equating to 360 single stems/case or 60 arrangements/case, depending on the product mix determined by retail customer purchase orders. *FCF* will seek additional suppliers for sourcing of the stem refills so as reduce risk in having *Aldik* as *FCF's* only supplier. Figure 11 below illustrates the complete cycle of *FCF's* operation's from buys placed by the retailers to the production, shipping, and receiving of the product in stores. A more detailed gnatt chart accompanies Figure 11 to showcase a more detailed look at "the day in the life" of *FCF's* operations from the set-up of machining by *Aldik*, to production by *Aldik*, to the turnover of the product in *FCF's* customers' distribution centers.

²⁵ <http://www.aldik.com/infodesk/history.cfm>

Figure 11. FCF's Operations Structure

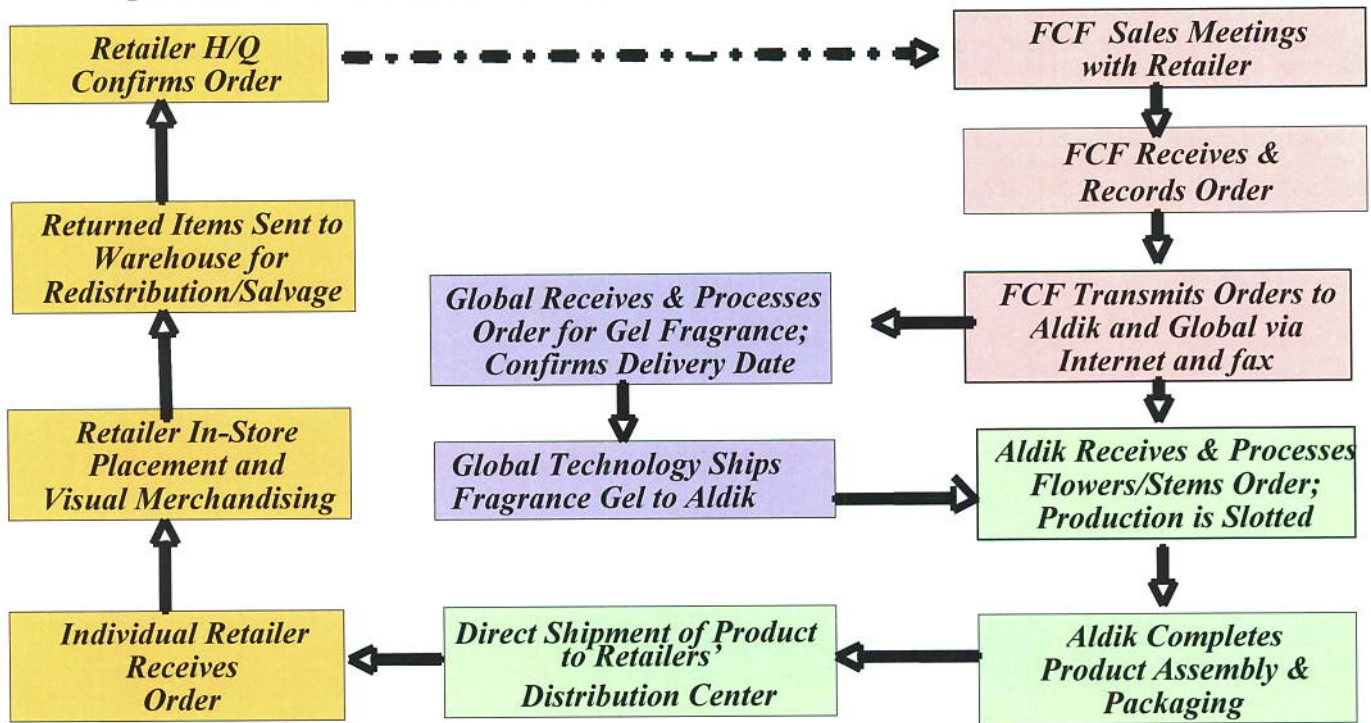


Figure 12 . A Day in the Life of Fresh Cuts, Detailed Seasonal Production Scheme

	Summer Market	12/2	1/1	January				February				March	April				May	
				Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4		Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	
Summer Market/Orders Confirmed by 1/1																		
Transmit Orders to Aldik (3 days)																		
Aldik Set-Up Machining																		
Global Tech. Production of Gel																		
Aldik Production																		
Overseas Shipping to Retailers' DCs																		
Arrive at DCs																		
Fresh Cuts Processed & Packaged																		
Estimated In Store																		

Aldik has guaranteed expertly crafted silk flowers through that are “trend forward, high quality, and simply beautiful”.²⁶ Mike Stadlberger, in developing this relationship with *FCF*, has expressed his excitement over the opportunity to produce a unique product possessing great value within the flower manufacturing industry and the “marketing edge provided through the proprietary idea.”

MANAGEMENT TEAM

Each of the five founders will also serve as the initial employees for *FCF*. Outside services will be used in areas where *FCF* does not have the capability to perform in house such as advertising agencies will be utilized to help develop the advertisements and accountants to assist with Tax Returns.

Key Management Personnel

Lauren Kopach is *CEO* of *FCF*, will utilize the leadership and strategic skill sets she has acquired from various organizations and team projects in order to guide *FCF*'s course of action in its development. Lauren, in her past has worked as a Production Intern/Coordinator, Public Relations Intern, Sales and Marketing Intern, and Social Events Coordinator for various prestigious organizations. She will graduate from Syracuse University with a B.S. in dual majors Retail Management & Marketing.

Meghan Kohl will serve as *COO*. In Meghan's past experience, she has negotiated prices and contracts with overseas factories as well as held numerous leadership positions where she has developed strategies for the future of the organizations. She commands with strong communication and analytical skills due to her experience in numerous Production and Product Developments, Promotion Planning, and Store Operations. She will graduate from Syracuse University with a B.S. Retail Management and Marketing.

Shelley Kohan will serve as *CFO*. She has worked on financial reporting at *PriceWaterhouse Coopers* in Financial Services under the Investment Management sector. Shelley has a strong background in financial planning and extensive accounting training. She will graduate from Syracuse University with her B.S. Accounting (CPA track) and Finance with a minor in Information Management and Technology.

Erin Wilson will serve as *VP of Marketing and Promotions*. Erin, not only has experience in product development, but created a business plan for a new product initiative at *Federated Department Stores*, in

²⁶ Aldik.com, <http://www.aldik.com/>

which she was responsible for developing an innovative marketing campaign. Erin will graduate from Syracuse University with her B.S. degree in Retail Management and Marketing.

Erica Fand will serve as the role as *VP of Sales and Customer Relations*. Erica Fand will draw on her sales background and relationship building skills in her previous work at *GoldenTouch Imports* as well as other established organizations in order to effectively create and sustain business relationships with *FCF's* customers. Erica will graduate from Syracuse University with a B.S. in Marketing and Entrepreneurship & Emerging Enterprises.

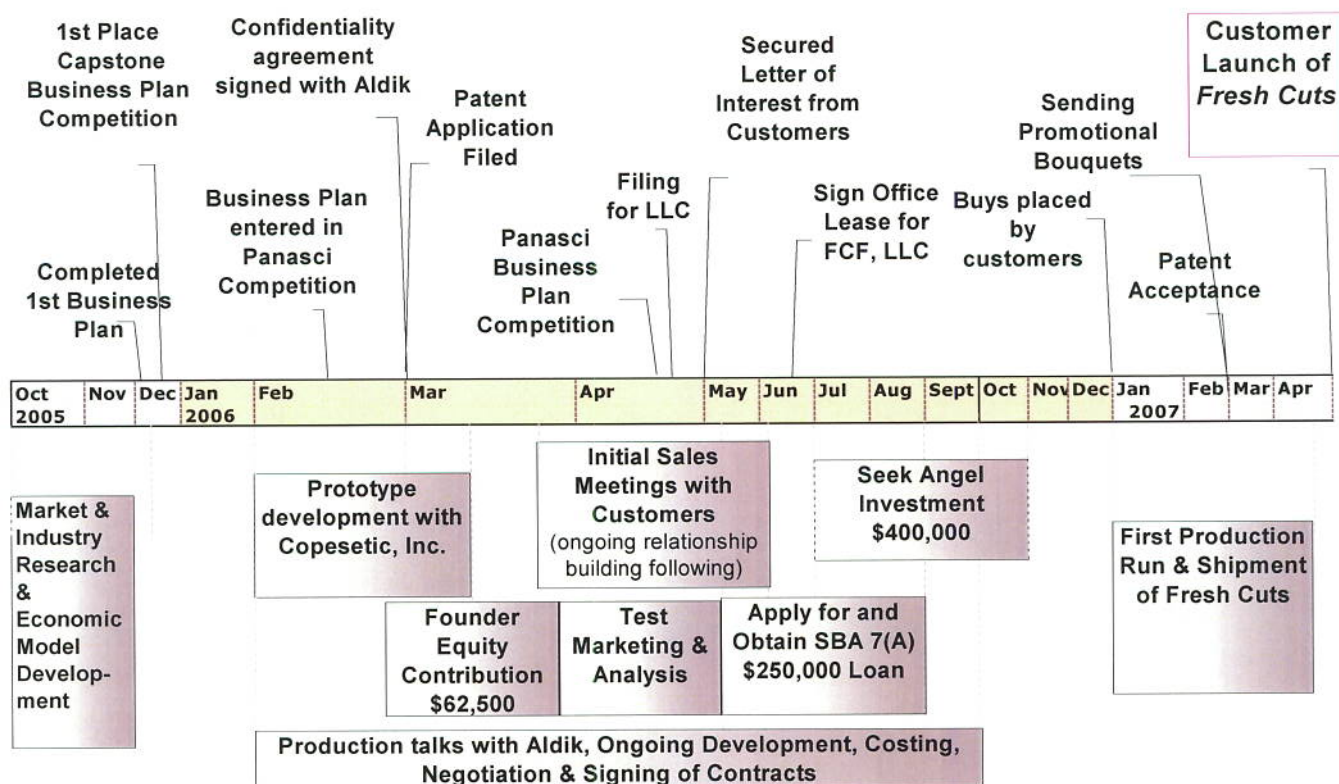
Management Compensation and Ownership

Each of *FCF's* five founders will own 20% of the business and will be paid the following compensation as employees: \$30,000 in 2007, \$31,800 in 2008, and \$34,344 in 2009. The founders, as employees, will be eligible for profit performance bonuses in 2008 and 2009. It is not anticipated that outside ownership will be offered except as may be required for extraordinary growth opportunities.

Board of Advisors

FCF will create a small, centralized Board of Advisors to ensure a consistent vision and attainable growth. **Amanda Nicholson** has 25 years of experience in the Retail Industry, including Divisional Merchandise Manager at *Carson, Pirie, Scott & Co.*, Retail Marketing/PR Consultant at *Taussig & Associates*, and currently is an Assistant Professor and Sam Walton Fellow in Retail Management at the Martin J. Whitman School of Management. **Raymond Wimer** is a past Human Resource, Operations, and Loss Prevention Manager and currently a consultant to *Borders, Inc.* **Scott Ryan** is President of *Brownlie Design*, a new product development firm. **David L. Nocilly** is a registered patent attorney at Bond, Schoeneck & King, PLLC who has contributed his services related to the patent application. **Eric M. Alderman**, J.D., is the Whitman Assistant Professor of Entrepreneurial practice at the Martin J. Whitman School of Management, a partner in the Cameron Group, LLC a developer of commercial retail real estate and serial entrepreneur in a variety of entrepreneurial ventures.

OVERALL SCHEDULE



CRITICAL RISKS

The major challenges *FCF* will face will be ensuring the fragrance dispersement and utilization methods are effective and properly implemented via prototype completion. *FCF* has been working closely with *Copasetic Inc.* to eliminate design deficiencies, and achievement of the most realistic presentation and functionality of the product. *FCF* also is conducting research and development regarding the balance of a secure flower head attachment that will eliminate any chance of leakage or ease of use issues for the end consumer.

FCF could face manufacturing technological risks if, for instance, the scent delivery mechanism fails in some way not yet known. If this problem occurs, *FCF* could encounter return-to-vendor (RTV) from its customers due to end-user dissatisfaction and the subsequent adverse affect to the sales of *FCF* customers. To safe guard against production and quality issues that could affect the salability of their product, *FCF* will closely monitor the activities of all their manufacturers (i.e. raw materials and finished product) via site visits

and strict quality assurance tests. The monitoring of their vendors will also afford *FCF* the opportunity to cancel pending orders if production is not meeting their standards and it is assumed merchandise will not sell.

Long lead times due to production problems, including equipment breakdown, or the securing of raw materials could affect *FCF* by creating manufacturing bottlenecks affecting scheduled deliveries. Factors that could lead to this major risk include economic factors, legal/governmental factors, and/or natural disasters such as tsunamis and monsoons, which have a tendency to occur in the country of origin, China, where many of *FCF's* most important raw materials are obtained. *FCF* will be in constant communication with its suppliers and manufacturer in order to assure timely production, even if more cost is incurred due to using other modes of shipment or more expensive raw materials presenting the risk of manufacturing costs being in excess of estimates creating a loss.

FINANCIAL PLAN

Net cash provided by operating activities amount to \$514,934, \$1,104,204 and \$1,414,123 respectively in 2007, 2008 and 2009. The total assets of *FCF* for 2007 amount to \$403,589 increasing to \$1,079,019 in 2008 and \$2,338,796 in 2009. The increase in total assets is largely attributable to an increase in the amount of cash *FCF* will receive from operating activities. Total liabilities decrease from \$650,000 in 2007 and 2008 to zero in 2009 as a direct result from a payment in full of Notes by year end 2009.

Figure E (p. XIV) describes the financial ratios important to *FCF*. *FCF's* current assets are greater than their current liabilities showing reduced risk to creditors by more than two times starting in year 2008 which shows good short term financial strength. Cash Ratio in 2007 is expectedly low; however in 2008 and 2009 the ratio grows and puts *FCF* in a better position to cover its liabilities with cash. Although the Debt Ratio for *FCF* is initially high in 2007 at 1.61, with an increased positive cash position in both 2008 and 2009 adding to assets, *FCF's* debt will reduce drastically to 0.28 in 2009 showing that *FCF* will no longer rely on debt to finance assets.

PROPOSED COMPANY OFFERING

FCF will need up to a total of \$62,500 in capitalization starting the end of 2006 into the first quarter of 2007, to pay for research and product development as well as initial manufacturing expenses. The *FCF* founders will each invest \$12,500 of their own personal funds into the business, which will over account for the requisite equity requirement of the proposed SBA 7(A) back three year balloon loan of \$125,000 through Keybank carrying interest at 7.75%. The founders will seek a second round of financing from a small network of angel investors, including members of its Board of Advisors, to raise an additional \$325,000 in the first year of operations and an additional \$200,000 the following year, totaling \$525,000 that will provide a rate of return of 12.5% to the Angel investors.

Funds will be used for working capital to pay for start-up costs including patent, research and development of initial product and process, rent, utilities, travel expenses incurred in direct selling, setting up relationships with suppliers and customers. It will also act as an initial cash cushion before accounts receivable from customers begin.

The exit strategy of *FCF* is to sell all, or a part interest in its business to Aldik, or a competitor who may have interest in an already developed new product line to add to its stable of product.

APPENDIX

Figure A. FCF Income Statement 2007 – 2011

Fresh Cut Florals, LLC Income Statement					
For the years ended December 31, 2007, December 31, 2008 December 31, 2009 December 31, 2010 and December 21, 2011					
Revenues:	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
Sales	1,464,804	3,417,876	6,510,240	10441443	14386117
COGS	488,631	1,128,118	2,140,665	3427857.56	4719470.6
Gross Profit	976,173	2,289,758	4,369,575	7013585.44	9666646.4
Sales and Marketing Expenses:					
Advertising	600,000	850,000	1,250,000	1,500,000	1,500,000
Travel Budget	15,000	10,000	10,000	20000	20000
Total Sales and Marketing Expenses	615,000	860,000	1,260,000	1,520,000	1,520,000
General and Admin. Expenses					
Rent	35,000	35,000	35,000	35,000	35,000
Utilities	6,000	6,000	6,000	6,000	6,000
Research and Development	50,000	25,000	25,000	10,000	10,000
Office Supplies	1,500	1,500	1,500	1,500	1,500
Accounting Fees	5,000	3,000	7,500	7,500	7,500
Contingency for Warehouse Fees	15,000	15,000	15,000	15,000	15,000
Legal Fees	5,000	5,000	5,000	5,000	5,000
Postage	2,500	2,500	2,500	2,500	2,500
Insurance	82,200	7,200	7,200	7,200	7,200
Telephone/ Internet	5,000	5,000	5,000	5,000	5,000
Bad Debt and Return Expense	14,648	34,179	65,102	104414.43	143861.17
Salary Expense	25,000	155,000	205,000	285000	365000
Administrative payroll taxes	3,000	18,600	24,600	34200	43800
Depreciation Expense	2,354	2,354	2,354	2,354	2,354
Total General & Admin. Expenses	252,202	315,333	406,756	520,668	649,715
EBIT	108,971	1,114,425	2,702,819	4,972,917	7,496,931
Interest Expense	69,375	69,375	69,375		
EBT	39,596	1,045,050	2,633,444	4,972,917	7,496,931
Income Tax Expense					
Net Income	39,596	1,045,050	2,633,444	4,972,917	7,496,931



Figure B. FCF's 2007 Monthly Income Statement

Fresh Cut Florals, LLC Income Statement For Year Ending December 31, 2007													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year ended Dec 31, 2007
Revenues:													
Sales	73,240	175,776	117,184	73,240	131,832	102,536	102,536	219,721	175,776	29,296	161,128	102,536	1,454,804
COGS	32,977	57,556	38,371	23,982	43,167	33,575	33,575	71,945	57,556	9,593	52,760	33,575	488,631
Gross Profit	40,263	118,220	78,813	49,258	88,665	68,962	68,962	147,775	118,220	19,703	108,368	68,962	976,173
Sales & Marketing Expenses:													
Advertising/Publicity		200		249,500		50	175,000	100	100	175,000	50	100	600,000
Travel Budget	5,000					5,000					5,000		15,000
Total Sales & Marketing Expenses	5,000	200		249,500		50	175,000	5,100	175,000	175,000	5,050	100	615,000
General & Admin. Expenses													
Rent	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	35,000
Utilities	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Research & Development	50,000												50,000
Office Supplies	400	100	100	100	100	100	100	100	100	100	100	100	1,500
Accounting Fees													5,000
Contingency for Warehouse Fees	15,000												15,000
Legal Fees	5,000												5,000
Postage		1,250										1,250	2,500
Insurance	75,600	600	600	600	600	600	600	600	600	600	600	600	82,200
Telephone/Internet	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Bad Debt Expense												14,648	14,648
Salary Expense	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Administrative Payroll													
Taxes	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Depreciation Expense	196	196	196	196	196	196	196	196	196	196	196	196	2,354
Total General & Admin. Expenses	152,363	8,313	7,063	7,063	7,063	7,063	7,063	7,063	7,063	7,063	7,063	27,961	252,202
EBIT	-117,099	109,707	71,751	-207,304	81,602	61,849	-113,101	135,612	111,157	-162,359	96,256	40,901	108,971
Interest Expense	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	69,375
EBT	-122,881	103,926	65,969	-213,086	75,821	56,068	-118,882	129,831	105,376	-168,141	90,474	35,120	39,596
Income Tax Expense													
Net Income	-122,881	103,926	65,969	-213,086	75,821	56,068	-118,882	129,831	105,376	-168,141	90,474	35,120	39,596



Figure C. FCF's Balance Sheet 2007 - 2011

Fresh Cut Florals, LLC Balance Sheet					
For the Years Ended December 31, 2007, December 31, 2008, December 31, 2009, December 31, 2010, and December 31, 2011					
	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
Current Assets:					
Cash	565,342	818,996	1,981,749	3,456,891	4,578,932
Doubtful Accts, \$18,068.65,\$45,171.63,\$45,171.63	180,686.35	252,961.15	352,339.00	553,102.56	641,050.48
Patent Application Fee 500*	746,028	1,071,957	2,334,088	4,009,994	5,219,982
Total Current Assets:					
Fixed Assets:					
Office Equipment (Net of Accumulated Depreciation, \$1562.75, \$3,125.50, \$4,688.25)	6,251	4,688	3,126	1,563	
Office Furniture (Net of Accumulated Depreciation, \$791.13, \$1,582.26, \$2373.39)	3,165 9,416	2,373 7,062	1,582 4,708	791 2,354	
Total Fixed Assets	755,444	1,079,019	2,338,796	4,012,348	5,219,982
Total Assets					
Liabilities and Stockholders' Equity					
Current Liabilities					
Accounts Payable	42,944	123,539	164,718	345,675	547,786
Notes Payable	42,944	123,539	164,718	345,675	547,786
Total Current Liabilities					
Long Term Notes Payable	650,000	650,000			
Total Current and LT Liabilities	692,944	773,539	164,718	345,675	547,786
Owner's Equity					
Capitalization	62,500	305,480	2,174,078	3,666,673	4,582,196
Retained Earnings	62,500	305,480	2,174,078	3,666,673	4,582,196
Total Owner's Equity	755,444	1,079,019	2,338,796	4,012,348	5,129,982
Total Liabilities and Owners Equity					

*Only applies to Gov. filing fee, legal fees
were donated free of charge



Figure D. FCF's Projected Cash Flow Statements 2007 – 2011

Fresh Cut Florals, LLC Cash Flow Statement					
For the Years Ended December 31, 2007, December 31, 2008, December 31, 2009, December 31, 2010, and December 31, 2011					
	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
Cash Flow From Operating Activities	162,500	212,987	1,368,407	1,010,567	1,237,197
Beginning Cash Balance					
Cash Inflows:					
From Customers	1,608,110	2,610,920	3,514,353	4,171,937	5,686,012
Cash Outflows:					
Suppliers and Manufacturer	292,001	520,360	707,539	873,470	919,435
Advertising Agencies	600,000	850,000	1,250,000	1,500,000	1,500,000
Office Supplies	1,500	1,500	1,500	1,500	1,500
Insurance	82,200	7,200	7,200	7,200	7,200
Contingency for Warehouse Fees	15,000	15,000	15,000	15,000	15,000
Utilities	6,000	6,000	6,000	6,000	6,000
Accounting Fees	5,000	3,000	7,500	7,500	7,500
Legal Fees	5,000	5,000	5,000	5,000	5,000
Travel Budget	15,000	10,000	10,000	20,000	20,000
Rent	35,000	35,000	35,000	35,000	35,000
Postage	2,500	2,500	2,500	2,500	2,500
Telephone/Internet	5,000	5,000	5,000	5,000	5,000
Interest	69,375	69,375	69,375	5,000	5,000
Income taxes					
Net Cash Provided by Operating Activities	474,534	1,080,985	1,392,739	1,708,767	3,176,877
Cash Flow From Investing Activities					
Cash Outflows:					
To Research and Development	50,000	25,000	25,000	10,000	10,000
Patent- Government Filing Fee	500		550		
LLC Filing Fee					
Purchase of Equipment/Furniture	9,416				
Net Cash Provided by Investing Activities	(59,916)	(25,000)	(25,550)	(10,000)	(10,000)
Cash Flow From Financing Activities					
Cash Inflows:					
Capitalization	62,500				
Long Term Note Payable	650,000	650,000			
Net Cash Provided by Cash Inflows	712,500	650,000			
Cash Outflows:					
Loan Principle Repayment	88,591	550,565	650,000	1,306,244	2,914,735
Distribution to Owners	(88,591)	(550,565)	(1,158,361)	(1,306,244)	(2,914,735)
Net Cash Provided by Cash Outflows	(88,591)	(550,565)	(1,158,361)	(1,306,244)	(2,914,735)
Net Cash Provided by Financing Activities	623,909	99,435	(1,158,361)	(1,306,244)	(2,914,735)
Total Cash Inflow/Outflow	1,038,527	1,155,420	208,828	392,523	252,142
Cash Balance	1,201,027	1,368,407	1,577,235	1,403,090	1,489,339



Figure E. FCF's Projected Cash Flow Statement 2007

Fresh Cut Florals, LLC Cash Flow Statement For Year Ended December 31, 2007													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 1 Ended Dec. 31, 2007
Cash Flow From Operating Activities													162,500
Beginning Cash Balance													
Cash Inflows:													
Customers	80,406	192,973	128,649	80,406	144,730	112,568	112,568	241,217	192,974	32,162	176,892	112,568	1,608,110
Cash Outflows:													
Suppliers and Manufacturer	24,333	24,333	24,333	24,333	24,333	24,333	24,333	24,333	24,333	24,333	24,333	24,333	292,001
Advertising	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	600,000
Office Supplies	400	100	100	100	100	100	100	100	100	100	100	100	1,500
Insurance	75,600	600	600	600	600	600	600	600	600	600	600	600	82,200
Utilities	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Contingency Fees for Temporary Warehouse	15,000							5,000			5,000		15,000
Travel Budget	5,000											1,250	2,500
Postage		1,250										1,250	2,500
Rent	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	35,000
Accounting Fees	5,000											5,000	5,000
Legal Fees	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Telephone/Internet	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	5,781	69,375
Interest													
Income taxes													
Net Cash Provided by Operating Activities	(104,542)	107,075	44,001	(4,242)	60,082	27,920	27,920	151,569	108,326	(52,486)	87,244	21,670	474,534
Cash Flow From Investing Activities													
Cash Outflows:													
Research and Development	50,000												50,000
Patent	500												500
Purchase of Equipment/Furniture	9,416												9,416
Net Cash Provided by Investing Activities													(59,916)
Cash Provided by Financing Activities													
Cash Inflows:													
Capitalization by Owners	62,500												62,500
Long Term Note	650,000												650,000
Net Cash Provided by Inflows													712,500
Cash Outflows:													
Loan Principle Repayment													
Distribution to Owners	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(7,383)	(88,591)
Net Cash Provided by Cash Outflows													(88,591)
Net Cash Provided by Financing Activities													623,909
Total Cash Inflow/Outflow	(104,542)	107,075	44,001	(4,242)	60,082	27,920	27,920	151,569	108,326	(52,486)	87,244	21,670	1,038,527
Cash Balance													1,201,027



Figure Grouping G. FCF's Customer Buying Process

Buyer Behavior: ABC CARPET & HOME

BUYER'S END-USER:	
Who	- Top 2% of the population, H/H income of \$100,000 or more ²⁷ - An eccentric, eclectic individual...a collector, a person who sees their home as a reflection of themselves...which is ABC's mission, mindset, vision ³¹ - Shops 3 to 4 times a year ²⁸
When	ABC Carpet & Home: to update their home/add a new fashionable addition to their home, add to an existing collection, replace worn/old items, impulse/browsing ²⁷
Why	Dedication to offering quality home furnishings, accessories, and gifts ²⁹ Organic: offering products with an affinity towards beauty, one-of-a-kind merchandise ²⁷ Exclusive customer service: One-stop shopping for all eccentric design needs from floor coverings to furniture, in-house interior design consultants/sales-staff, and concierge ³⁰ Use of the Fast-Fashion concept: shop floor changed/new assortment every 90 days ²⁸
Where	In-Store (6 stores; 4 in or around NYC, 1 in NJ, 1 in Florida), website ³⁰
What-Buyer's Product Offering	Eccentric, organic, one-of-a-kind, home goods that offer luxury: home furnishing is a mainstay, Silk Trading Company (fine fabrics, textiles, drapes, fine furnishings, silk and other luxurious fabrics, sleek design), Venetian Chandeliers, mosaic tables, embroidered throw pillows, candles, coffee table books, vases, jewelry, handbags, scarves, fashion bedding; high thread count sheeting and bedding, bath accessories, handmade soaps and fragrances, modern furniture/home décor, antiques (i.e. Louis Philippe armoires), French country Farm tables, reupholstered furniture/ reproductions, customized/upholstery services, assortment of decorative and oriental rugs
THE BUYING DECISION-MAKER	Dependent on their dedication: to provide products that organic, unique, make the home a sanctuary, are beautiful, one-of-a-kind pieces that give back to local and global community - very socially responsible, each piece bought is created of the purest fabrication and from unique co-operatives, designers, manufacturers around the world that often have a strong "give-back" ethic...a portion of each piece of furniture crafted by artisans, etc. goes to the communities that artisan lives or supports (i.e. children living with Aids in South Africa, African Rainforest, Gift of Vision, Literacy for an Afghan girl, etc) ²⁷
LENGTH OF BUYING PROCESS	Varies...but designers are constantly looking for new, unique designs...approx. lasting 3-6 months ²⁷proven by the constant deliveries, new shipments, freshness added to the shop floor on a continually basis,... "elicit a sense of anticipation and discovery" ³¹
KEY STEPS IN BUYING PROCESS	Travel the world looking for unique home goods merchandise, work with designers and artisans to create the best product possible ²⁷ ... ABC buyers "unearth and develop product reflecting the store's sense of style and value" ³¹
DEGREE OF INVOLVEMENT	Buyers are very involved... their criteria is very specific, unique...they are always looking for that outstandingly one-of-a-kind item ²⁷
EASILY REACHED	No....you have to have the sensibility that is ABC...which, is hard to come by ²⁷
PURCHASING STANDARDS:	ABC is very specific about what merchandise is allowed to be sold in their stores...they look for home goods items that evoke: 1) sense of luxury, 2)organic, 3) eclectic sensibility, 4) add to the sanctuary that is their customers home...cherished belongings, 5)quality, 6)gives back...socially responsible merchandise ²⁷

²⁷ David Reese. ABC Carpet & Home, Store Manager- Broadway Store, NYC

²⁸ Selover, M., The Home Front, Wine Spectator Magazine, April 30, 1998

²⁹ CareerBuilder.com, ABC Carpet & Home, http://www.careerbuilder.com/JobSeeker/Companies/CompanyDetails.aspx?Comp_DID=C8F7YB781M158519BB5&Page=AboutUs

³⁰ ABC Carpet&Home.com, FAQ, http://www.abccarpet.com/asp/about.asp?parent=1&menuID=5&menu_group=5

³¹ Yahoo Hot Jobs!, ABC Carpet & Home, http://hotjobs.yahoo.com/Company-Profiles/A/ABC-Carpet-Home-Jobs_13821



Buyer Behavior: CRATE & BARREL

BUYER'S END-USER:	
Who	-27 year-old bride via wedding registry ³² -32-55 years old, in which 75% are women, 25% men ³² - Older Baby-Boomer, Empty Nester, (50-59 yrs. old), buying their second or vacation home ³²
When	Crate & Barrel End-User: new moves, new/major life stage (i.e. getting/newly married; new job, etc.) ³² , to update their home, add to an existing collection, replace worn/old items, impulse/browsing, average home goods buyer, buys all new bedding twice a year ³³
Why	C&B offers: Good Quality, update their product offering, Affordable, Contemporary style ³² Affordable: most expensive dining table:\$2,299; most expensive sofa (barring leather):\$1,999; most expensive F/Q Bedding: \$265 ³⁴
Where	In-store, catalog (almost all same merchandise as store) ³² , online
What-Buyer's Product Offering	Contemporary furniture, dinnerware, flatware, drinkware, serving pieces, table linens, kitchen (cookware – cleaning products), food (breakfast, snacks, oils), rugs and window panels, lighting, accessories (garden/patio – home accents), bed and bath, seasonal items (i.e. Halloween, Thanksgiving, Christmas, etc.) ³⁴ - clean lines, classic style, modern ³²
THE BUYING DECISION-MAKER	Buying office- Buyer, Asst. Buyer, Vice President of each division (Bedding, Bath Shop, et)
LENGTH OF BUYING PROCESS	Most home goods merchandise take 1 year of development ³³
KEY STEPS IN BUYING PROCESS	Travel the world looking for unique home goods merchandise, work with designers and artisans to create the best product possible ³⁵
DEGREE OF INVOLVEMENT	Very involved, in what gets placed in store...buyers have the final decision, at risk to them a new product in their stores
EASILY REACHED	- very picky, strict criteria, very specific about what they want ³⁵
PURCHASING STANDARDS:	“Passion is the word that best captures our fascination and obsession with innovative, high-quality design” ³⁵ - 14 buying offices, in which buyers travel from Europe to Asia, searching for factories and designers that can offer freshness to their clean, classic style ³² - 40-50% of tabletop is from Europe, 40% is from Asia, 10-20% is from U.S., 80% of furniture is from U.S. ³² - operate on a tight margin to keep their merchandise affordable ³² - affordability, good value, good quality, “the best product” – key initiatives ³² - Quick Turnaround, stand-bys/extremely successful items (approx. 6 stemware choices, select dinnerware, a teapot, etc), they anniversary for 5-6 years ³² - look for: clean, warm, contemporary, well-designed, utilitarian, fresh, consistent look – mainstay of their collection, add unusual and different pieces ³² - purchase products that complement one another to coincide with their “vignette” display concept – where products are grouped together to create a unified look, induce multi-purchasing through suggestive selling design looks, not simply pieces ³⁶

³² Herrick, N., JS Online, Crate & Barrel Keeps up image, September 10, 2005, <http://www.jsonline.com/homes/remodel/sep05/353624.asp>, 10/11/05

³³ Granatoor, Nancy, Macy's Home, Moderate Bedding Product Manager, 10/12/05

³⁴ <http://www.crateandbarrel.com/ShopIndex.aspx>

³⁵ Crate & Barrel., About Us. <http://www.crateandbarrel.com/aboutus/default.aspx>

³⁶ Rugaber, C., Crate & Barrel, The Motley Fool.com, <http://www.fool.com/specials/1999/sp990623ipo2.htm>, 10/11/05



Buyer Behavior: PIER 1 IMPORTS

BUYER'S END-USER:	
Who	- 20- 30 year old, 80% women, 20% men- deemed "Margin Mallory" looking for fashionable products - 32-55 years old, in which 75% are women, 25% men, looking for a more practical and long-term product ³⁷
When	Pier 1 End-User: seek new change, often looking for a more fashionable, yet long standing product to update their home, add to an existing collection, replace worn/old items, impulse/browsing, average home goods buyer ³⁷
Why	Pier 1 offers: Distinct, casual home furnishings and decor at a good value ³⁸ Good Value: most expensive storage 1- Door cabinet:\$200; most expensive dining chair \$99 ³⁹
Where	In-store, catalog (recently established with mostly same products as in stores) ³⁷ , online
What-Buyer's Product Offering	Products help consumer discover the "spice" they need to personalize their homes Offers: merchandise assortment ranges from home accessories such as candles, vases and picture frames to full-sized, upholstered furniture, hand-carved armoires, large-scale vases and eclectic wall décor. 75% of merchandise assortment includes new product introductions each year ³⁸
THE BUYING DECISION-MAKER	Buyer, Design group, Buying Directors, SVP of Merchandising, Planning Department ⁴⁰
LENGTH OF BUYING PROCESS	3 months to 1 year ⁴⁰
KEY STEPS IN BUYING PROCESS	1. Identify the need for a product within an assortment 2. Develop the product idea & specifications 3. Produce initial samples after identifying the appropriate supplier 4. Review samples and make necessary modifications including price negotiations 5. Approve the final sample, pricing & delivery schedule 6. Write purchase order for product to supplier ⁴⁰
DEGREE OF INVOLVEMENT	Low involvement – New product testing out
EASILY REACHED	- very picky, strict criteria, very specific about what they want
PURCHASING STANDARDS:	- Buyers who develop and import merchandise from more than 50 countries & apply their acute sense of style and understanding of our customers changing needs to create and select new and unique merchandise - Buyers also work with designers abroad and with Pier 1's Trend Development and Brand Packaging team to create the proprietary designs found in our stores - Pier 1 is one of the world's largest importers of rattan and brass - 65% of our merchandise is different each year - Has international operations in Canada, Mexico, Puerto Rico, and the United Kingdom and imports from over 50 countries over the world ⁴¹ - Has spent over 40 years building an organization that specializes in direct importing - Showcases our unique product and appeals to and inspires Pier 1 customers. The shopping environment found in our stores is one that is distinctly Pier 1 and takes our customers on a path of discovery through one-of-a-kind products from around the world, world-traveler, exotic design style ³⁷

³⁷ Lori, Store Manager Pier 1 Imports Syracuse, NY: 9/29/05

³⁸ <http://www.pier1.com/company/aboutus.asp>

³⁹ <http://www.pier1.com/store/multi-products.asp>

⁴⁰ Robert Kling, SVP of Merchandising, 10/27/05

⁴¹ <http://www.pier1.com/investorrelations/home.asp>



Buyer Behavior: POTTERY BARN

BUYER'S END-USER:	
Who	Person who enjoys entertaining, lives "holistically", has kids ⁴⁵
When	new moves, new/major life stage (i.e. getting/newly married, new job, etc.), to update their home, add to an existing collection, replace worn/old items, impulse/browsing, gifts, bridal registry
Why	PB offers: quality, comfort, and style, merchandise at an excellent value, exclusivity ⁴² Offer: customer service/ sales associates knowledgeable and are expected to assist all customers, PB "strives to exceed [your] expectations whenever possible" ⁴² , customized service, experienced staff help with customer home interior problems, questions, etc. ⁴³ , first-rate customer service ⁴⁵
Where	In-store, online, catalog ⁴²
What-Buyer's Product Offering	-over an array of 2,000 items, beautiful, functional, exclusive designs..."a furniture brand into a lifestyle brand in a way that nobody else has done, Carole Nicksin, sr.editor, HFN" ⁴⁵ -traditional, classic, yet one-of-a-kind furniture (i.e. sofas, chairs, media storage & bookcases, dining tables, etc.), bedding, sheeting (max 400 thread count), bath (i.e. towels, accessories, etc.), rugs, pillows, window coverings, home accessories (i.e. wall décor/shelves, mirrors, vases, frames, albums, candles, throws, decorative pillows, silk flowers, etc.), lighting, table linens, dinnerware, flatware, table linens, etc. ⁴⁴
THE BUYING DECISION-MAKER	They don't buy they develop all their own products, design and product development team, vertically integrated
LENGTH OF BUYING PROCESS	The entire product development process from design to shipping takes 1 year ⁴⁵
KEY STEPS IN BUYING PROCESS	In house designers, create original pieces or update new furnishings, giving it the PB look, outsource their designs to manufacturers "who meet the highest standard of craftsmanship" ⁴³ Don't buy the product...the develop own product: 1) conceive the look of the product 2) design the product 3)source and oversee manufacturing, 95% is exclusive, corporate execs meet with design once a week to go over upcoming lines, preview merchandise plans ⁴⁵
DEGREE OF INVOLVEMENT	Design/product development completely involved in deciding what products are placed in their stores ⁴⁵
EASILY REACHED	No, difficult because they are very specific about what merchandise suits their store image. They produce their own product, new products have to meet strict 5-pt test: it has to look good, not too cutting edge; directional, but still understandable, feel good, high quality, durable, emotionally feel right for PB – (SVP design & product development, Celia Tejada) ⁴⁵
PURCHASING STANDARDS:	-American Style, influenced by world travels to create unique pieces ⁴² - most popular furnishings inspired by classic European design typified by their standby, the Manhattan club chair ⁴³ - unique yet traditional, innovative, yet timeless pieces...take old make it new ⁴³ - Merchandise versatile and stylish' relaxed luxury, high quality, long lasting, durability ⁴³ -classic styles, accessible product mix, seductive merchandising, affordable ⁴⁵ - mix basics with sexy additions, offer best of the best meaning they are very selective ⁴⁵ - attention to detail manufacturing...i.e. the luxury of their Napoleon chair ⁴³ - has to meet quality, soft-to-the touch fabrication, durable...kids can jump on it ?, meet the standards of the designer...if they would take it home or give it as a present ⁴⁵

⁴²Pottery Barn, About Us, <http://ww2.potterybarn.com/cs/index.cfm?s%45ct=about&cmttype=fnav>

⁴³Williams-Sonoma, Inc. Pottery Barn: retail, http://www.williams-sonomainc.com/com/pbn/pbn_ret.cfm

⁴⁴ Potterybarn.com, <http://ww2.potterybarn.com/index.cfm?src=shpcten%7Crshop>

⁴⁵ Tischler, Linda, How Pottery Barn Wins with Style, <http://pf.fastcompany.co/magazine/71/potterybarn.html>



Buyer Behavior: RESTORATION HARDWARE

BUYER'S END-USER:	
Who	Affluent, well educated, 35-60 years old ⁴⁶
When	RH end users: updaters, unique in tastes and original, accessorize the home, comfortable with customized collections, looking for a gift for a occasion that will reflect well on the presenter ⁴⁷
Why	RH offers: Good Quality, luxury, timeless style, functionality, lasting style, offers an array of distinctive home furnishings premium textiles to hard-to-find bath tiles, door knobs, decorative accessories ⁴⁶ -they have a cohesive statement...seen through the architectural style of stores and their product ⁴⁶ , offer an element of surprise around every corner as unexpected items are placed together at varying price points ⁵² Affordable: "Products range from a bag of popping corn for \$2.50 to a leather sofa for \$2,850, with all manner of cleaning products, toys, tools, and knickknacks in between" ⁴⁸
Where	In-store (102 full-priced stores), catalog (focused on furnishing and lighting products) ⁴⁹ , online, Wit and Wisdom holiday gift catalog, Designer and Home Furnishings to the trade (provide model home furnishings to premium hotels and hospitality suites)
What-Buyer's Product Offering	Textiles, furniture, lighting, bedding, bathware, windows, floors, hardware, amusements, utility and cleaning, Holiday and home Décor (mirror, shelves, clocks, pillows, outdoor, music and games) ⁵⁰
THE BUYING DECISION-MAKER	Buying/Product development occurs at Restoration Hardware...primarily the buying team (assistant buyer, buyer, and VP & SVP of the division) who make the decisions on merchandise
LENGTH OF BUYING PROCESS	Home goods on average a buying/product development process of 1 year
KEY STEPS IN BUYING PROCESS	<ul style="list-style-type: none"> - Seasonal concept meetings to decide the "look"/design orientation for that season, i.e. new product additions/development, etc - Send select items / samples to foreign agents for development - Contact vendors or agents for sample requests/testing of approved samples - Track package design completion, vendor receipt, and packaging approval - Enter product on Floorset Documents - Work with planning to make certain product arrives on time for Floorsets⁵¹
DEGREE OF INVOLVEMENT	Buying/product development...Restoration Hardware works with specific vendors to create their merchandise, or they directly buy off a line produced by the manufacturer...heavily involved in deciding what products are placed in their stores ⁵¹
EASILY REACHED	No, new products must meet the approval of the buying team, have the sensibility of R.H.
PURCHASING STANDARDS:	<ul style="list-style-type: none"> - high quality, lasting value, classic design, a brand with taste, and free-spirited individuality -product reflects classic, authentic American style orientation⁴⁶ - products that evoke as sense of authenticity, functionality, appreciate tradition, classic but, retro feel not "stodgy" (founder, Stephen Gordon)⁵² -"Philosophy: We want to surround ourselves with what we love. We want to inspire laughter as well as thought"⁵³

⁴⁶ Yahoo Finance!, Form10-Q for Restoration Hardware Inc., <http://biz.yahoo.com/e/050907/rsto10-q.html>

⁴⁷ Restoration Hardware Holiday Catalogue 2005.

⁴⁸ Multichannel Merchant. http://multichannelmerchant.com/printchannel/lists/marketing_restoration_hardware_fall/index.html (1999)

⁴⁹ Multichannel Merchant http://multichannelmerchant.com/news/marketing_redesign_restoration_hardware/index.html (2004)

⁵⁰ Restoration Hardware Homepage <http://www.restorationhardware.com/rh/index.jsp>

⁵¹ Restoration Hardware, buyer job overview, <http://www.cytiva.com/cejobs/DetailRHW.asp?rhw5178>

⁵² Corporate Design Foundation, Restoration Hardware. http://www.cdf.org/cdf/atissue/vol4_2/Restoration/restoration.html

⁵³ Restoration Hardware "Who we are" http://www.restorationhardware.com/rh/info/job_opportunities.jsp



Buyer Behavior: WEST ELM

BUYER'S END-USER:	
Who	24-39 years old, who will spend \$500 on a bed, not \$1,500 ⁵⁴ , \$60-75,00+ H/H income ⁵⁵ , urban, design-savvy customers ⁵⁶
When	new moves, new/major life stage (i.e. getting/newly married, new job, etc.) to update their home, add to an existing collection, replace worn/old items, impulse/browsing ⁵⁵
Why	Affordable: price range from \$6-699 ⁵⁶ , most expensive sofa (basic upholstered) -\$799, most expensive dinning table - \$599 (x-leg dinning table), most expensive sheet sets _ \$79-119, dinnerware set of 16-\$99 ⁵⁷ Destinations lifestyle store, offers unique, exclusive products ⁵⁶ Combine cottons and linens, with quilting and embroidery, decorative pillows, window coverings, embellished throws, Visual Merchandise by room...set up loft spaces to inspire customers ⁵⁵ Merchandise stylish, yet right price, dimensions/size for metropolitan apartment renter ⁵⁵
Where	In-store (3-California, 2-New York, 1-Georgia, 1-Illinois, 1-New Jersey, 1-Oregon, 1-Pennsylvania 1-Texas, 1-Virgina), Catalog, Online ⁵⁶
What-Buyer's Product Offering	Moderately priced home furnishings ⁵⁵ , Fresh and Modern, "high-quality furnishings for every room in a loft or second home" ⁵⁶ , Easy to Assemble furniture, etc. ⁵⁷ Offer modern, contemporary furniture (i.e. dining, living, night stands, consoles, etc.), wall décor, lighting, bedding, sheeting, rugs, decorative pillows, window panels, vases, candles, storage units, picture frames, dinnerware, glassware, flatware, etc. ⁵⁷
THE BUYING DECISION-MAKER	Don't have a buying process- in-house design and development
LENGTH OF BUYING PROCESS	Follow sister company, Pottery Barn, The entire product development process from conception to shop floor takes 1 year ⁵⁵
KEY STEPS IN BUYING PROCESS	In house designers, create original, exclusive pieces that coincide with WestElm look, outsource their designs to manufacturers Don't buy the product...the develop own product: 1) conceive the look of the product 2) design the product 3)source and oversee manufacturing, ⁵⁵ plans- influenced by world travels, Far East, Scandinavia, look to always provide a minimalist design aesthetic ⁵⁸
DEGREE OF INVOLVEMENT	Same as Potterybarn...Design/product development completely involved in deciding what products are placed in their stores ⁵⁵
EASILY REACHED	No, similar to Potterybarn...difficult because they are very specific about what merchandise suits their store image, customer ⁵⁵
PURCHASING STANDARDS:	Clean lines and elemental materials, sleek shapes, rich seasonal fabrics, frames in wood, metals, and weaves ⁵⁶ Contemporary, but practical designs ⁵⁶ Organic shapes and materials...ceramics, stoneware, textured glass, hand-crafted elements/decorations ⁵⁶ Signature textiles, eye-catching prints, weaves, rich materials, versatile colors, exotic designs 1/3 of merchandising mix-textiles , textiles and furniture- strongest categories ⁵⁹ Low cost...yet, stylish, sophisticated, understated, chic, furnishings that have a minimal, yet quirky aesthetic ⁶⁰

⁵⁴ Rob Turner, Home—The Cranky Consumer: Assembling Furniture at Home, Wall Street Journal, <http://proquest.umi.com>

⁵⁵ Laren Taylor, Visual Merchandising Store Manager, New York City Store, West Elm

⁵⁶ Williams-Sonoma, Inc. West Elm, <http://www.williams-sonomaine.com/com/wlm/index.cfm>

⁵⁷ West Elm, <http://ww2.westelm.com/index.cfm>

⁵⁸ Dumbo Newsletter, West Elm Launch, http://www.dumbo-newyork.com/files/finalnewsltr_dec03_jan04.pdf

⁵⁹ Andrea Lillo, West Elm Ready to Sprout Limbs,

⁶⁰ AIGA, Design Archives: West Elm, http://designarchives.aiga.org/entry.cfm/eid_631



Figure H. Fixed and Variable Costs

Start Up Costs						
Sunk Costs			Total	% of Total Costs		
Patent (Lawyer and Filing Costs)			\$500.00	0.04%		
Development Costs (R&D)			\$50,000.00	3.60%		
Office Furniture	File Cabinet	\$711.55	1	\$711.55	0.05%	
	Desk	\$289.00	5	\$1,445.00	0.10%	
	Chairs	\$99.00	5	\$495.00	0.04%	
	Conference Room Set	\$1,304.10	1	\$1,304.10	0.09%	
	Office Equipment	Computers	\$1,400.00	5	\$7,000.00	0.50%
	Printer, Scanner, Copier, Fax	\$499.00	1	\$499.00	0.04%	
	Telephone	\$62.95	5	\$314.75	0.02%	
Total Sunk Costs			\$62,269.40	4.49%		
Fixed Costs			Price	Quantity	Total	% of Total Costs
Office Supplies					\$1,500.00	0.11%
Office Rental					\$35,000.00	2.52%
Insurance					\$66,800.00	4.82%
Postage					\$2,500.00	0.18%
Accounting Fees					\$5,000.00	0.36%
Travel Expense					\$15,000.00	1.08%
Advertising Expense					\$600,000.00	43.25%
Legal Fees					\$5,000.00	0.36%
Telephone Service					\$5,000.00	0.36%
Bad Debt and Return Expense					\$73,240.00	5.28%
Salary Expense					\$25,000.00	1.80%
Depreciation Expense					\$2,354.00	0.17%
Administrative Payroll Taxes					\$3,000.00	0.22%
Utilities					\$6,000.00	0.43%
Total Fixed Costs					\$845,394.00	60.94%
Variable Costs					Total	% of Total Costs
COGS					\$479,636.00	34.57%
Total Variable Costs					\$479,636.00	34.57%
Total Costs					\$1,387,299.40	



Figure I. Viewership and Audience of Specified Daytime Talk shows

	Average Viewership (H/H)	Target Audience
The Oprah Winfrey Show	8.3 million viewers daily ²	18-49 years old ²
The Today Show	5.9 million viewers ⁶	All ages, 70% women ³
Good Morning America	5.4 million viewers ⁶	All ages, 70% women ³
Martha	2.4 million viewers(1 st wk) ⁷	18-49 years old ⁷
Ellen DeGeneres	2.3 million viewers daily ⁵	25-54 years old ⁴

Figure J. Cost of Goods Sold

	6 Flower Arrangement	Single Flower	6 Pack Refill
Flower Components			
Flower Top	\$5.40	\$0.90	-
Fragrance	\$0.66	\$0.11	\$0.66
Stem	\$1.08	\$0.18	\$1.08
Packaging			
Tagging	\$0.10	\$0.10	\$0.10
Ribbon	\$0.03	\$0.03	\$0.03
Vases	\$1.25	-	-
Other			
Duty	\$0.90	\$0.14	-
Cut and Make	\$1.00	\$0.25	\$0.50
Packaging	\$0.50	\$0.20	\$0.20
Total Cost Per Unit	\$10.02	\$1.71	\$2.57
Commission			
Total COGS	\$10.92	\$1.71	\$2.57

Figure K. Financial Ratios 2006-2008

Financial Ratios			
	2007	2008	2009
Current Ratio	1.08	1.4	14.1
Debt Ratio	1.61	2.5	.28



Figure L. Aldik Commitment Letter/E-Mail

- Forwarded message -----

From: Mike Stadlberger <mikes@aldik.com>

Date: Mar 8, 2006 10:05 PM

Subject: Re: Fresh Cut Florals Update

To: "Fresh Cut Florals, LLC" <freshcutflorals@gmail.com>, Chalet Kukahiko <Chalet_Kukahiko@aldik.com>

Cc: Raymond Peterson <rpeterson@aldik.com>

Dear Erin,

I have received your confidentiality agreement and will have it signed and sent to you. We do need to get a little bit of information from you for our records, please provide the following:

Corporate information:

Corporate name and address

Contact name, phone, email, title

Credit information.....we will need to establish terms of sale with your company

Once we receive this information we will send you the confidentiality agreement, and the information for Global Technologies. We will need to have you your product specification before any quotations can be completed, I assume you will get me this information once you receive the agreement, please confirm.

Regarding shipping directly to your customers, we can further discuss options once we get a better handle on the quantities and what your customers' requirements are.

I am the best person to contact for now, as we expand on this project I will bring other staff for shipping, design and follow up as needed.

I look forward to working on this project with you.

Best Regards,
Mike

