



Incisive Business Solutions

Luxury sub-segment of the U.S. market for gifts

Selling what's beautiful to those
who can afford it.

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533 South 17th Street
Philadelphia, PA 19146
T 215.670.2180
F 215.670.2181

www.mwspartners.com

Marketing Strategy. Financial Analysis. Creative Communications.

“Build a company around Curt”

There is a market for Curt Iglhaut’s custom creations. This report should enable you to decide whether to proceed to the next steps in working with/funding Curt Iglhaut Design.

The U.S. market for gifts is measured various ways. Curt’s designs probably belong in the luxury goods sub-segment of the **Home Accessory** segment, which appears stable and strong at \$350 billion annually, according to Pamela Danizager, Unity Marketing, Ithaca, N.Y.-based research and consulting firm that publishes specialized market reports (*\$2,500 for this volume*).

Home Accessory segment of the U.S. gift Market	\$350 billion
Luxury sub-segment = 20%	\$70 billion
U.S. market for (hand made) crafts	\$14 billion

Curt’s designs also would be at home in the (hand made) crafts market, which often overlaps the gift market. The crafts industry is \$14 billion a year in the U.S., according to the Craft Organization Development Association (CODA).

Curt’s designs are creatively compelling, simple and elegant. Curt walked through the most recent New York International Gift Fair (NYC/Javits) and found nothing on the market like his designs. We believe in Curt’s market viability after meeting with him twice, as well as his business partner, Tom.

Iglhaut Design in terms of product development and sales is limited only by Curt Iglhaut’s ability to design breathtaking, high quality gifts and accessories that stand for excellence and superior quality. Each item is unique and one-of-a-kind, creating a compelling and unique sales proposition, allowing it to be less price sensitive and hence more profitable. If the investors take the time to build the infrastructure around Curt, this company has “legs.”

Evidence abounds that the luxury high-end market is strong, growing and not particularly price sensitive. In fact, luxury goods are now **retail’s strongest segment**. According to the Wall Street Journal **[Attachment A]**, mid-market retailers are losing market share to huge discounters at the low end (Wal-Mart) and exclusive luxury boutiques on the high end (Bloomingdale’s, Neiman Marcus). Wal-Mart is holding it’s own in a relatively flat market, but expensive niche retailers are enjoying strong growth as high income consumers “consolidate” their purchasing habits at exclusive stores.

We believe that Iglhaut Design fits into the growing luxury niche, which is less price sensitive/more profitable.

A 44-year old world class artist, Curt is limited only by his ability to **create a ‘fashion house.’** That’s important because investments in the artist could pass away when he does. There are examples of successful designers, such as Perry Ellis, who died in 1983 and is (profitably) survived more than three decades later by the fashion house he created.

Another consideration is Curt’s management experience. He is an artistic entrepreneur who has never run a major business. While it’s possible that Curt could manage the business, we do not yet have evidence of that. Accordingly, we recommend a plan that includes setting up a management structure and operations infrastructure.

Under this configuration, he should serve as Creative Director of Curt Iglhaut Design. His time should be spent developing new products for the **future**. We would want Curt to serve as the visible representation of the company, handling face to face connections with prospects, buyers and the media.

Iglhaut Design also could have a commercial division that would work directly with high end Interior and Corporate Designers that wish to use the product in a variety of ways to add glamour and elegance to projects both personal and commercial.

There are many ways to go with this. Gifts for weddings and wedding showers could take the form of crystal creations integrated with real flowers. The crystal represents eternity, and the flowers represent the freshness of love in marriage. (They also represent the reality for some because they don’t always last).

In the home décor market, Curt’s crystal designs might become useful for tie swaybacks for draperies or accent pieces for planters. Other ideas might include the Curt Iglhaut couture line, which would be a special signature design for high-end specialty retailers such as NM (Neiman Marcus), Barneys, etc. These obviously would be premium priced, limited edition. For example: *The NM crystal line from Curt Iglhaut*. The actual shape or form should be left up to Curt and the buyers.

Protecting our market segment from knock-off copies

We believe that in this high-end gift market there is significant interest for an American made product, with the added cachet of Saworsky Crystal which, although made in Sweden is a global, universally recognized, branded product.

And even though there may be products in the American marketplace that utilize the same materials, successful artistic works use them in uniquely different ways that can make them competitive. All have sales niches and we believe the same applies to Curt. It is a universal given in American business that no one can **monopolize** a hot business idea (other than Rx, which is protected by patent law).

Curt has secured copyright protection for his existing designs. Such protection, however, is easily circumvented with just a few (nine) fundamental changes to the product. Curt is very concerned, but we believe that focusing on this issue is a significant waste of time. We believe it is often too expensive and fruitless to battle copycats and counterfeiters. Contentious litigation and cease and desist letters work only with very small companies that are not able to have attorneys represent them in lengthy litigation.

Instead, we can get and stay ahead of everyone by focusing on innovation and quality in everything we do. We should build strong relationships with major retail specialty buyers and established distribution channels. We should always provide them with the finest quality products that Curt Iglhaut is able to manufacture.

We suggest tying Curt's face to the brand (he is photogenic). His picture should be on a card with each product, because no one can legally duplicate his photograph. They can 'copy' everything else, but not his likeness. His brand, once built, should become a sought-after name, standing for excellence, creativity and what is universally referred to as the "wow" factor in the gift market.

Another protection we should secure is to register ownership® of the graphic design and/or trade mark®.

And finally, Iglhaut has the same opportunity as anyone else to outsource at much cheaper labor rates under his supervision, should he so desire.

Marketing strategies and channels

The ideal retail channel appears to be a select cadre of independent specialty gift stores, as well as a very limited number of high-end luxury lifestyle stores, such as Neiman Marcus, Bergdorf Goodman and Barneys in Manhattan. Store locations **[Attachment B]** predictably coincide with the highest concentrations of upper income prospects, such as:

- New York (Bergdorf Goodman, Barneys, etc.)
- Los Angeles (Rodeo Drive)
- Chicago (Material Possessions)
- Atlanta
- Houston and Dallas (Neiman Marcus/Horchow, Stanley Korshak)
- Scottsdale, AZ
- London (Harvey Nichols)

[Note: in-house buyers at these chains are notoriously difficult to reach. The New York International **Gift Fair** in August offers such as opportunity.]

Manufacturing Costs – Target price range

Product	Production per hour / piece	Material Cost per price	Per Piece Costs including			
			Materials + Labor Cost Projections @ \$40/hour	\$50/hour	\$60/hour	\$75/hour
(Lge.) Large Spike (main)	4 per hour	\$15.00	\$25	\$28	\$30	\$34
(Grand) Grande Spicata	4 per hour	\$28.00	\$38	\$41	\$43	\$47
(Small) Small Cluster	3 per hour	\$23.00	\$36	\$40	\$43	\$48
(Cluster) Queen's Cluster	1 per hour	\$45.00	\$85	\$95	\$105	\$120
Prices X 2: Wholesale Range						
(Lge.)			\$50	\$56	\$60	\$68
(Grand)			\$76	\$82	\$86	\$94
(Small)			\$72	\$82	\$86	\$96
(Cluster)			\$170	\$190	\$210	\$240

Material costs must be investigated for bulk sales discount as well as origin of sale discount. Unbranded, quality crystals may be available in quantity at a lower price point (without the Saworsky brand marketing advantage). We also should look into Saworsky exclusive color crystals.

Overhead

Curt's overhead is low for the current studio space. He will be able to secure first-floor workspace for an estimated \$800 per month for 7,000 square feet, utilities included. He will be able to accommodate the additional staff he will require for production and shipping.

Note: Curt has a \$2 million product liability package. His insurance will likely need higher general liability limits, as well as workers compensation coverage.

We have suggested that Curt build a barter marketing account with Barter New England, a client of MWS Partners. The company's owner has agreed, very generously, to sell up to \$50,000 of Curt's products **at retail price**, under the condition that Barter New England supply to our satisfaction a printing company capable of producing packaging that meets our shipping and branding requirements. (This equates to a 75% discount on cash expense because of the bartered valuation of Curt's goods vs. the at-cost valuation of printing services.)

Without this commitment, we would not enter into a barter agreement. This barter account could also be used for travel and other cash expenses.



Credibility . . . Priceless!

The fatal flaw in most companies like this is that they are individual craftsmen pursuing a personal hobby and very limited in financial and human capital resources. Prospective buyers need to see that Iglhaut Design is not only superior and unique, but a real, viable company able to manufacture and deliver product on time, every time.

Buyers are **very reluctant** to buy from a new company because there is a great history about single artistic entrepreneurs that have either gone out of business, or given up their craft in a year or less. Our important buyers will never take the chance on even placing an order with a company that they do not believe is well-capitalized and able to work within the corporate framework and stringent buying guidelines of the previously mentioned companies.

He needs to make significant investments in hardware and software to accurately track inventory, capital, accounts receivable, payable, address and email lists, shipping address vs. billing address, charge backs, etc.

We encourage investments at this initial stage after securing an agreement with Curt that includes a provision that he will do the February 18, 2005 Philadelphia Show and the August 2005 show in N.Y.

Trade Shows - Learn, Revisit and Revise

While we hope for real sales success, we see the first round of trade shows as opportunities for significant feedback from buyers on what they like, don't like, and any suggestions on new ideas, new lines. Many times at these events, buyers will make commitments based on certain changes that might be easily made and result in significant new business. **[list of trade shows - Attachment C]**

The buyers know what their customer base is buying because their marketing departments have significant information on customer preferences.

Target Consumer

We believe this product line will appeal to men and women 30+, with \$100,000 + HH income. This initial consumer product line appears to have particular appeal as gifts for weddings and wedding showers, housewarming and special occasions. i.e. Valentine's Day (for the 'Rich and Famous').

The Rep System

Our retail giftware consultant Susan Shain says the following gift marketing showrooms are the most respected and handle some of the best lines. These showroom companies also serve as reps for the clients they select. All are in New York's **Gift/Accessories District** – 5th Avenue and the 30's – near Lord & Taylor.

- Metropolitan
- The Loom Company
- Yvette Fry
- Apropos

[showrooms - Attachment D]

NYC Showrooms are open all year and assign territories to their in-house reps. Reps generally phone prospects and ask them to come to New York and see the newest line or latest items. Showroom fees vary, but wholesalers like Curt typically pay a monthly fee, plus other fees that, in total, could reach as much as 20-25% of wholesale. Expect fees for:

- display space in the showroom
- participation in any mass showroom booth at a trade show
- and a percentage for all sales made by the showroom

Regional showrooms in L.A., Atlanta, Chicago and Dallas generally do not operate all year round. We can evaluate their value at some point.

Another option is to sign up a "road rep," such as International Craft Marketing's Rep Peter Hirschman, who takes a 10-15% commission. Susan Shain has bought a number of quality gift items over the past 20 years from Hirschman and she respects him.

Estimate of Marketing Costs

Trade shows

Both the New York and San Francisco gift shows require that we provide the following **with the application ✓** for a trade show booth. If we go forward, we would need these materials whether we work the N.Y. Gift Fair or not. Here are budget estimates for March 2005 – Feb. 28, 2006.

✓ Professional product photographs (dev/scans/files prep)	\$4,000 – \$7,500
✓ Professional product sales brochure or sales catalog	\$4,000 – \$6,000
✓ Sample list of customers (for client contact and follow up)	\$300 – \$600
✓ Press materials	\$4,000 – \$8,000
✓ Photo or rendering of booth display (i.e. develop, design, constructive/breakdown booth for display, packaging, storage)	\$35,000
Strategic Marketing Plans, including agency research, account supervision, client contact, public relations publicity, trade show assistance, reports, budgeting, etc.	\$42,000 – \$60,000
Hardware / software	\$5,000
Estimated fees to a selected N.Y.-based rep/showroom (\$2K/month)	\$12,000 – \$24,000
Packaging Design and Implementation (non barter)	\$15,000
Trade Show expenses	\$10,000
Total estimated budget to proceed	\$131,300 – \$171,100

Timing - Market Opportunity

Susan Shain says that the **Home Accessory** market has historically followed the lead of fashion accessory trends. Christmas season sales were strong for faceted precious and semi-precious stones, cubic zirconium, and crystal jewelry. The current fashion trend appears headed up for glamour, which coincides right now with a home furnishings emphasis on 1940s and 50s-era, which was heavy on glamour, glitz and statements of luxury, according to Shain.

Such trends have a life-cycle of growth (now) and ultimate decline (late 2006, perhaps), which suggests an advantage to pursuing this enterprise at this time.

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