



# MARKET ANALYSIS AND MARKETING PLAN FOR THEMED FIREPLACE SCREENS PRESENTED TO ABC CORPORATION

January 21, 2000

## 1. EXECUTIVE SUMMARY

After a careful and thorough examination of the potential market for the theme fireplace screen product developed by ABC Corporation (ABC), it is the recommendation of Stratamar, inc. that ABC proceed to market with the screens. To maximize sales and minimize production and inventory risks, it is recommended that a maximum of five screens be initially developed, based on the following themes:

- A. flycasting fishing
- B. deer hunting
- C. golf
- D. waterfowl hunting
- E. bass fishing

While other recreational activities have higher participation levels and may prove to be attractive markets in the future (e.g. tennis, soccer, sailing, etc.), the themes above are selected for several reasons:

- widespread participation across the country
- activities lend themselves to easily-identifiable cutouts
- participants tend to be passionate about their activity
- participants are used to spending significant amounts of money in pursuit of their activity, making it more likely that a high-priced fireplace screen will be well received
- by pursuing different but related themes (as in different aspects of recreational activities), ABC may be able to achieve some levels of efficiency in advertising and promotion

It is further recommended that the marketing approach be oriented more towards retail that ABC had initially envisioned. While the wholesale market bears substantial promise and will still need to be addressed and developed, developing the retail market first carries the following major benefits:

- shorter lead time to initial sales
- less financial risk and up-front investment
- ABC maintains more control over the entire program
- higher profit margins

With the products and approach outlined above, combined with the detailed marketing tactics contained within, the following financial results are expected:

	<b>Units</b>	<b>Sales</b>	<b>Contribution to Overhead &amp; Profit</b>
Year 1	2,428	1,053,000	494,178
Year 2	9,660	3,912,300	2,260,093
Year 3	11,850	4,680,750	2,719,901
Year 4	14,820	5,557,500	3,161,513
Year 5	19,160	7,185,000	4,064,375

## 2. SITUATION SUMMARY

ABC Corp. (ABC), an Indiana company, is a rapidly growing metal cutting and fabrication company. Begun by two partners in 1991 with initial sales of \$15,000 the first year, ABC broke \$2 million in sales in 1999. The Company specializes in water jet and laser cutting of sheet metals into patterns and shapes for use by other manufacturers in end products. Typical components produced include shaped parts for auto door panels. In recent months, increased sales have caused ABC to purchase a facility just down the block for expansion.

While very successful in a competitive industry, ABC suffers from a great variability in its sales and resulting production needs. The dynamics of the industries it serves typically allow for little production planning and nearly just-in-time delivery. Thus, ABC may often need its employees to work several hours of overtime one week, then be left with insufficient production the following week to fill even a standard 40-hour workweek. It is this workflow variability, as well as a perceived boost to sales and profits, driving the evaluation of the concept herein.

One of ABC' partners recently attended a recreation (fishing) show, and was attracted by a booth featuring fireplace screens containing a vignette of a flycasting scene. Business at the

booth indicated a high degree of interest in the concept, despite a unit price of \$600. ABC management is attracted to the concept of creating and marketing specialized fireplace screens for targeted markets in the U.S., and has contracted with Stratamar, inc. to deliver the following:

- analysis of the situation
- recommendation of screen concepts
- development of wholesale marketing plan
- financial projections

Full details on each of these components follow.

### 3. **SITUATION ANALYSIS & OPTIONS**

This entire project really boils down to three questions:

- A. Should ABC expand its product line by developing and marketing a series of specialized fireplace screen vignettes?
- B. If the answer to A is "Yes", what is the optimal marketing strategy, and what are the best tactics, to employ?
- C. Given the recommended tactics, what are the financial projections for the concept?

Substantial online and offline research has been employed to examine the current and potential market for the fireplace screens. Overall, if the product idea has widespread consumer appeal, nobody else has yet discovered it. This is very likely because the screens are a true niche product, and larger manufacturers just don't see sufficient sales and profits in the venture to be attracted. In addition, a major part of the ABC advantage in this venture is the ability to rapidly shift production designs and volumes without adversely affecting costs. A search of offline and online stores produced only two national competitors, each offering a very limited product line:

Judaic Designs Co.	Single Design	\$625 – 650
Northwoods Designs	Four Designs	\$550

In short, the arguments in favor of and against, ABC' so expanding its product line can be summarized as follows:

#### **Arguments in Favor of Product Line Expansion:**

1. Such a line expansion, if successful, would help to smooth out ABC' order inflow, production work flow, and cash flow; as well as potentially creating a short-term use for the newly acquired production facility.

2. Little specialized online or offline competition is apparent
3. Most fireplace screens on the market are generic in appearance, concentrating on the design of the enclosure rather than any design on the actual screen. The combination of reasons #2 and 3 should allow, at least for the first several years, an abnormally high price point and profit margin. Such a wide margin would not only help ABC increase its bottom line, but would provide sufficient money for:
  - rapid development of marketing channels before they are usurped by new competitors
  - a reasonable margin of error as ABC develops this entirely new concept and experiments to find the ideal marketing channels and manufacturing methods.
4. The relatively few competitors on and off the Internet have established price points of approximately \$500-600. Compared to ABC' out-the-door COGS of \$75-80, there is room to triple or quadruple ABC' costs to establish a price, yet still undercut the competition.
5. The marginal costs of manufacturing one new screen, or of creating a new pattern for a specialized screen, are relatively low: approximately \$75 on the margin to produce a screen from an existing design, and an estimated 30 person-hours to create a new design. As long as production and inventory are reasonably controlled to prevent the buildup of obsolete products, there is low financial risk and exposure.
6. Numerous opportunities exist for customized screens: recreational activities, sports, professional teams, colleges & universities, fraternities and sororities, etc. The low marginal cost of production makes such customization and product line broadening attractive without increasing risks substantially.
7. As an extension of #6, there may well be a premium-priced market for ultra-customized screens, where a customer will actually design his/her own screen for ABC to manufacture one-time only.
8. A number of promotional avenues exist for customized screens which are well-targeted for small groups with similar interests, but which are low cost because they are not mass market. Such venues may include:
  - ezines (electronic magazines)
  - recreation magazines
  - internet newsgroups
  - joint ventures with sports clubs, not-for-profit organizations, etc.; to use customized screens as fund raisers
  - direct mail to specialized membership lists
  - low-cost booth placements at local and regional trade shows, conferences, and events

### **Arguments Against Product Line Expansion:**

1. As with any product line expansion, the risk exists that the launch could divert too many management resources from ABC, causing its core business to suffer from inattention.
2. The promised market may, in fact, not materialize on a timely basis. This negative can be ameliorated through judicious production and inventory management.

3. The concept is relatively generic and, although the market is essentially non-existent at this point, the ABC idea probably cannot be copyrighted or patented. While the actual designs can be protected, little can be done to prevent a competitor from developing similar designs (except for designs, such as sports team logos, which ABC has licensed from another entity) and entering the market that ABC created. This may well prompt some substantial price competition.
4. Not only is marketing/design a minor competitive hurdle, but the actual production process itself does not constitute a major barrier. Substantially any shop capable of creating designs and cutting them on a short-run basis could enter the market very rapidly, probably without a substantial additional outlay for equipment. The true barrier to entry is the ability to design and market quickly and efficiently.
5. Whether a wholesale or retail marketing distribution system is selected, some additional costs will need to be undertaken before the venture will generate substantial revenue. A wholesale approach will require such entities as manufacturers reps, an expanded sales staff and travel budget to call upon the necessary chain store representatives, an extra investment in a larger inventory, etc.

A retail approach, on the other hand, will launch sales more immediately but at a lower acceleration rate. Retail would also require developing or outsourcing areas for customer service, fulfillment, and the like, which can be major overhead drains if developed internally.

Overall, the entire debate on whether or not to proceed with the fireplace screen product becomes one of managing business risks – controlling the promotional costs and ensuring that production and inventory do not get overly far ahead of orders and sales. Given that the financial level of this risk is eminently predictable and can be reasonably controlled, proceeding with this project is strongly recommended.

## **DISTRIBUTION SYSTEMS: WHOLESALE VS. RETAIL**

Once the decision to go ahead is made, the riskiest decision must be addressed: is it better/more profitable/less risky to distribute the fireplace screen via wholesale or retail channels?

Numerous factors come into play in this discussion.

### **WHOLESALE**

On the surface, distributing the fireplace screens via wholesale channels appears to be the most attractive and least risky approach. There are many **benefits** to wholesale marketing:

- once distributors are obtained, sales ramp up much more rapidly than will sales resulting from an ad in a single magazine or results from a single web site
- there is no need to build a people-intensive customer service and fulfillment area when production and shipping are to a small number of retailer warehouses instead of thousands of single-order households

- collections costs and problems tend to be lower than with retail accounts
- retailers have their own sales networks and promotional efforts, which will augment ABC' own limited promotional dollars, allowing greater sales than ABC' own efforts would produce
- retailers generally know what will sell best in their local markets, and can provide ABC with substantial research and guidance in as far as which designs to develop and produce
- the brand recognition of chain retailers will help to overcome potential qualms consumers may have about dealing with an unknown

Of course, there are also a number of **negatives** to using wholesale marketing channels for this product:

- the most effective and widespread retailers will also be those which are adept at negotiating with suppliers. Lower margins are almost guaranteed vs. retail endeavors, whether they are in the form of lower prices or disguised in the form of higher manufacturer inventory levels, just-in-time delivery, extended credit terms, etc.
- given that little legal protection can be afforded to the idea, there is always the danger that a major wholesale customer could "steal" the idea and contract with another manufacturer to produce it, cutting ABC out of the picture entirely
- concentration of market is always a concern. If ABC has one retail chain making up a major portion of its customer base (say, in excess of 25% of production), ABC puts its corporate survival at risk if that customer runs into financial difficulties and is unable to pay ABC for goods shipped. Given the competitive nature of retail sales today, such a possibility is not unrealistic for any chain.
- The lead-time to the first sale will be longer than if the retail route were followed. Whether the initial targets are general merchandise stores (Sears) or more specialized home furnishings or fireplace chains, the sale process typically starts with the initial contact with the appropriate buyer for the chain. If manufacturers reps are not used, identifying this buyer and getting any interest from him/her may take months – the buyers are bombarded daily with ideas for new merchandise for their stores to carry. If reps are used, they may be able to penetrate the prospect chain more rapidly, but there will typically be a commission to the rep of 20% of sales. In either case, a curve of 3-6 months to get the first sale would not be unusual.

In addition, the sales process for general merchandise stores is very seasonal, and investigations of and decisions on seasonal merchandise are made 6-9 months ahead of the appropriate sales season. Since fireplaces tend to be a seasonal concept centered from December to February, ABC must be ready to market to these chains by the end of the first quarter of 2000 to obtain any substantial sales next winter.

## **RETAIL**

The **advantages** to following a retail marketing approach include:

- fatter nominal profit margins, as an individual purchaser is willing to pay a higher price than a multi-unit chain buying hundreds of screens
- less concentration risk – loss of an individual fireplace screen customer will not measurably impact ABC
- less chance of overproducing, as individuals are used to reasonable delays in fulfillment of orders and will not normally object to a lead-time of several weeks to shipment. This will allow orders to be produced as received, instead of needing to pre-produce and inventory numbers of screens, which may be deemed obsolete before ever being shipped.
- marketing and promotions can be geared up slowly, as experience, comfort, and cash flow permit. This alone can help avoid major, company threatening mistakes from occurring, as any bottlenecks and hiccups can be corrected before mass markets are affected.
- in accordance with the point above, ABC may be able to avoid having to seek outside financing for marketing, sales, inventory and/or equipment expansion, and the like
- ABC can maintain control over the entire process and program

**Disadvantages** to the retail approach include:

- certain production and shipping efficiencies may be lost, as units are shipped in lots of one unit instead of dozens of units
- a customer service and fulfillment function will need to be addressed and created. Such a function may be totally or partially outsourced to any number of organizations, but both must be in place before ABC releases its first promotional piece. If outsourcing is desired, customer service could be handled from virtually anywhere in the country while fulfillment would need to be near the production facilities.
- business license and sales tax issues for various jurisdictions would need to be researched and resolved. In the short run, it is expected that the current moratorium on internet taxation may eliminate this concern.
- investments will need to be made in overhead areas such as marketing and sales to create and consummate the promotional plan. Cash costs incurred will include such items as collateral design and printing, development of ads, media space, and the like. While the financial projections later in this write-up look promising, there can be no guarantee that the venture will be successful.
- due to the greater number of tasks performed in house, management attention needs will initially be greater for retail sales than for wholesale. While this appears to be a manageable burden, care must be taken to ensure that the core business of ABC is not neglected.

## 4. **RECOMMENDATION AND MARKETING PLAN**

It is the recommendation of Stratamar that ABC proceed to develop and market its line of customized fireplace screens, using a hybrid retail/wholesale marketing approach. In essence, the initial focus is recommended to be purely individual sales, with a secondary focus on developing small wholesale relationships and joint ventures to leverage sales once a comfort level has been achieved with the initial retail results.

We recommend the following sequence of tactics:

A. Commission a freelance designer, at a cost of \$250 per design, to design five initial screen themes. The Census Bureau, in 1999 research updates, lists the following participatory recreational activities to be most popular in the United States:

- Gardening
- Soccer
- Basketball
- Fishing
- Hunting
- Golf
- Tennis

Based upon this, an emotional vote for the vibrancy of potential designs for a theme, and associated statistics on the dollars spent per year per participant in each activity; we recommend the initial screen designs to be:

- flycasting fishing
- deer hunting
- golf
- waterfowl hunting
- bass fishing

B. Determine and register a domain name for the new venture. A domain name is part of the overall branding concept for the screens, and a clean name ([www.themescreens.com](http://www.themescreens.com)) is looked upon much more favorably than a string name ([www.ABCinc.com/themescreens](http://www.ABCinc.com/themescreens)). A domain will also help distance ABC' identity from the identity of the screens subsidiary, which will help in branding (wholesale and retail branding don't mix well) as well as keep options easier for IPOs, spinoffs, or divestitures down the road. A domain costs only \$70 for the first two years and \$35 per year thereafter, and the freelancer who designs the web site (#3 below) should know how to register it. As thoughts come to mind for the domain name, you should first check them against this site to make sure they are not currently in use:

<http://rs.internic.net/cgi-bin/whois>

C. Commission a freelancer to design a web site for ABC Theme Screens. While many attractive and capable web sites can be designed for less than \$1,000; it is expected that

the ABC site will cost \$3,000 – 4,000 because of the following complexities:

- need to have secure transactions so people can pay via credit card
- need for (recommended) tie-ins to UPS, FedEx, and other sites so customers can track screen shipments on their own
- need for top-quality color photography. The attraction point for the screens to totally visual, and their beauty will not be grasped until a prospect can see how the patterns look in front of a crackling fire. It is strongly recommended that the site include streaming videos of each vignette in front of a live fire to cement the attraction and purchase.
- multiple pages of visuals/detail for the screens, but with the home page limited in graphics so that the file is no larger than 40k bytes. This will ensure that viewers with slower computers or low speed modems can download the home page in 8-10 seconds, minimizing the number who get bored and abort the download.
- Need to provide for input and tracking of marketing codes to be made a part of each ad, allowing for the cost effectiveness of each ad trial to be calculated.

Hosting of the web site should be budgeted at \$100 a month, to include an hour a month of maintenance and the like, plus unlimited data transfers. As pointed out in #9 below, it is imperative that ABC select an Internet Service Provider (ISP) for its web site that allows relatively unlimited email. Many consumer-oriented ISPs have a de facto limit on outgoing email to prevent businesses from obtaining lower-cost consumer site agreements. A good part of ABC' marketing strategy hinges on opt-in email, and it is possible that over 10,000 messages could be dispatched in a given month.

As much as internet commerce is overhyped and misunderstood in recent months, the fact remains that it is a valuable, low cost, accountable sales medium that cannot be ignored. Just as examples, the November 22/29 issue of The Industry Standard reported that nearly 30 million American adults are now at least partially shopping online. Total business-to-consumer online sales in 1999 exceeded \$25 billion, according to Forrester Research, with components including \$250 million on household goods, \$165 million on sporting goods, and \$167 million on specialty gifts. Moreover, these figures are expected to increase ninefold by 2004, making an early beachhead in the market even more attractive.

D. In order to keep overhead costs (and their attendant risks) to a minimum as the product line is rolled out and fully evaluated, ABC should contract with an outside telemarketing house to perform routine functions such as:

- Customer Service
- E-mail response
- Sales close on inbound information calls
- Outbound telemarketing to established lists
- Opt-out requests
- Junk phone calls and emails

Very few internet entrepreneurs have an appreciation for the volume of valid questions which will be asked by prospects before ordering – especially in an environment where they are not familiar with the product or the offering company. In addition, "dumb" questions will also be coming in about browser incompatibilities, etc., which are totally unrelated to the product. Rather than dedicating current ABC personnel time and talent to this task, it would be far better to have the function fulfilled by a telemarketing outsource house. The outsourcer would still convey any orders they received directly to ABC, and would always retain the ability to contact ABC personnel for particularly difficult questions.

There are many such outsourcers with experience in the brick-and-mortar catalog market, but relatively few who have experience and accolades in the internet world. Initially, to avoid hiccups, it is recommended that ABC contact and contract with one of these two leading providers:

DialAmerica - [www.dialamerica.com](http://www.dialamerica.com) 800.913.3331

PeopleSupport - [www.peoplesupport.com](http://www.peoplesupport.com) 310.914.5999

Literature on both of these companies is included later in this report. Either can be used on an as-needed basis, where ABC only pays for the services used. Thus, to some extent, bills will rise as the product line achieves success. Each of these companies (indeed, all of the proven ones) will have a monthly minimum bill of \$3-5,000. However, this is a relatively small insurance policy in the initial months when questions, call volume, and the rest will all be guesses.

- E. Commission a freelancer, perhaps the same individual used in tactic C, to submit the web site to each of the major search engines (12-15 engines, plus Yahoo); as well as any specialized ones which may seem appropriate. Individual submissions can be tailored to the specific needs and algorithms of a given engine, and will help to ensure the highest possible placement of the site. In addition, this individual should be contracted to re-check the site's placement on each search engine, and with each keyword, at least monthly; and recommend changes in keywords, meta tags, and site prose according to changes in competitive sites. Specific recommendations here include:

Keywords:           Fireplace  
                          Fireplace screens  
                          Hunting  
                          Duck hunting  
                          Deer hunting  
                          Bow hunting  
                          Whitetail  
                          Fishing  
                          Bass  
                          Bass fishing  
                          Flycasting  
                          Fly fishing  
                          Golf  
                          Fireplace accessories  
                          Gifts  
                          Business gifts  
                          Recreation

Search Engines:    Yahoo  
                          Ask Jeeves  
                          AOL Search  
                          Direct Hit  
                          HotBot  
                          Google  
                          GoTo  
                          LookSmart  
                          MSN Search  
                          Netscape Search  
                          Snap  
                          Northern Light  
                          AltaVista  
                          InfoSeek  
                          Excite  
                          Webcrawler  
                          Lycos

5. Commission a freelance designer (perhaps the same one used in tactic A) to design a series of ads to be placed in paper media (primarily magazines targeted at enthusiasts of a specific recreational activity). The ads can have essentially the same approach & graphics, but should be supplied in an electronic overlay format so that the appropriate vignette can be placed in the comp prior to submission to the publication. In addition, provisions should be made for several standard sizes of each ad, and for a color and a black and white version of each to maintain

maximum flexibility for placement availabilities. The first ad for this series should cost about \$500 – 1,000 for production, with each additional version running about \$150-250.

6. Negotiate agreements with **selected** internet sites for placement and sales of the fireplace screen product. While there are hundreds of general merchandise malls on the internet, with more being introduced literally every day; relatively few of them generate any significant amount of traffic beyond browsers. There is also the danger in a general merchandise mall that the fireplace screens will be "buried" by competing with thousands of unrelated products. Moreover, fees for sellers to display merchandise on the top internet malls are becoming prohibitive, especially for a specialty item such as this with a relatively narrow audience. For example, current fees for a small storefront presence on various major internet malls are:

<b>Mall</b>	<b># Merchants</b>	<b>Monthly Fee</b>
AltaVista Shopping	100	\$5,000 ++
<u><a href="#">EShop@msn</a></u>	100	3,000
Go Shopping	270	15,000 ++
<u><a href="#">Shop@AOL</a></u>	275	25,000 +
Yahoo Shopping	7,500	300 + 2-15%

We recommend that the following three general merchandise malls be used initially due to the lack of direct fireplace screen competition, as well as their lower traffic levels. This will allow ABC to test the concept in a cybermall environment before committing substantial dollars to a Yahoo-sized cybermall.

[www.buyitnow.com](http://www.buyitnow.com)

[www.hansenwholesale.com](http://www.hansenwholesale.com)

200 screens, but no designs  
no connections to malls or other sites  
prices start at \$225; on up to \$1075

[www.goto.com](http://www.goto.com)

40 fireplace screen retailers listed  
none specialize in designs

The cost to display on any of these malls (typically \$25./product/month plus 3-5% of the sales) is not substantial.

The real key to sales for the screens is a very targeted approach to the right clientele, rather than trying to saturate the marketplace containing every living adult. The main placements for the screens should initially concentrate on those malls or sites specializing in the specific recreational themes of the first screens created (as of this writing, bowhunting and flycasting).

The one cybermall which is definitely recommended is Eders ([www.eders.com](http://www.eders.com)). This mall combines several attractive groups (freshwater and saltwater fishing, bowhunting, etc.) under one roof and offers some very directed and dedicated traffic which should prove to be well worthwhile.

In this same sense, although not technically a mall, ABC should place a links/banner package on the cyberspace versions of the Flyfishing and Hunting Broadcast Networks (FBN and HBN). The attraction to this site is that it has direct access to AOL's 18 million subscriber base, and receives an average of 5,000 visits per day. Basic costs are \$1,000 per month for sponsorship of either home page ([hbnonline.com](http://hbnonline.com) or [fbnonline.com](http://fbnonline.com)), and includes banner creation and newsletter recognition.

Due to the volatile nature of the internet and internet shopping, it is recommended that no commitment to a given mall should extend for more than a year. After 6-8 months, each mall's results will need to be re-evaluated in light of original expectations, sales-to-promotion dollar ratio, and new (mall) competition entering the market. Although listing fees and commission rates vary by mall, for budgeting purposes ABC should expect to pay a listing fee of \$25 per product per month plus commissions of 5% of net sales derived through the mall.

As an experiment, ABC might at some point want to try listing a popular design on an internet mall such as [tradeout.com](http://tradeout.com) or [nexttag.com](http://nexttag.com). Both of these are malls where a supplier posts goods, and the consumers bid on them or post prices they are willing to pay. They are, of course, designed for bargain hunters; but do provide a value in determining or confirming reasonable pricing.

7. Begin to place a series of the ads in appropriate publications based on the initial designs planned. Once the ad designer creates the ad film or data file for the ad, the process is relatively easy. Because of the long lead-time between ad commitment and publication for most magazines, these commitments should be negotiated almost immediately. In general, the cutoff date for a given month's issue will be one and one-half months before the first day of the publication month (e.g. the cutoff will be about January 15th for a March publication).

The specific publications selected will depend upon the initial designs selected, and should be theme-specific publications instead of general interest. Based upon the most recent verified readership figures available, the following publications are recommended:

Fishing:	Fly Rod & Reel	est. \$6,200 per ad
	Fishing & Hunting News	3,000 per ad
Hunting:	Bowhunter	8,500 per ad
	Buckmasters Whitetail	7,000

In each case, it is recommended that half-page color ads be used to obtain the maximum possible visual detail of the screens. Some experimentation with one-quarter page color ads might also be attempted, but the writer recommends that this experiment not be pursued until some measure of advertising and awareness momentum has been achieved. This generally means placement of at least three ads in a given publication over a period of six consecutive months.

The media costs listed above are the maximum expected, as they reflect basic rack rates. These rates are seldom paid by advertisers because discounts are readily given by most publications for multiple insertion contracts, as an inducement to new advertisers, or because of the negotiating power and knowledge of the client or client's agent. Also included in the rate above is the standard 15% commission allowed ad agencies by media. Generally, it is better for the client to pay the media net (of 15% commission) rates and compensate the ad agency or placement agent by the hour for his/her work. This latter approach also removes an incentive for the agent to recommend more media than may actually be needed for a given endeavor.

In addition to the half-page ads listed above (or, to save money, in lieu of them), ABC should also place a display ad on the publication's web site with a link back to the ABC URL containing the screens. This will appeal more to those bowhunting and flyfishing enthusiasts who are inclined to shop via PC (and whose incomes are significantly higher). The design of the display ad can be substantially lifted from the ABC web site, and should cost nothing on the margin from the magazine as long as the print ad is maintained.

The final component of display advertising in each of these publications is obtaining the subscriber list (both email and snail mail lists) to solicit directly. The email list will probably be under 20% of the subscriber base, and should cost the advertiser nothing. The snail mail list will carry normal rental rates of \$.12 - .15 per name.

8. Investigate and purchase direct mail (snail mail) lists of sports enthusiasts, theme magazine subscribers, and similar advocates in line with the initial screen themes introduced. Such lists can be purchased through a national list broker such as Edith Roman, and will typically cost about \$.12 - .15 per name. In addition, it is sometimes possible to negotiate use of a given theme magazine's subscriber list for a direct mail in conjunction with an ad campaign. Of course, it is not necessary to purchase an entire list – in fact, there is much to be said for using direct mail as a "plug" to fit in around other marketing endeavors, and as a pure test to see how it will pull. It is very unlikely that such direct mail will be more profitable than online promotions, but it should still result in a healthy profit.

Examples of lists available on the open market include:

PGA Tour Partners Club	108,000 names	\$110/M
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847.465.1500		
Alabama Bird Hunters	58,960 names	\$75/M
405.478.7245	Chilcutt Direct Marketing	
Fishing and Hunting News	87,200 names	\$85/M
5020.	Media Marketplace, Inc.	

Many more lists are available, as needs, screen themes, and results dictate. However, there are few lists (short of magazine subscription lists) that are directed at the two initial themes: bowhunting and flyfishing. The three lists cited above are relatively new and unused, and are managed by reputable publications and list brokers.

In addition to list costs, direct mail costs will include postage (\$.22 - .33 per piece, depending upon how finely they are sorted) and cost of the collateral included. To minimize such costs yet keep a professional image, it is recommended that a series of 8 1/2 x 11", single-sided, glossy color brochures be developed from the ads and photography already contracted and developed. The size thereof will lend itself easily to being folded into a #10 envelope, and allows room for reproducing the 1/2 page ad, additional copy, and a response coupon. Plus, including the ad on a brochure that is mailed to subscribers (who have already seen the ad) has been shown to increase direct mail response rates by as much as 45% vs. mailing a brochure independently of an ad theme.

A mini brochure of this nature, printed in quantities of 1,000 or more, can be expected to cost about \$.32 each. With minimal sorting of the mail to reduce postage costs slightly, the all-inclusive cost of direct mail will approximate \$.55 - .60.

- In addition to direct mail, opt-in email is a low-cost method of delivering an initial message about the theme screens and driving traffic to the web site. Unfortunately, at this point opt-in email is still embryonic, and there is little history to indicate how effective such a promotion will be. Fortunately, this lack of concrete historical results also helps to keep list rental prices low. Current pricing centers around \$.20 per name, which is higher than purchasing names for a direct snail mailing, but avoids all of the ancillary printing and postage costs thereof. A quick comparison of the costs of an email vs. snail mail solicitation is:

	<b>Marginal Unit Costs</b>	
	<b>Snail Mail</b>	<b>Email</b>
List rental	\$ .12 - .15	\$.25
Postage (partial presort)	.27 - .33	-0-
Envelope	.04	-0-
Simple glossy color brochure	.35	-0-

Addressing, stuffing, etc.	<u>.15</u>	<u>-0-</u>
Total	\$ .93 – 1.02	\$ .25

According to the Gartner Group, while banner ads typically pull a 0.5 – 1% click-through rate and direct mail might result in a 1-2% response range, well-selected opt-in email is currently pulling responses as high as 10-15% of recipients. The high end is not likely even for a targeted list, but the benefit/cost ration for email will certainly be higher than that of direct snail mail.

Opt-in email lists tend to be very narrow and specific, and typically are created to address fans of particular sports or teams, or enthusiasts of specific crafts or activities. The exact lists selected will, again, depend upon the themes of the initial screens designed and produced. However, subscriber numbers and costs of some likely lists are:

PostMasterDirect.com:

Fishing	35,090 names	\$7,000
Golf	44,716	\$9,000

Digitalwork.com:

Hunting (3 lists)	2,166 names	\$ 400
Fishing (5 lists)	18,859	\$3,500
Golf (15 lists)	25,483	\$5,000

The lists above are substantially the only opt-in ones available from general list brokers, based on contacts with the top nine opt-in companies (whitehat, admail, messagemedia, worldalaexchange, pinpointmedia, ClickAction, zapdata, postmasterdirect, and exactis). Therefore, the most promising avenue for email continues to be those small lists built by the webmasters of pertinent sites with which ABC strikes affiliations (e.g. bowhunting and flyfishing magazine sites, etc.).

This should be the entire cost of an opt-in email campaign, unless ABC decides to have the message copy written by an outside professional. **Use of opt-in email, with its potential to distribute thousands of messages a day, makes it imperative that ABC select a web site hosting service which is designed for business use, and which is agreeable to clients using non-spam email for marketing.**

10. Directly related to the point above, over 12,000 electronic magazines (ezines) currently exist on the internet. While a few are professionally produced to be electronic versions of established paper vehicles, the vast majority are created by individuals for distribution to very narrow interest groups (a Buffalo Bills ezine the writer receives has a subscriber list of fewer than 1500). For example, any given professional sports team typically has at least five or six ezines devoted to it. General themes such as college football or golf may well have over a hundred

eazines, each going to several thousand recipients.

Few of these ezines are designed to make a profit; in fact, most never generate a cent in revenues. Many ezine writers/distributors are glad to sell very attractive sponsorship packages to advertisers. While rates are based loosely on circulation, it is not unusual to find a per-reader fee of less than \$.02, far lower than contacting that same reader via direct mail or email.

Some actual, pertinent ezines and less formal electronic lists to contact include:

Probassangler [www.probassangler.com](http://www.probassangler.com)

[Hunting@Tamvm1.tamu.edu](mailto:Hunting@Tamvm1.tamu.edu)

[HuntDog-L@listserv.indiana.edu](mailto:HuntDog-L@listserv.indiana.edu)

[Fly-fishing@ernies.com](mailto:Fly-fishing@ernies.com)

[www.Sportfisherman.com](http://www.Sportfisherman.com)

Similar to opt-in email, e-zine ads tend to focus more on prose than on graphics. Thus, significant additional ad development costs should not be necessary.

11. In an early same direct mail campaign, it would be worthwhile to include suppliers of the recreational categories selected for the initial themes.

Based on figures cited previously in this writeup, an initial direct mail to potential retailers and organizations would cost just a bit more per piece than consumer direct mail. Overall, a cost of \$1.25 per piece should be sufficient. Recommended targets include the following Standard Industrial Classification (SIC) categories and numbers from infoUSA (cost per name rented will be about \$.15, with a \$250 minimum order):

5091-06	Golf Equip. Wholesale	925
5091-16	Golf Course Equip.-Whole.	551
5091-23	Archery Equip. Wholesale	28
5091-34	Fish. Supplies Wholesale	73
5091-35	Guns & Gunsmiths – Whole.	18
5719-33	Fireplace Equip. – Retail	2,646
7032-01	Fishing Camps	221
7032-02	Dude Ranches	34
7032-03	Camps	7,696
7032-05	Lodges–Fishing & Hunting	16
7997-01	Recreation Centers	6,121
7997-06	Golf Courses - Private	3,328

7997-09	Fishing Lakes – Private	41
7997-13	Gun Clubs	26
7997-16	Hunting & Fishing Clubs	55

12. **No earlier than** the third year of production, directly approach the licensing arms of major professional sports leagues, and negotiate for the rights to produce screens bearing the logos of individual teams. Based upon attendance, merchandise purchases, and viewing ratings over the past five years, the initial approaches should be to:

National Football League  
NASCAR

Both of these organizations currently maintain centralized licensing offices for their collective teams/drivers. Based upon recent merchandise agreements signed, an annual fee of some \$25,000 plus about 14% of sales can be expected. For this reason, this tactic is a lower priority one that should not be addressed until the second year.

13. Similarly to *M*, approach the licensing divisions of major colleges, defined as those colleges with large and loyal alumni (say, over 100,000) following. The following specific conferences are recommended for starters:

Big 10  
SouthEast Conference  
Pac-10

Based upon recent negotiations with the Ohio State University, universities typically receive royalties of 10-12% of sales with no annual minimums or guarantees. The advertising focus should, again, be on half-page color ads in both the alumni magazines and home football game programs.

14. Trade shows. Overall, trade shows do not tend to be a good medium in which to sell ancillary merchandise for a particular theme, no matter how well attended. Moreover, they tend to be expensive to attend, not only because of travel and booth expenses, but also because the preparation time is substantial.

Despite the drawbacks, it is recommended that ABC budget for 4-6 trade shows in calendar 2000. While some sales will result, the primary foci will be to (1) contact retailers in a given hobby area who may be interested in purchasing a number of screens, and (2) getting first-hand feedback from activity enthusiasts on the attractiveness of the initial designs.

Of course, the specific shows attended will depend upon the initial themes selected, availability

of ABC management time, and budget. Complete worldwide trade show and expo schedules, by subject, should be accessed periodically at

<http://www.tsnn.com>

In an effort to field-test the idea and prototypes, this URL was accessed for Hunting and Fishing shows occurring in Indiana, Illinois, Michigan, and Ohio during March, April, and May. It was felt that these would be sufficiently close so as not to overly burden ABC with expenses, but also far enough in the future to give sufficient time to develop firm prototypes. These four shows are recommended for attendance:

March 2 – 5	Greater Detroit Sportfishing	Auburn Hills, MI
March 9 – 12	Sportfishing & Travel	Lansing, MI
March 11-19	Sportsman's Show	Cleveland
March 16-19	Sport, Fishing, & Travel	Grand Rapids

The promoters of all four shows have been contacted twice in the past week to obtain information on exhibition costs plus a list of exhibitors. It is hoped that, at least for the test market phase, a "manufacturer's rep" will be displaying at each show who would be willing to include the fireplace screens in his/her display on a test basis. This should help keep test market costs to a minimum.

The budget for these or similar shows, once ABC proves the concept and decides to commit to a dedicated exhibit, should contain \$5,000 for the booth itself and giveaways, travel for the booth and ABC presenters, plus \$500/person/day stipend.

15. Press releases are specifically not recommended as a viable marketing tactic at this point, because of the relatively targeted nature of the prospect universe and the fact that the screens do not really play well in the absence of visuals. It is, however, recommended that a short release, featuring the web URL, be distributed to the appropriate hobby magazines as soon as the web site is ready. Initial contacts should focus on those magazines that will be used for the first rounds of advertising.

## • FINANCIAL PROJECTIONS

Sales and income/expense projections for the first five years of operations are attached: quarterly for the first year (2000), then annually for the remaining four. Since sales success will be a direct function of the endeavors applied, the primary assumptions behind these projections are:

- A. Only about half of the recommended marketing tactics will be employed, both because of limited time resources and as a way to mitigate risk. Of course, marketing can easily be ratcheted up or down at any time.
- B. The project will not start until the end of February, 2000; and there will be no sales at all during the first quarter of 2000.
- C. Other than the fees already stated (web site, ad, and other design fees), there will be no professional marketing fees incurred. All marketing, copywriting, etc., will be performed in-house.
- D. Projections are on a cash flow basis, and ignore the effects of income taxes.
- E. It is assumed that shipping & handling will be charged for the screens. However, except for short term adjustments, it is expected that the fees charged will wash with actual shipping costs incurred.
- F. A second hunting, second fishing, and initial golf vignette will be the next three themes designed and marketed, occurring by the end of the second quarter 2000.
- G. Customer service will be outsourced, at a fee which will be the higher of \$5,000 per month (beginning in April 2000) or 12% of the sales.
- H. The professional sports team logo screens will not be pursued, nor will the collegiate fraternity and sorority logos. However, the projections do assume development of generic football/NFL/non-logoed team screens, as well as development of screens featuring logos of prominent universities.
- I. A partner (along the lines of a manufacturer's rep) can be found to display ABC wares are sports and recreation trade shows, allowing ABC to minimize direct and personnel costs of attending such shows.
- J. Production costs start at \$125 per, declining to \$90 per by 12/31/01.
- K. 10% of the total unit sales come through the various malls.
- L. Unit sales are derived via the following algorithm:
  - i. 1% of the snail mail recipients, plus
  - ii. ½% of the opt-in email recipients, plus
  - iii. One purchaser per \$25. of trade show expense (low), plus
  - iv. One purchaser per \$50. of magazine and ezine advertisement and sponsorship expense (high).
  - v. The formulae for 2000 were reduced from the above by 75% for the second quarter, 50% for the third quarter, and 25% for the 4th quarter to reflect probable delays plus the inevitable lag time required for promotions measures to make a psychological impact.