
IDEABRIDGE



The IdeaBridge White Paper Series:
Case Study: Large-Scale,
Web-based Business



SUCCESS PLAN FOR BUILDING COALITIONS OF SUPPORT

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Summary

This case study is the actual Concept Paper that was used to develop the partnerships, affiliates, management team and other resources in an effort to consolidate one of the nation's last remaining cottage industries. The concept was right-on target; however another, more well-funded group beat this team to market.

Trophy Town USA

Bigger Trophies Cheaper!

Executive Summary:

Trophy Town USA (TTUSA) seeks to consolidate one of the nation's last remaining "mom and pop" industries: the \$4.5 Billion neighborhood trophy shop industry. The business model includes aspects of several industry rollups including FTD's and ProFlower.com's penetration of the floral industry, BlueMountainArts.com's success in web page traffic development and Blockbuster Video's consolidation of the video rental industry.

The opportunity for industry consolidation is dramatic. Through consolidation and vertical integration, TTUSA will become the North America's largest and most profitable supplier of trophies and awards to amateur athletics. Within 18 months of launch, TTUSA expects to reach an annualized sales volume in excess of \$60 Million with an EBITDA of \$18 million.

TTUSA has partnered with North America's largest trophy component manufacturer (Big Co. USA) to gain access to industry expertise, leading information sources, suppliers, distributors and fulfillment channels. Big Co.'s active involvement, endorsement, preferential pricing of component parts and equity interest in TTUSA insures a strong commitment to the success of this venture.

The Business Concept and Our Defensible Position

The concept is to develop North America's most streamlined and efficient method of mass-producing and delivering custom trophies and awards; our fundamental selling point is providing larger trophies at less cost. Within 18 months, Trophy Town will be producing in excess of one million trophies each month. The trophies will be sold exclusively through our website, www.JoeTrophy.com

The major component of the business model involves purchasing exclusive licensing rights to insure a long-term defensible position, providing Trophy Town with the unique advantage as the sole source of officially-licensed trophies and awards for amateur athletics.

TrophyTown will also attack the corporate awards and incentive market by partnering with leading business portals and business-related Websites. These partners will share in the revenue stream that is created by their privately-banded Awards and Incentives Center that will be resident on their site, but the backshop will be run by TrophyTown.



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Capital Requirements

TTUSA is seeking \$_____ in a seed round of financing for capital requirements in three primary areas:

- Obtain exclusive, multi-year licensing rights in order to build a long-term, defensible position
- Build a working model of the Joetrophy.com website.
- Rollout the initial marketing campaign to youth athletics.

Investors will recover their investment through an initial public offering of Trophy Town USA stock by Q4 2003, or Q1 2004. Barring a public offering, Trophy Town's cash flow should readily support a rapid amortization of converted equity if the shareholders required cash. The Trophy Town business model is designed to make money from the first sales dollar, and through the exclusive licensing rights, is capable of producing an annualized revenue stream in excess of \$60 Million within 18 months of funding.

The Company

Trophy Town USA was founded in October 1999 and will incorporate in Delaware as a C-Corporation. The company's principal offices are located at _____. It has begun operations in the _____ market to prove the concept and business model prior to a regional, then national rollout in Q4 2000 and Q2 2001. Trophy Town will begin developing national account sales by Q3 2000.

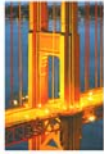
Unique feature of Trophy Town's business model

Our model is unique in that we will obtain exclusive, multi-year licensing agreements with the national organizations for each amateur sports association, such as Little League-Baseball, AYSO-Soccer, Pop Warner-Football, etc. The incentive for the national endorsements and licensing is that the national organizations will receive a revenue share from Trophy Town for each sale made to their local organizations. Further, the regional and local programs will receive a larger, more prestigious licensed product at a lower cost.

In phase one of the business plan, local trophy shops will be selected for the final assembly and delivery of orders if they pass rigorous quality control tests, agree to preferential pricing and can maintain delivery schedules.

TTUSA's business model supports this nationwide consolidation by using a combination of:

- Internet technology: **sports teams will have the ability to choose from a officially licensed 'award package' or alternatively, the athletes may custom-design their own award by simply cutting and pasting the standard components while online with their organization's private online trophy shop (powered by TTUSA). Other Internet features include a public web page with e-trophies similar to the online greeting cards, nationwide ordering and portal marketing techniques.**



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- **Nationwide Buying Power: consolidation of the industry will allow for significant buying power and cost savings that can be passed-onto the local, regional and national organizations.**
- **Revenue Sharing: a unique revenue-sharing association with the major sports organizations at the national headquarters level will provide the teams with a new source of recurring revenue while they save money and get larger trophies.**
- **Revenue Enhancements: Revenue will be further enhanced by the availability of banner advertising and click-through arrangements with international sponsors and advertisers such as athletic shoe companies, booksellers, equipment manufacturers and uniform suppliers looking to drive consumer traffic to their sites.**

Other Benefits of Vertical Integration Include

- **Lower inventory carrying costs: Buying patterns will be established, tracked and anticipated long before actual production is necessary, thereby significantly reducing the amount of inventory that must be carried;**
- **Standardization of trophy components: Each organization will have the option of choosing from several standard packages or 'award programs.' Each program will use standard components, resulting in lower inventory and faster response time;**
- **Improved Operating Margins: Buying direct from manufacturers and eliminating the mark-up of distributors will allow Trophy Town to competitively price the 'award programs' by passing along a portion of the savings to the teams while concurrently establishing a significant price barrier for the local shops to compete with;**
- **Improved response times: Better planning and scheduling on a national level will allow for JIT assembly and proactive shipments, on time and on schedule.**

The Industry

Over 15,000 companies are involved in the manufacturing and local component assembly of trophies and awards in the United States and Canada. According to the Awards and Recognition Association, the industry employs in excess of 37,500 people and generates in excess of \$4.5 Billion. The trophy portion of the industry is estimated at \$1.2 Billion.

Further confirmation of the fragmented 'mom and pop' nature of the industry is that over 93% of these companies employ less than 10 people each.

Oddly enough, this industry has never been consolidated past the regional level. There are no national trophy shop franchises and no nationally branded trophy shops. This is a highly fragmented industry and one of the last remaining industry consolidation opportunities that exist in America.



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The Market

There are over 1,000 amateur sports organizations in the United States. Industry statistics provided by Franklin-Covey Sports Research show that ---?--- million individuals participate in some sporting activity each year. This creates a large untapped market for Trophy Town USA's National Account program.

Sports Organizations will be ranked by membership into three categories (platinum, gold and silver) for business development and marketing purposes. This will help control the cost of account acquisition while effectively taking market share.

The Website: joetrophy.com

The website is a critical success factor and should be operational prior to Trophy Town contacting the national amateur sports organizations. The site will lend credibility to the program and visibly demonstrate the power of consolidating the industry while creating national organization trophy shop pages, local team homepages and community scheduling.

The site will have a high entertainment value with an on-line company spokesman, Joe Trophy® and an exclusive selection of e-trophies and awards that can be sent on-line. This will add a viral aspect to the page intended to drive increased traffic to the site and immediately establish Trophy Town USA as the premier provider of on-line trophies and awards.

The on-line company spokesman, Joe Trophy®, will greet visitors and guide them through Trophy Town USA, his "trophy shop". Joe will be characterized as a "little old shopkeeper" cartoon character (reminiscent of Pinocchio's fictional father, Japetto) and featured in all promotional programs and literature.

Site visitors will have the opportunity to select and order merchandise, send e-trophies or register their organization for the national accounts program.

Custom on-line trophy shops will be developed for national account organizations. These can be stand-alone sites or linked to an existing web page. Local affiliates can access their national "trophy shop" to order licensed merchandise. All orders are completed using the joetrophy.com fulfillment channels.

Organizations will also have the opportunity to customize their site using various tools made available to them as part of their agreement with TTUSA. These value-added tools will allow them to post schedules, league by-laws, collect applications and provide and distribute other important information to their membership as part of a sports and award-oriented portal concept.

Ordering and Fulfillment Process

Phase I:

Ordering and fulfillment will be divided into several phases. Key supplier arrangements have been secured with the leading industry suppliers, most notably with our equity partner, Big Co. in _____. In addition to being the largest manufacturer of trophy components in the world, Big Co. is



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known in the industry for their creative abilities. They hold several manufacturing patents including the _____™ process for trophy assembly.

Components will either be drop-shipped directly from Big Co. to the authorized Trophy Town affiliate, or to TTUSA's logistics center in _____. Orders in the logistics center will be batched and shipped for final assembly to an authorized TTUSA dealer in the customer's local area. Batching reduces material costs by 50% by removing a tier from the traditional distribution channel.

A network of authorized TTUSA dealers will initially handle final assembly. Dealers will be considered on the recommendation of key suppliers and selected based on criteria that demonstrates their ability to quickly and consistently complete quality trophy orders.

Phase II: National Fulfillment Center:

TTUSA expects to launch a centralized, national fulfillment center that will ultimately process up to 100% of the orders (over One Million trophies each month). The planning for such an ambitious project will be left to a logistical expert that TTUSA seeks to bring onto the management team within six months of funding.

Detailed Business Plan and Financial Projections

Presented as an attachment to the Concept Paper.