



Interior Views – Sample Plan



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1.0 Executive Summary

Interior Views is a retail home decorator fabrics and complementary home accessories and services concept that is now in its third year. This destination store offers the advantages of providing fabrics specifically designed for home decorator use in fabric widths of 54 inches and greater. Over 900 fabrics are available on the floor at any time with more than 3,000 sample fabrics for custom "cut" orders. Customers see, touch, feel, and take the fabric to their home as they work through their purchase decision.

Market research indicates a specific and growing need in the area for the products and services Interior Views offers in the market it serves. The market strategy will be based on a cost effective approach to reach this clearly defined target market. The three-phase approach will utilize resources to create awareness of the store and encourage customers to benefit from the convenience and services it offers. Interior Views will focus on its selection, accessibility of product, design services, and competitive pricing.

The marketing objective is to actively support continued growth and profitability through effective implementation of the strategy.

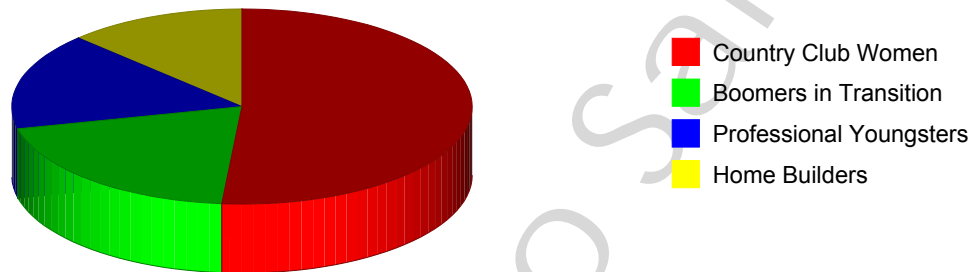
2.0 Situation Analysis

Interior Views is a retail store heading into its third year of operation. The store has been well received, and marketing is now critical to its continued success and future profitability. The store offers the most extensive selection of in-stock decorator fabrics as well as a resource for special ordered fabrics. The basic market need is to offer a good selection of decorator fabrics at reasonable prices, for the "do-it-yourself" and the "buy-it-yourself" customers, through a personalized retail store that offers excellent service, design assistance, and inspiration for people to redecorate their homes.

2.1 Market Summary

We possess good information about our market and know a great deal about the common attributes of our most prized and loyal customers. We will leverage this information to better understand who we serve, their specific needs, and how we can better communicate with them.

Target Markets



2.1.1 Market Demographics

The profile of the Interior Views customer consists of the following geographic, demographic, psychographic, and behavior factors:

Geographics

- Our immediate geographic market is the Boise area, with a population of 168,300.
- A 50-mile geographic area is in need of our products and services.
- The total targeted area population is estimated at 568,800.

Demographics

- Female.
- Married.
- Have children, but not necessarily at home.
- Have attended college.
- A combined annual income in excess of \$50,000.
- Age range of 35 to 55 years, with a median age of 42.
- Owns their home, townhouse and/or condominium valued at over \$125,000.
- If they work out of the home, it's by choice in a professional/business setting.
- Belong to one or more business, social and/or athletic organizations, which may include:
 - Downtown Athletic Club.
 - Boise Country Club.
 - Junior League of Boise.
 - American Business Women's Association.

We know the following regarding the profile of the typical resident of Boise:

- 67% have lived in Boise for 7 years or more.

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- 23% are between the ages of 35 and 44.
- 40% have completed some college.
- 24% are managers, professionals and/or owners of a business.
- 53% are married.
- 65% have no children living at home.
- 56% own their residence.

Psychographics:

- The appearance of her home is a priority.
- Entertaining and showing her home is important.
- She perceives herself as creative, tasteful and able, but seeks validation and support regarding her decorating ideas and choices.
- She reads one or more of the following magazines:
 - Martha Stewart Living.
 - Country Living.
 - Home.
 - House Beautiful.
 - Country Home.
 - Metropolitan Home.
 - Traditional Homes.
 - Victoria.
 - Architectural Digest.
 - Elle Decor.

Behaviors

- She takes pride in having an active role in decorating their home.
- Her home is a form of communicating "who she is" to others.
- Comparisons within social groups are made on an ongoing basis, but rarely discussed.

Table: Market Analysis

Market Analysis	Growth	2004	2005	2006	2007	2008	CAGR
Potential Customers							
Country Club Women	25%	73,500	91,875	114,844	143,555	179,444	25.00%
Boomers in Transition	20%	28,500	34,200	41,040	49,248	59,098	20.00%
Professional Youngsters	18%	23,000	27,140	32,025	37,790	44,592	18.00%
Home Builders	12%	18,000	20,160	22,579	25,288	28,323	12.00%
Total	21.48%	143,000	173,375	210,488	255,881	311,457	21.48%

2.1.2 Market Needs

Interior Views is providing its customers the opportunity to create a home environment to express who they are. They have the choice to select their fabric and go whatever direction they choose -- to fabric it themselves or have it done for them. They have the opportunity to actively participate in the design, look, and feel of their home. They desire their home to be personal, unique, and tasteful as well as communicate a message about what is important to them. We seek to fulfill the following benefits that we know are important to our customers.

- **Selection** - A wide choice of current and tasteful decorator fabrics.
- **Accessibility** - The buyer can walk out of the store with the fabric they need to begin their project.
- **Customer Design Services** - Employees have a design background to make them a resource for the customer. This enables customers to benefit from suggestions regarding the selection of their fabric and related products in a manner to complement their design choice.

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- **Competitive Pricing** - All products will be competitively priced in comparison to stores in the Portland, Oregon market (best price comparison) and other channels of distribution, such as catalog sales.

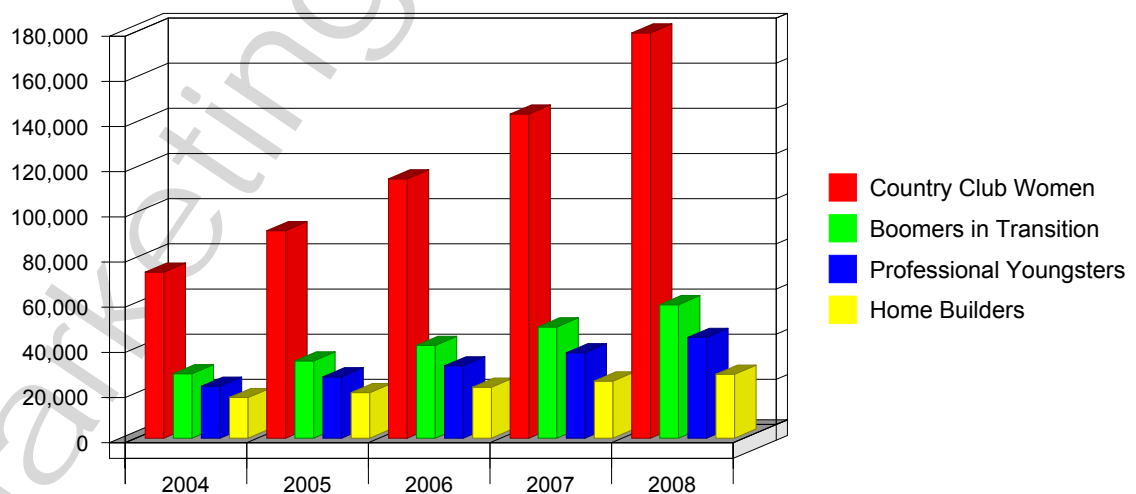
2.1.3 Market Trends

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

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

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

Market Forecast



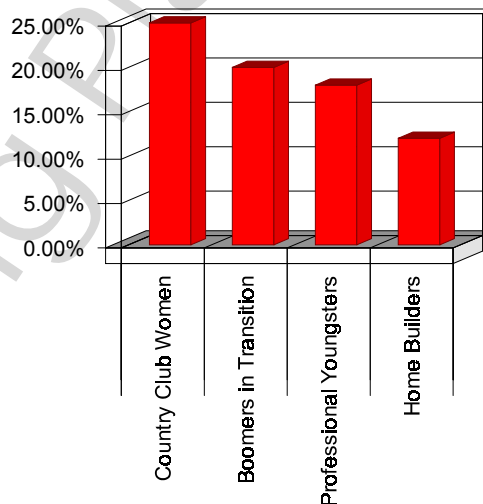
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2.1.4 Market Growth

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

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

Target Market Growth



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2.2 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing Interior Views.

2.2.1 Strengths

- Strong relationships with suppliers that offer credit arrangements, flexibility, and response to special product requirements.
- Excellent and stable staff, offering personalized customer service.
- Great retail space that offers flexibility with a positive and attractive atmosphere.
- Strong merchandising and product presentation.
- Good referral relationships with complementary vendors, local realtors, and some designers.
- In-store complementary products through "The Window Seat" and "Antique Bureau" add interest, stability and revenue.
- High customer loyalty among repeat and high-dollar purchase customers.

2.2.2 Weaknesses

- Access to capital.
- Cash flow continues to be unpredictable.
- Owners are still climbing the "retail experience curve."
- Location is not in a heavily traveled, traditional retail area.
- Challenges of the seasonality of the business.

2.2.3 Opportunities

- Growing market with a significant percentage of our target market still not knowing we exist.
- Continuing opportunity through strategic alliances for referrals and marketing activities.
- Benefiting from high levels of new home construction.
- Changes in design trends can initiate updating and therefore sales.
- Increasing sales opportunities beyond our "100-mile" target area.
- Internet potential for selling products to other markets.

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2.2.4 Threats

- Competition from a national store; or a store with greater financing or product resources could enter the market.
- Catalog resources, including Calico Corners and Pottery Barn, are aggressively priced with comparable products.
- Continued price pressure, reducing contribution margins.
- Dramatic changes in design, including fabric colors and styles, creates obsolete or less profitable inventory.

2.3 Competition

Competition in the area of decorator fabric comes from three general categories, traditional fabric retail stores, catalog sales, and discounters.

Retail Stores

Current local competition includes the following:

- **House of Fabrics** -- Nationwide recognition and buying power of numerous types of dated fabric with strong product availability. This store has experienced financial difficulty in recent years and has closed several locations throughout the country.
- **Warehouse Fabrics** -- Locally owned, offering low-cost products with a wide selection of discontinued fabrics and only a limited number of "current" fabrics. This warehouse concept offers marginal customer service with what many "upper end" customers consider to be an "undesirable" shopping environment.
- **JoAnn's** -- Nationwide chain with strong buying power. They have a broad fabric selection for clothing with a limited number of in-store decorator fabrics available. Their primary target markets are the clothing seamstress, with an increasing emphasis on craft items.
- **Interior Designers** -- There are 37 interior designers listed in the Boise Yellow Pages (Year 2000-2001 issue) that offer fabric as a part of their services. Interior designers make profit off mark up of fabric in addition to their hourly services charges. Their costs per yard are typically higher since they do not benefit from retail or volume discounts. Therefore, their costs to their customer is often two to four times higher than the price per yard from Interior Views.
- **Website Providers** -- Fabric sales over the Web are limited at this time, and this will be a source of competition for the future to watch. Currently, there is no measurable impact on our market through competitive websites.

Catalog Competitors

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

Discounters

Channels of distribution continue to shift in favor of discounters, who account for a significant

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

Competitor by Growth and Share

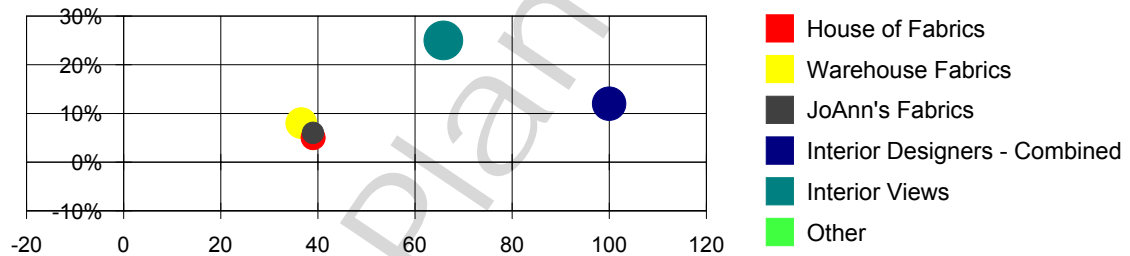


Table: Growth and Share Analysis

Growth and Share Competitor	Price	Growth Rate	Market Share
House of Fabrics	\$80	5%	18%
Warehouse Fabrics	\$75	8%	23%
JoAnn's Fabrics	\$80	6%	16%
Interior Designers - Combined	\$205	12%	25%
Interior Views	\$135	25%	29%
Other	\$0	0%	0%
Average	\$95.83	9.33%	18.50%
Total	\$575.00	56.00%	111.00%

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2.4 Product Offering

Our primary points of differentiation offer these qualities:

- The most extensive access to in-stock, first quality decorator fabrics within 100 miles of our primary geographic market and offered at affordable prices.
- The largest selection of special-order fabrics, with arrangements to have most of those products shipped to the store within 10 days of placing the order.
- Personal assistance from a design-oriented staff that is qualified and capable of meeting the needs of discerning customers with high expectations.
- Complementary product offering, including hard-covering window treatment, hardware, home accessories, made-to-order upholstered furniture, and antiques that are designed, selected, and displayed in a way to emphasize the use of fabric in home design.

Interior Views will qualify for the most attractive retail discount through these suppliers, offering greater profit margins and more competitive pricing for bolt purchases in quantities of 50 to 60 yards, or in half of that yardage with a "cutting fee" that increases cost per yard by an average of 50 cents. The primary product lines will include fabrics from the following textile sources:

- Robert Allen Fabrics
- Fabricut
- Waverly Fabrics
- Spectrum
- Art Mark
- Covington
- P/Kaufmann

Complementary accessories, including fabric trims, drapery hardware, and hard-covering window treatments, are supplied from the following sources:

- Hunter Douglas -- Hard-window coverings.
- Kirsh -- Rods and selected window hardware and accessories.
- Conso -- Trims and Fabric Accessories.
- Petersen-Arne -- Trims and Accessories.
- Graber -- Selected window hardware.
- Grumman -- Threads.

2.5 Keys to Success

- Maintain gross margins in excess of 45%.
- Retain customers to generate repeat purchases and referrals.
- Generate average sales in excess of \$1,000 per business day.

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2.6 Critical Issues

Interior Views is still in the "speculative" stage as a retail store. Its critical issues are:

- Relatively slow annual sales growth. With admirable results through the first 30 months of operation, the market continues to hold promise, but, as learned through the first two years of operation, it is still smaller than what it should be to support a store of this kind.
- Continue to take a fiscally-conservative approach; downscale when necessary and modify our business model based on market response.

2.7 Historical Results

The following categorizes our marketing activities as "Do It Again" and "Did Not Work." This was determined on the return on investment (ROI) based on trackable sales that resulted from these marketing efforts.

Do It Again

- Quarterly Newsletter containing three elements, currently to a mailing list of 4,300;
 1. Classes; paid and sponsored.
 2. Sales; eight days in duration.
 3. Events; open house, demonstration, or charity fund raiser.
- Newspaper ad in the Boise Herald for sales activities.
- Television advertising-30 second commercials;
 1. Local broadcast of "Martha Stewart."
 2. Local broadcast of "Interior Motives."

Did Not Work

- Advertising and sponsorship of local ballet and opera performance programs.
- Advertising in Junior League Newsletter.
- Advertising in the Athletic Club Newsletter.
- Local television advertising on talk show formats, news shows, and general audience programs.
- Hotel "In-room" book advertisements.

Therefore, the three-step quarterly newsletter combined with advertising on "Martha Stewart" and "Interior Motives" with ads in the Boise Herald to promote specific sales events has proven to be the best marketing combination.

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2.8 Macroenvironment

The following trends and issues impact the success of Interior Views.

- **National economic health** -- The store does better when the country experiences "good times" regardless of its direct impact on the local economy. Sales decrease when the stock market falls and when NATO takes military action. An upbeat State of the Union address by the President correlates with an increase in sales.
- **New home construction activity** -- More closely related to what is taking place in our local economy, new home construction has a significant impact on sales across all product lines.
- **Shifts in design trends** -- Major changes in design trends increase sales. The Boise market lags behind metropolitan design trends by 6 to 12 months. This offers a buying advantage for the store, offering a preview of what is coming and how we should adjust our in-stock inventory.

3.0 Marketing Strategy

Our marketing strategy is based on becoming the resource of choice for people looking for decorator fabrics, do-it-yourself, and buy-it-yourself resources to create a look in their home. Our marketing strategy is based on superior performance in the following areas:

- Product selection.
- Product quality.
- Customer service.

Our marketing strategy will create awareness, interest, and appeal from our target market for what Interior Views offers our customers.

3.1 Mission

Interior Views LLC is a store for discerning, quality-conscious buyers of decorator fabrics and complementary home accessories and furniture. The store celebrates the home through the color and texture of fabric. The experience informs, inspires, and shows people how to transform their home into a unique and personalized expression of themselves. Interior Views seeks to encourage people to imagine what can be, and help make their vision a reality.

3.2 Marketing Objectives

1. Maintain a gross margin of 45% each month.
2. Generate an average of \$1,000 of sales each business day each month.
3. Experience a \$5,000 increase in quarterly sales with each newsletter.
4. Realize an annual growth rate of approximately 25% in the year 2000.

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3.3 Financial Objectives

1. A growth rate in sales of 12% for the year 2000, to total in excess of \$341,200 in total revenues.
2. An average sales per business day (305 days per year) in excess of \$1,000.
3. Reduce the existing credit line by a minimum of \$26,400.

3.4 Target Markets

The target markets are separated into four segments; "Country Club Women," "Boomers in Transition," "Professional Youngsters" and "Home Builders." The primary marketing opportunity is selling to these well defined and accessible target market segments that focuses on investing discretionary income in these areas:

Country Club Women -- The most dominant segment of the four is comprised of women in the age range of 35 to 50. They are married, have a combined income of greater than \$80,000, own at least one home or condominium, and are socially active at and away from home. They are members of the Boise Country Club, The Downtown Athletic Club, the Junior League of Boise, AAUW, and/or the Doctor Wives Auxiliary. They have discretionary income, and their home and how it looks is a priority. The appearance of where they live communicates who they are and what is important to them. This group represents the largest collection of "Martha Stewart Wanna Be's," with their profile echoing readers of *Martha Stewart Living* magazine, based on the current demographics described in the *Martha Stewart Living Media Kit*.

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

Professional Youngsters -- Couples between the ages of 25 and 35 establishing their first "adult" household fall into this group. They both work, earn in excess of \$50,000 annually, and now want to invest in their home. They seek to enjoy their home and communicate a "successful" image and message to their contemporaries. They buy big when they have received a promotion, a bonus, or an inheritance.

Home Builders -- People in the building process, typically ranging in age from 40 to 60, are prime candidates for Interior Views.

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3.5 Positioning

For the person creating a personalized and unique impression of her home, Interior Views is the best local source for selection and price points of the fabric, customer-oriented design services, and a variety of other home accessory and furniture products. Customers will be impressed with, and return for, the great in-stock selection, value-oriented pricing, and excellent customer service. Unlike JoAnn's, Warehouse Fabric, or catalogs, Interior Views is a pleasant and tasteful resource that encourages everyone in the process of decorating their home. Unlike employing an interior decorator, Interior Views allows the individual to participate in their design choices to the extent they choose, and realize greater value for the dollars they invest.

3.6 Strategies

The single objective is to position Interior Views as the premier source for home decorator fabrics in the Greater Boise area, commanding a majority of the market share within three years. The marketing strategy will seek to first create customer awareness regarding the products and services offered, develop that customer base, establish connections with targeted markets and work toward building customer loyalty and referrals.

Interior Views' four main marketing strategies are:

1. Increased awareness and image.
2. Leveraging existing customer base.
3. Cross selling.
4. New home construction promotion.

Strategy #1 INCREASED AWARENESS and IMAGE - *Informing those not yet aware of what Interior Views offers.*

- **Advertising**
 - Martha Stewart
 - Interior Motives
- **Referral Generation**
 - Realtor "open house" promotions
 - Complementary vendor referrals
 - Imperial Floors.
 - Upholstery resources.
 - "Design Time" Interior Design.
 - 27th Street Fabrics.
- **Organization Relationships**
 - Co-sponsorships of fund raising activities
 - Hosting events
 - Luncheons.
 - Teas.
 - Evening events.

Strategy #2 LEVERAGING EXISTING CUSTOMER BASE - *Our best sales in the future will come from our current customer base.*

- **Newsletter**
 - Sales promotions
 - Classes
 - Events
- **Customer Service and Relationships**

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- Exceptional customer service in the store
- Follow up contact
- Personal shopper support
- **Additional Experiences**
 - Classes
 - Demonstrations

Strategy #3CROSS SELLING - *Increasing the average dollar amount per transaction.*

- **Internal**
 - Additional sales of trims, notions, and accessories
 - Promoting sales of furniture; Chameleon and Scottie Mac lines
- **Sub-Lease Sales**
 - Antiques through "Antique Bureau"
 - Accessories through "The Window Seat"

Strategy #4NEW HOME CONSTRUCTION PROMOTION - *Connecting with people involved in the building process.*

- **Connecting with "Suppliers"**
 - Realtors gift certificate program
 - Builders design support services
 - Loan Officers gift certificate program
- **Connecting with "Customers"**
 - Subscription and use of "newcomers" report
 - Chamber of Commerce new members update

3.7 Marketing Mix

In brief, our marketing mix is comprised of these approaches to pricing, distribution, advertising and promotion, and customer service.

Pricing -- A keystone pricing formula plus \$3.00 will be applied for most fabrics. The goal is to have price points within 5% of the list price of Calico Corners' retail prices. This insures competitive pricing and strong margins.

Distribution -- All product is distributed through the retail store. The store does receive phone orders from established customers and we will be developing a website.

Advertising and Promotion -- The most successful advertising has been through the Boise Herald and through ads on "Martha Stewart" and "Interior Motives" television shows. The quarterly newsletter has also proven to be an excellent method to connect with the existing customer base, now with a mailing list of 4,300 people.

Customer Service -- Excellent, personalized, fun, one-of-a-kind customer service is essential. This is perhaps the only attribute that cannot be duplicated by any competitor.

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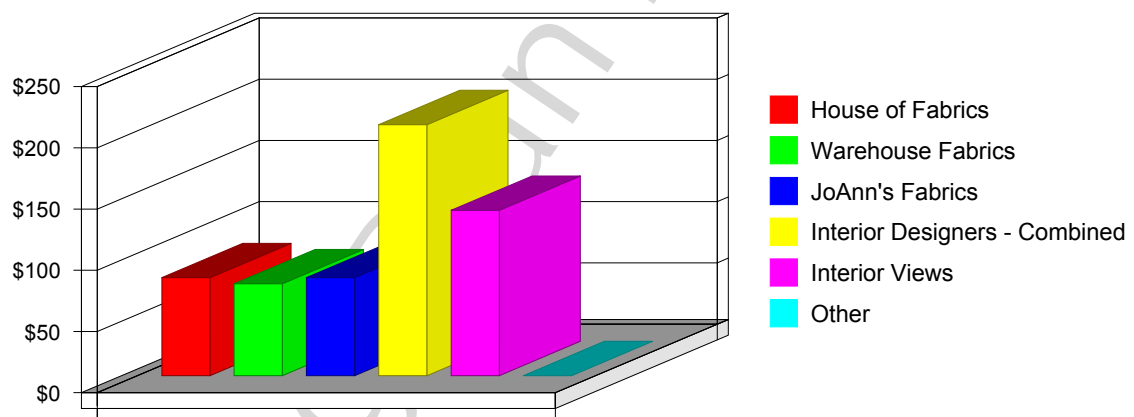
3.7.1 Product Marketing

Our products enable our customers to experience support, gather ideas and options, and accomplish their decorating goals. They will be able to create a look that is truly unique to their home. They will not be able to do this in the same way through any other resource.

3.7.2 Price

Product pricing is based on offering high value to our customers compared to most price points in the market. Value is determined based on the best quality available, convenience, and timeliness in acquiring the product. We will consistently be below the price points offered through interior designers and consistently above prices offered through the warehouse/seconds retail stores, but we will offer better quality and selection.

Competitor by Price



3.7.3 Promotion

The most successful advertising and promotion has been through the following:

- **Newspaper Advertisements** - Boise Herald.
- **Television Advertisements** - "Martha Stewart" and "Interior Motives" television shows.
- **Quarterly Newsletter and Postcard** - A direct mail, 4-page newsletter distributed to the customer mailing list generated from people completing the "register" sign up in the store. The mailing list now totals more than 4,300 people.
- **In Store Classes** - "How to" classes, most of which are free, have been successful because of the traffic and sales they generate after the class. Typically 90 minutes in length and most held on Saturday, these are the most popular classes:
 - "Pillow Talk" - Pillow fabrication.
 -

Interior Views - Sample Plan

- "Speaking of Slip Covers" - Slip cover presentation and discussion.

- "Shades of the Season" - Window treatment options with fabric.

3.7.4 Service

The first goal is to recognize everyone as they come into the store. If they are a repeat customer, they are referred to by name. If they are a new customer, they are asked, "How did you hear about us?" Help is always available and never invasive. The store is staffed to be able to dedicate time and energy to customers that want assistance when they need it. The store is designed so a customer can sit as long as they want to look at books, fabric samples, and review the resources in the store. Their children are also welcome, with a television, VCR, and toys available in the childrens' area in clear view of the resource center. We provide service in a way that no other competitive retail store can touch. It is one of our greatest assets and points of differentiation. Insight, ideas, inspiration, and fun is the goal. Repeat, high dollar purchases from loyal customers is the desired end product.

3.8 Marketing Research

- Initial Question Results -- The staff notes customer responses to the "How did you hear about us?" question. We attempt to correlate that with our advertising and promotional activities and referral-generation programs.
- Store Suggestions -- The store suggestion box is another method to gain additional information from customers. Some of the most productive questions are:
 - What suggestion do you have to improve the store?
 - Why did you visit the store today?
 - What other products or services would you like to have available in the store?
- Competitive Shopping -- We continually shop other stores. We visit each store in our market at least once each quarter for competitive information, we visit stores in the Seattle and Portland markets for merchandising and buying insight, and we subscribe to every catalog we know that has decorator fabrics as any part of their product line.

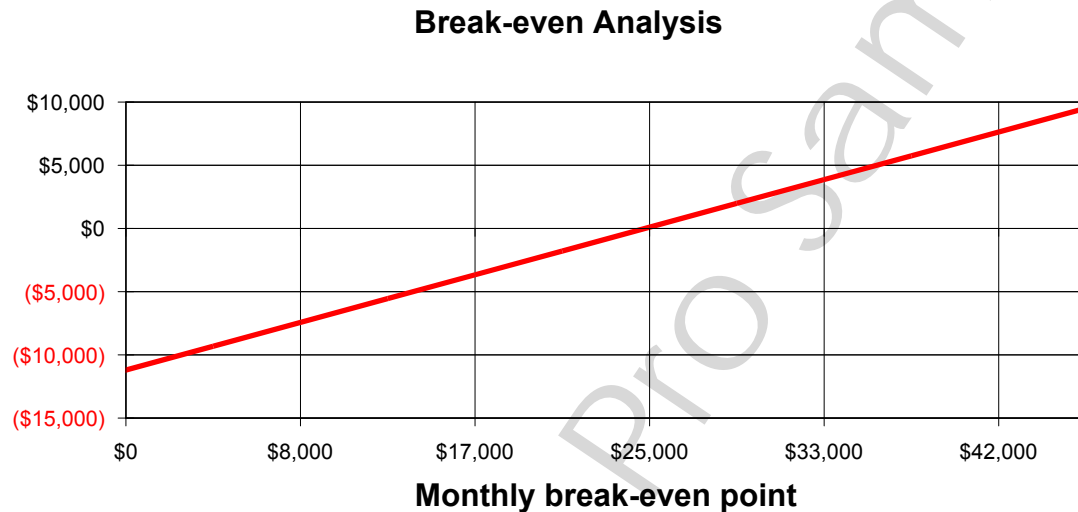
4.0 Financials

This section will offer a financial overview of Interior Views as it relates to our marketing activities. We will address break-even information, sales forecasts, expense forecasts, and how those link to our marketing strategy.

Interior Views - Sample Plan

4.1 Break-even Analysis

The break-even analysis below illustrates the number of single sales, or units, that we must realize to break even. This is based on average sale and costs per transaction.



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	184
Monthly Revenue Break-even	\$24,889
Assumptions:	
Average Per-Unit Revenue	\$135.00
Average Per-Unit Variable Cost	\$74.25
Estimated Monthly Fixed Cost	\$11,200

4.2 Sales Forecast

The sales forecast is broken down into the four main revenue streams; direct sales, Web sales, consignment sales, and sub-lease revenues. The sales forecast for the upcoming year is based on a 25% growth rate. This is a slower growth rate than what was experienced from 1997 to 1998 at 33%, and also less than what is expected for year end 1999, estimated to be approximately 28%. These projections appear attainable and take the increasing base into consideration. Growth rates for years 2001 through 2004 are based on percentage increases as follows:

- Direct Sales 20% growth rate per year.
- Web Sales 50% growth rate per year.
- Consignment Sales 20% growth rate per year.
- Sub-lease Revenues 10% growth rate per year.

Interior Views - Sample Plan

Monthly Sales Forecast

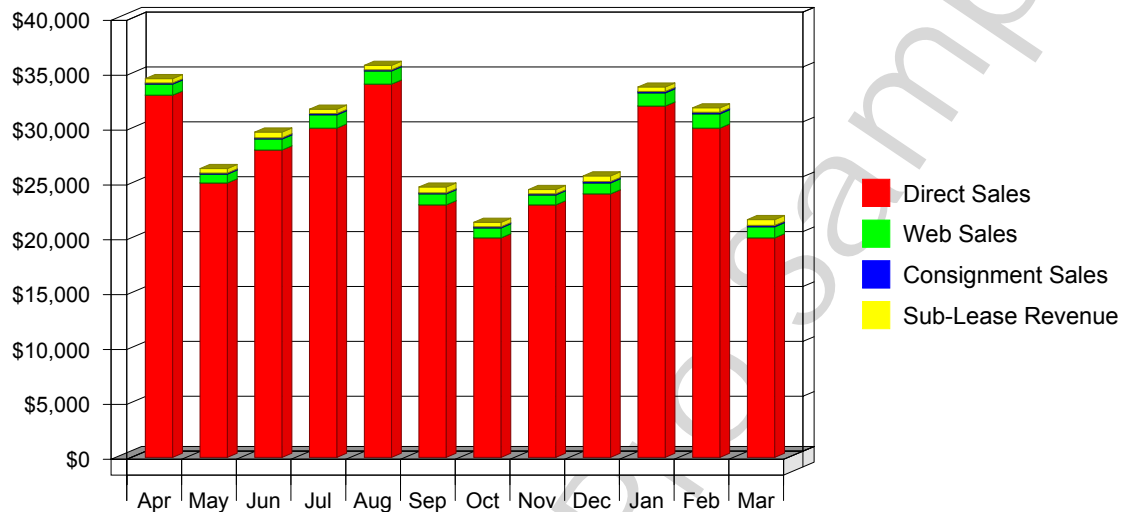


Table: Sales Forecast

Sales Forecast					
Sales	2005	2006	2007	2008	2009
Direct Sales	\$322,000	\$386,400	\$463,700	\$556,400	\$667,700
Web Sales	\$12,500	\$18,750	\$28,125	\$42,190	\$63,280
Consignment Sales	\$1,360	\$1,632	\$1,960	\$2,350	\$2,820
Sub-Lease Revenue	\$5,340	\$5,600	\$6,165	\$6,780	\$7,460
Total Sales	\$341,200	\$412,382	\$499,950	\$607,720	\$741,260
Direct Cost of Sales	2005	2006	2007	2008	2009
Direct Sales	\$178,850	\$214,000	\$255,500	\$307,000	\$370,000
Web Sales	\$6,875	\$10,400	\$12,000	\$18,000	\$20,000
Consignment Sales	\$71	\$85	\$102	\$123	\$150
Sub-Lease Revenue	\$60	\$66	\$73	\$80	\$88
Subtotal Direct Cost of Sales	\$185,856	\$224,551	\$267,675	\$325,203	\$390,238

4.2.1 Sales Breakdown by Fabric Sales

Fabric sales account for approximately 74% of total sales. The remaining sales result from complementary products sales, including trims, tassels, pillows, drapery rods and hardware, books, and upholstered furniture.

Interior Views - Sample Plan

4.2.2 Sales Breakdown by Consignment

Consignment sales account for a relatively small portion of total sales and are primarily supported to create a better feel and look for the store. This is an area that does provide useful information feedback regarding other possible product sales the store may want to sell in the future.

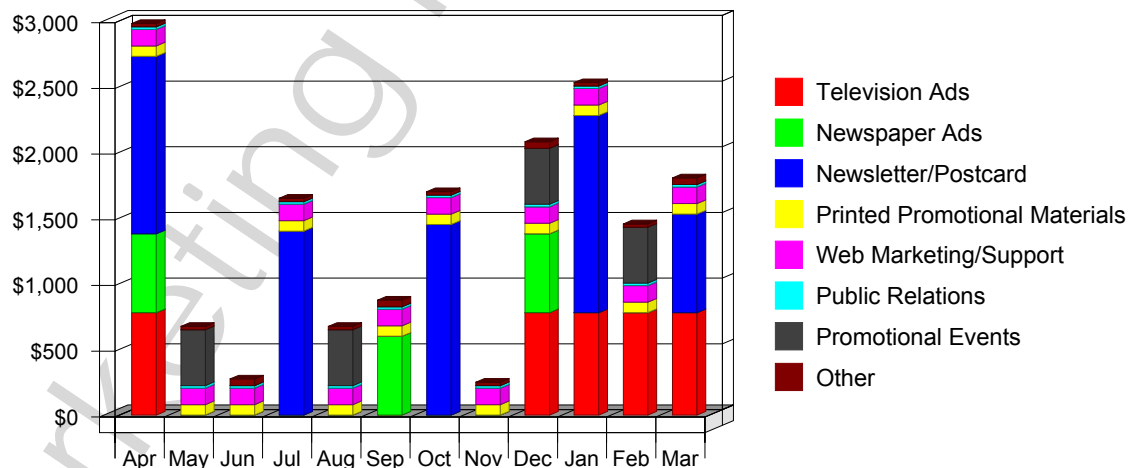
4.2.3 Sales Breakdown by Sub-lease

The Antique Bureau sub-leases approximately 450 square feet. This store offers a selection of authentic antiques. It attracts additional customers and provides revenue for space that is currently unused. Two additional areas are available. The "conference room" space is available for special events, and the second office is available for an interior designer to sub-lease.

4.3 Expense Forecast

Marketing expenses are to be budgeted at approximately 5% of total sales. Expenses are tracked in the major marketing categories of television advertisements, newspaper advertisements, the newsletter and postcard mailings, Web marketing support, printed promotional materials, public relations, and other.

Monthly Expense Budget



Interior Views - Sample Plan

Table: Marketing Expense Budget

Marketing Expense Budget	2005	2006	2007	2008	2009
Television Ads	\$3,900	\$4,600	\$5,620	\$6,740	\$8,200
Newspaper Ads	\$1,800	\$2,160	\$2,592	\$3,110	\$3,800
Newsletter/Postcard	\$6,450	\$7,700	\$9,200	\$11,150	\$13,400
Printed Promotional Materials	\$960	\$1,150	\$1,380	\$1,660	\$2,000
Web Marketing/Support	\$1,500	\$1,950	\$2,535	\$3,295	\$4,300
Public Relations	\$240	\$345	\$415	\$500	\$600
Promotional Events	\$1,700	\$1,950	\$2,300	\$2,800	\$3,400
Other	\$400	\$480	\$575	\$700	\$850
Total Sales and Marketing Expenses	\$16,950	\$20,335	\$24,617	\$29,955	\$36,550
Percent of Sales	4.97%	4.93%	4.92%	4.93%	4.93%
Contribution Margin	\$138,394	\$167,496	\$207,658	\$252,562	\$314,472
Contribution Margin / Sales	40.56%	40.62%	41.54%	41.56%	42.42%

4.3.1 Expense Breakdown Inventory

Marketing expenses are evenly allocated based on the type of inventory in the store.

4.3.2 Expense Breakdown by Fixtures

Fixtures and in-store improvements are important for us to track and allow us to better understand how we are using the space allocated.

4.3.3 Expense Breakdown by Supplies

Supplies are one of the more controllable expenses and will be important to monitor as we grow.

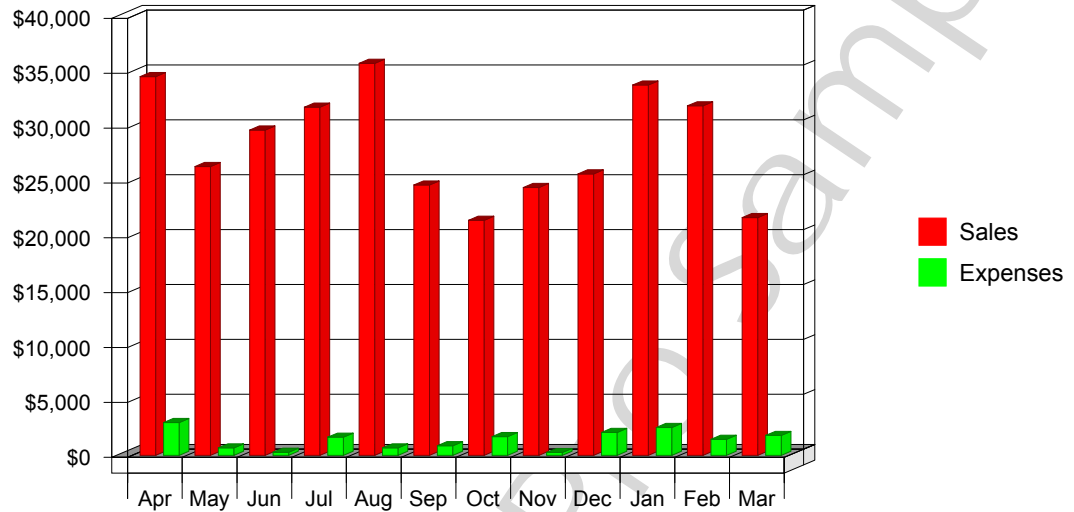
4.4 Linking Expenses to Strategy and Tactics

Our marketing expenses are allocated based on this prioritized approach:

1. Invest in our current customer base - 60%.
2. Invest in prospective customers that match our known profile - 30%.
3. Invest in creating greater awareness in the community - 10%.

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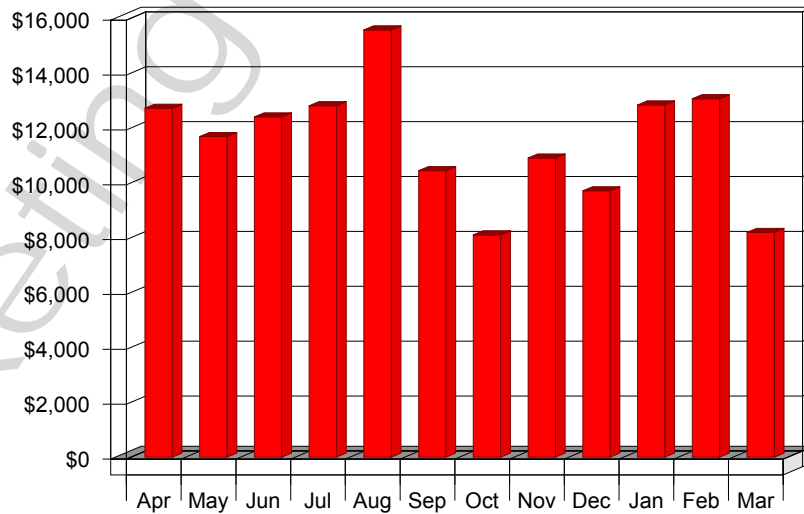
Sales vs. Expenses Monthly



4.5 Contribution Margins

A key component of our marketing plan is to keep gross margins at or above 45%.

Contribution Margin Monthly



Interior Views - Sample Plan

Table: Contribution Margin

Contribution Margin	2005	2006	2007	2008	2009
Sales	\$341,200	\$412,382	\$499,950	\$607,720	\$741,260
Direct Costs of Goods	\$185,856	\$224,551	\$267,675	\$325,203	\$390,238
Other Costs of Sales	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$185,856	\$224,551	\$267,675	\$325,203	\$390,238
Gross Margin	\$155,344	\$187,831	\$232,275	\$282,517	\$351,022
Gross Margin %	45.53%	45.55%	46.46%	46.49%	47.35%
Marketing Expense Budget	2005	2006	2007	2008	2009
Television Ads	\$3,900	\$4,600	\$5,620	\$6,740	\$8,200
Newspaper Ads	\$1,800	\$2,160	\$2,592	\$3,110	\$3,800
Newsletter/Postcard	\$6,450	\$7,700	\$9,200	\$11,150	\$13,400
Printed Promotional Materials	\$960	\$1,150	\$1,380	\$1,660	\$2,000
Web Marketing/Support	\$1,500	\$1,950	\$2,535	\$3,295	\$4,300
Public Relations	\$240	\$345	\$415	\$500	\$600
Promotional Events	\$1,700	\$1,950	\$2,300	\$2,800	\$3,400
Other	\$400	\$480	\$575	\$700	\$850
Total Sales and Marketing Expenses	\$16,950	\$20,335	\$24,617	\$29,955	\$36,550
Percent of Sales	4.97%	4.93%	4.92%	4.93%	4.93%
Contribution Margin	\$138,394	\$167,496	\$207,658	\$252,562	\$314,472
Contribution Margin / Sales	40.56%	40.62%	41.54%	41.56%	42.42%

5.0 Controls

The following will enable us to keep on track. If we fail in any of these areas, we will need to re-evaluate our business model:

- Gross margins at or above 45%.
- Month-to-month annual comparisons indicate an increase of 20% or greater.
- Do not depend on the credit line to meet cash requirements.
- Continue to pay down the credit line at a minimum of \$24,000 per year.

5.1 Implementation

The following identifies the key activities that are critical to our marketing plan. It is important to accomplish each one on time and on budget.

Interior Views - Sample Plan

Milestones

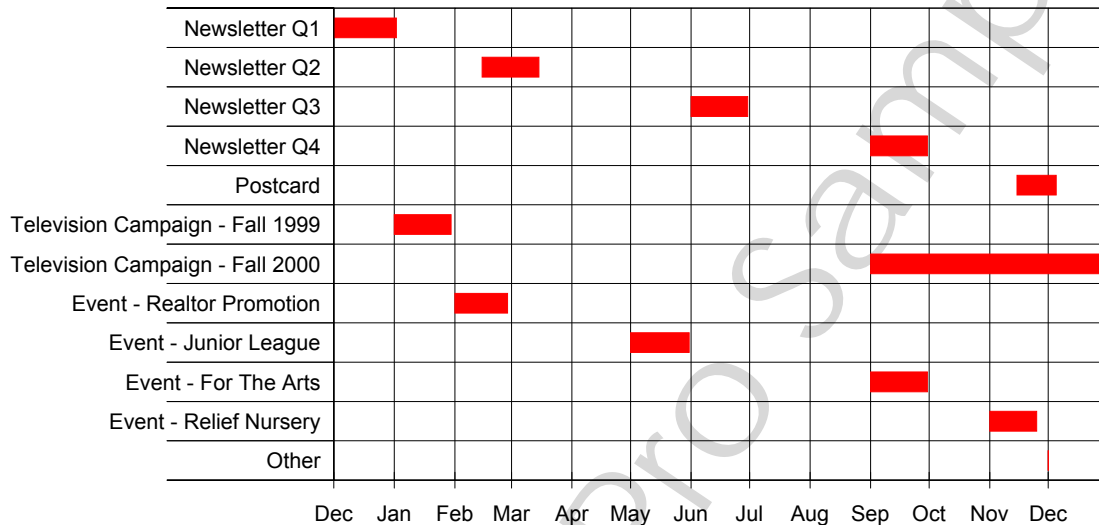


Table: Milestones

Milestones Milestone	Start Date	End Date	Budget	Manager	Department
Newsletter Q1	12/1/99	1/2/00	\$1,350	Judy	Existing
Newsletter Q2	2/15/00	3/15/00	\$1,400	Judy	Existing
Newsletter Q3	6/1/00	6/30/00	\$1,450	Judy	Existing
Newsletter Q4	9/1/00	9/30/00	\$1,500	Judy	Existing
Postcard	11/15/00	12/5/00	\$750	Judy	Existing
Television Campaign - Fall 1999	1/1/00	1/30/00	\$780	Julie	New
Television Campaign - Fall 2000	9/1/00	12/31/00	\$3,120	Julie	New
Event - Realtor Promotion	2/1/00	2/28/00	\$400	Julie	Home Builders
Event - Junior League	5/1/00	5/31/00	\$400	Kandi	New
Event - For The Arts	9/1/00	9/30/00	\$400	Pat	New
Event - Relief Nursery	11/1/00	11/25/00	\$400	Jo	New
Other	12/1/00	12/1/00		n/a	n/a
Totals			\$11,950		

5.2 Marketing Organization

Judy Wilson, the owner, is the one primarily responsible for marketing activities. This is in addition to her other responsibilities, and she does depend on some outside resources for mailing (Donna at Postal Connection) and some graphic design work. Judy does delegate responsibilities to Julie Hanson to assist with television advertising. Julie and the other staff members are also responsible for at least one special event throughout the year.

5.3 Contingency Planning

Difficulties and Risks

- Slow sales resulting in less-than-projected cash flow.
- Unexpected and excessive cost increases compared to the forecasted sales.
- Overly aggressive and debilitating actions by competitors.
- A parallel entry by a new competitor.

Worst case risks might include:

- Determining the business cannot support itself on an ongoing basis.
- Having to liquidate the inventory to pay back the bank loan.
- Locating a tenant to occupy the leased space for the duration of the five year lease (January of 2003).
- Losing the assets of the investors used for collateral.
- Dealing with the financial, business, and personal devastation of the store's failure.

Interior Views - Sample Plan Appendix

Appendix Table: Sales Forecast

Sales Forecast												
Sales	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Direct Sales	\$33,000	\$25,000	\$28,000	\$30,000	\$34,000	\$23,000	\$20,000	\$23,000	\$24,000	\$32,000	\$30,000	\$20,000
Web Sales	\$1,000	\$800	\$1,000	\$1,200	\$1,200	\$1,000	\$900	\$900	\$1,000	\$1,200	\$1,300	\$1,000
Consignment Sales	\$100	\$100	\$110	\$120	\$110	\$100	\$100	\$100	\$120	\$130	\$140	\$130
Sub-Lease Revenue	\$405	\$405	\$525	\$405	\$405	\$525	\$405	\$405	\$525	\$405	\$405	\$525
Total Sales	\$34,505	\$26,305	\$29,635	\$31,725	\$35,715	\$24,625	\$21,405	\$24,405	\$25,645	\$33,735	\$31,845	\$21,655
Direct Cost of Sales												
Direct Sales	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Direct Sales	\$18,250	\$13,500	\$16,400	\$16,600	\$18,800	\$12,750	\$11,100	\$12,750	\$13,300	\$17,700	\$16,600	\$11,100
Web Sales	\$550	\$440	\$550	\$660	\$660	\$550	\$495	\$495	\$550	\$660	\$715	\$550
Consignment Sales	\$5	\$5	\$6	\$6	\$6	\$5	\$5	\$5	\$6	\$7	\$8	\$7
Sub-Lease Revenue	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Subtotal Direct Cost of Sales	\$18,810	\$13,950	\$16,961	\$17,271	\$19,471	\$13,310	\$11,605	\$13,255	\$13,861	\$18,372	\$17,328	\$11,662

Interior Views - Sample Plan Appendix

Appendix Table: Marketing Expense Budget

Marketing Expense Budget	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Television Ads	\$780	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$780	\$780	\$780	\$780
Newspaper Ads	\$600	\$0	\$0	\$0	\$0	\$600	\$0	\$0	\$600	\$0	\$0	\$0
Newsletter/Postcard	\$1,350	\$0	\$0	\$1,400	\$0	\$0	\$1,450	\$0	\$0	\$1,500	\$0	\$750
Printed Promotional Materials	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80
Web Marketing/Support	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125
Public Relations	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Promotional Events	\$0	\$425	\$0	\$0	\$425	\$0	\$0	\$0	\$425	\$0	\$425	\$0
Other	\$25	\$25	\$50	\$25	\$25	\$50	\$25	\$25	\$50	\$25	\$25	\$50
Total Sales and Marketing Expenses	\$2,980	\$675	\$275	\$1,650	\$675	\$875	\$1,700	\$250	\$2,080	\$2,530	\$1,455	\$1,805
Percent of Sales	8.64%	2.57%	0.93%	5.20%	1.89%	3.55%	7.94%	1.02%	8.11%	7.50%	4.57%	8.34%
Contribution Margin	\$12,715	\$11,680	\$12,399	\$12,804	\$15,569	\$10,440	\$8,100	\$10,900	\$9,704	\$12,833	\$13,062	\$8,188
Contribution Margin / Sales	36.85%	44.40%	41.84%	40.36%	43.59%	42.40%	37.84%	44.66%	37.84%	38.04%	41.02%	37.81%

Interior Views - Sample Plan Appendix

Appendix Table: Contribution Margin

Contribution Margin												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Sales	\$34,505	\$26,305	\$29,635	\$31,725	\$35,715	\$24,625	\$21,405	\$24,405	\$25,645	\$33,735	\$31,845	\$21,655
Direct Costs of Goods	\$18,810	\$13,950	\$16,961	\$17,271	\$19,471	\$13,310	\$11,605	\$13,255	\$13,861	\$18,372	\$17,328	\$11,662
Other Costs of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$18,810	\$13,950	\$16,961	\$17,271	\$19,471	\$13,310	\$11,605	\$13,255	\$13,861	\$18,372	\$17,328	\$11,662
Gross Margin	\$15,695	\$12,355	\$12,674	\$14,454	\$16,244	\$11,315	\$9,800	\$11,150	\$11,784	\$15,363	\$14,517	\$9,993
Gross Margin %	45.49%	46.97%	42.77%	45.56%	45.48%	45.95%	45.78%	45.69%	45.95%	45.54%	45.59%	46.15%
Marketing Expense Budget												
Television Ads	\$780	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$780	\$780	\$780	\$780
Newspaper Ads	\$600	\$0	\$0	\$0	\$0	\$600	\$0	\$0	\$600	\$0	\$0	\$0
Newsletter/Postcard	\$1,350	\$0	\$0	\$1,400	\$0	\$0	\$1,450	\$0	\$0	\$1,500	\$0	\$750
Printed Promotional Materials	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80
Web Marketing/Support	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125
Public Relations	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Promotional Events	\$0	\$425	\$0	\$0	\$425	\$0	\$0	\$0	\$425	\$0	\$425	\$0
Other	\$25	\$25	\$50	\$25	\$25	\$50	\$25	\$25	\$50	\$25	\$25	\$50
Total Sales and Marketing Expenses	\$2,980	\$675	\$275	\$1,650	\$675	\$875	\$1,700	\$250	\$2,080	\$2,530	\$1,455	\$1,805
Percent of Sales	8.64%	2.57%	0.93%	5.20%	1.89%	3.55%	7.94%	1.02%	8.11%	7.50%	4.57%	8.34%
Contribution Margin	\$12,715	\$11,680	\$12,399	\$12,804	\$15,569	\$10,440	\$8,100	\$10,900	\$9,704	\$12,833	\$13,062	\$8,188
Contribution Margin / Sales	36.85%	44.40%	41.84%	40.36%	43.59%	42.40%	37.84%	44.66%	37.84%	38.04%	41.02%	37.81%