Candy Bouquet Inc.

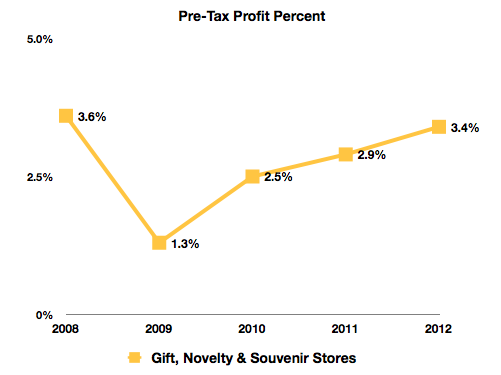
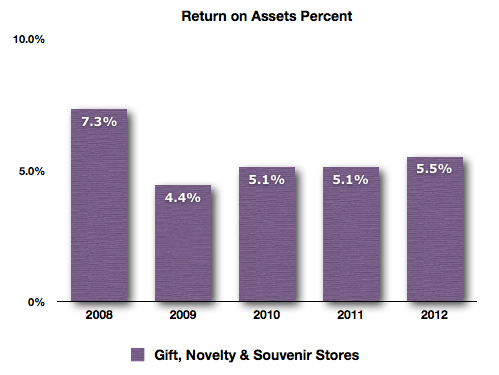
Industry Analysis

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Industry Review

The US gift, novelty, and souvenir store have been assigned the Standard Industrial Classification (SIC) 5947, and North American Industry Classification System (NAICS) 453220 Industry classification numbers.The industryis an estimated 30,000 stores nationwide, with revenues totaling about $17 billion. (Gale Group, 2013) Within this marketable industry includes many well known stores, such as, Hallmark, Disney Stores, and Spencer Gifts. The majority of the industries sales relies on just 50 main companies, and account for 30% of the overall sales, while the other smaller competitors sales are fragmented throughout. The other fragmented percentile relies on 12 percent seasonal decorations, 10 percent greeting cards, and 5 percent giftware. Novelty items include balloons, gift wrapping paper, and gift baskets, while seasonal decorations fulfill special orders of decorative plates, napkins, and cups. Giftware caters to uniquely styled vases and specialized glassware. The gift shop captures the majority of the industry, as it holds 50% market share, with $7.2 billion in sales. While coming in second, is gift, novelty, and souvenir shops with 20% percent of the market, with 2.3 billion in sales. The other 30% was split amongst many retailers whom supply various gifts and novelties, art craft and carving, trading card shops, souvenir shops, balloon shops. (Gale Group, 2013)

In today's society, every accomplishment, reward, or appreciation has not went without commemoration. The growth of the gift, novelty, and souvenir shops, has expanded beyond the standard airport stations, and local tourism shops, and has now grown countrywide into mass supermarkets, drug stores, and retail shopping malls around the country. Companies within the industry, both large and small, are starting a new trend of designing unique product lines and brands that are exclusive to a certain market. This type of market has help gradually capture new customer loyalty amongst brand, and has changed product perceptions with those consumers whom are the target audience. Majority of these unique product items that are being sold are marketed through consumer data, that details buyers within a certain demographics current buying history, habits, and trending reports. By using a computer system to track necessary data, can help businesses within the marketplace to better cater to their clientele. The industry has went with some minor declines in sales throughout the years, as many of the gift, novelty, and souvenir shops are mainly seasonal. When holidays and special days are in between sales periods, many have to become critical in capitalizing on new ways of attracting new and existing clientele.

(Risk Management Association, 2012)

The two trending graphs identify the growth and potential the industry has on economic stability and consumer buying power. Profitability throughout the industry is crucial for many of the smaller thirty percent of the companies whom are also competing with larger corporate stores whom have a lower break-even and mass market attraction. It is important that these shops stay competitive, and use unique market strategies, such as, online marketing, to obtain steady business flow throughout the year.

Regulation Review

Illinois State Guidelines for Business:

* Within the state of Illinois, Illinois law will govern this document. Any arbitration between Candy Bouquet International, and a franchisee, will be conducted in the state of Illinois.
* In the state of Illinois, all new businesses must register with the county clerk it will operate under a different name, other than the owners legal name.
* Most businesses must provide the Illinois Department of Revenue with a Business Taxpayer Certificate of Registration, for submittal of necessary tax information to the state.
* Franchise taxes are to be paid each year, and collected by the Secretary of State's office.
* State of Illinois imposes a replacement tax that is applied to the net income of all partnerships and corporations.

(Illinois Department of Commerce and Community Affairs , 2004)

The industry has always been extremely competitive, primarily because of the low barriers to enter the market help smaller start-up companies and entrepreneurs to successfully create innovative ways of catering to changing trends in consumer buying. The regulations within the industry are minimal, however, working and operating within a franchise also comes with certain limitations on contractual agreements that outline what's feasible and obtainable in the open market. Listed below details critical data necessary to meet franchise policies, while continuing to grow and show profitability.

Candy Bouquet Inc. Franchisee Regulations:

* Advertising outside of the Chicago outside territory is not allowed.
* There's no advertising fees, however, an advertising policy and restrictions must be upheld by the franchisee owner. All advertising material must include the Tandy Bouquet official logo, the candybouquet.com logo, and include the disclaimer "Contact a Candy Bouquet Franchise nearest you". Any mail orders advertising or direct advertising must be done only within the exclusive territory.
* If advertising or solicit business outside the authorized Franchised Area only, Candy Bouquet may impose a $2000 fine and/or terminate the Franchise Agreement.
* Relocation within your Franchise Area is authorized, however, must notify Candy Bouquet 10 days prior of relocating.
* Candy Bouquet authorized alternative channels of distribution, such as, internet, catalogs, telemarketing, or any other form of direct marketing that can help capture business within ones territory.
* Candy Bouquet offers website services that provide a domain name/host through an approved vendor. Typically the set-up fee is around $250, with a $30 monthly web maintenance fee. All internet or web based advertising must be approved before website can go active.
* Franchisees are restricted from soliciting orders from consumers outside their exclusive territory, however, Candy Bouquet can allow only under the conditions that the local franchisee cannot cater to specific needs, or expectations.
* Not authorized to operate the Candy Bouquet business with a different trademark, or allow another business to sell goods or services similar to those the franchisee will offer.
* You must stock and sell Candy Bouquet arrangements in your business operation. Optional items for sale can include; gift baskets, loose and packaged candy, Candy Bouquet Kits, balloons, flowers, and other gift items made for various occasions.
* Candy Bouquet In. will not allow items for sell that will damage the brand name and image.

(Candy Bouquet Inc., 2012)

Competitive Analysis

With a defragmented industry, provides growth and opportunity in driving consumer spending, tourism, and special occasions. The large companies gain the highest advantage in lowering distribution costs, greater purchasing power for their products, and effective marketing efforts in the industry. Smaller companies have decided to specialize in a marketing niche that caters to specific groups of consumers that will help drive revenue and growth. By targeting a smaller niche of consumers can help in specialized needs, and consumer satisfaction with each product sold. Providing a unique consumer experience can distinguish brand name and quality of each product made.

Local competitors within the Downtown Chicago Area:

1. Bundles of Baskets (Manta Media Inc., 2012)

3960 S Ellis Avenue

Chicago, IL60653-2418

SIC Code 5947- Gift, Novelty, and Souvenir Stores

NAICS Code 453220- Gift, Novelty and Souvenir Stores

Bundles Of Baskets in Chicago, IL is a private company that was established in 2006, and has been in business for five years. Current estimates show this company has an annual revenue of $68,000 and employs a staff of approximately 2. Bundles Of Baskets usually offer: Candy Gift Baskets, Pink Gift Boxes, Clear Plastic Gift Boxes, Luxury Gift Boxes and Country Gift Baskets.

* Strengths: The strength to the company's success would be the amount of years in business. The location is placed within the Downtown Chicago area, and many have grown accustom to many local shops within the community, with customer loyalty become prevalent, this can be used against all competition in the local neighborhood.
* Weaknesses: The weakness to their business would be their low annual sales. The business has certain seasonal peaks that help boosts sales, however, if they are not marketing, or capturing any business on the slow periods this could be a sign of decreasing sales.

2. Tooties Baskets (Manta Media Inc., 2012)

6253 S Michigan Avenue

Chicago, IL60637-2154

SIC Code 5947- Gift, Novelty, and Souvenir Stores

NAICS Code 453220- Gift, Novelty and Souvenir Stores

Tooties Baskets in Chicago, IL is a private company that was established in 2005, and has been in business for six years. Current estimates show this company has an annual revenue of $130,000 and employs a staff of approximately 4. Tooties Baskets usually offer: Candy Gift Baskets, Pink Gift Boxes, Clear Plastic Gift Boxes, Luxury Gift Boxes and Country Gift Baskets

* Strengths: The company has managed to have solid sales growth and has been in business for 6 years. The industry average sales are approximately $200k, so meeting goals and expectations in the marketplace works in their favor. The company has helped promote new gift basket ideas that target those whom are sports fanatics, bridals, and customize baskets that can be easily accessible online.
* Weaknesses: They main portion of their business has been to the locals whom attract high volumes of tourism in the downtown area, but little efforts have been placed heavily on online market advertising and expansion. The use of online strategies could help promote and obtain a new customer base, that would help increase sales throughout, even the slow season periods.

3. Clara S Gift Baskets (Manta Media Inc., 2012)

8545 S Marshfield Avenue

Chicago, IL60620-4717

SIC Code 5947- Gift, Novelty, and Souvenir Stores

NAICS Code 453220- Gift, Novelty and Souvenir Stores

Clara S Gift Baskets in Chicago, IL is a private company that was established in 2010, and has been in business for one year. Current estimates show this company has an annual revenue of $37,000 and employs a staff of approximately 1. Clara S Gift Baskets usually offer: Candy Gift Baskets, Pink Gift Boxes, Clear Plastic Gift Boxes, Luxury Gift Boxes and Country Gift Baskets.

* Strengths: The name is has chosen identifies to their customers, that it's offering something different to the standard gift basket assortment. This uniqueness can help separate by brand to distinguish themselves from local competition in the area. The shop has placed personal kiosk in making themselves more accessible in local malls and supermarkets in the area. Depending on the location of these kiosk could determine the potential sales volume and market growth. The idea has been well perceived by locals in the area, especially when customers are making last-minute purchases.
* Weaknesses: The company has lacked necessary sales volume to stay competitive, and that has shown in their ability to market outside of the downtown city area. Overhead costs increasing high, could be a sign of poor marketing and increasing distribution costs. The company is still in its early stages, so marketing efforts hasn't played a huge factor in its sales and market growth yet.

Indirect Competitor

4. 1-800-Flowers.com Inc. (online)

Gourmet Food & Gift Baskets is an extended business segment of 1-800-Flowers Inc., that was introduced to capture new market, aside from the standardize flowers and bouquet flowers, currently held within the floral industry.

1-800-Flowers Inc. trending revenue:

* FY 10, 11, 12 sales in millions: 2010-$668, 2011-$690, 2012-$716
* Earnings Before Interest, Taxes, Depreciation and Amortization: 2010-$28.6, 2011-$33.4, 2012-$42.8
* Renenues from each of the three segments include; Gift Food & Gift Baskets 36%, 1800 Flowers.com Floral Service 53%, and BloomNet Wire Service 11%.
* Currently producing $250 million in revenue sales within a $16 billion fragmented Gift, Novelty, and Souenir Industry.

(1800flowers.com Inc., 2013)

Successes: mobile shopping summits "Best Mobile site of 2011", DPAC Awards 2010 "Best Ecommerce Mobile App", Retail info Systems 2010 "Best Shopping" Mobile App of the Year.

Multi-brand Website Strategy is to leverage brand equity, website traffic, customer database, marketing and advertising programs. Grew revenues for each of their 3 business segments to 6.6%, up $760 million for Fiscal 2012. (1800flowers.com Inc., 2013)

Looking for innovative ways to obtain ongoing sales of their gift basket ideas to become marketable year-round, instead of seasonal. Lastly, capture an increased amount of customer market spending on either of their website brands through better online web offers. The future of the e-commerce business is primarily focused on enhanced social media advertising through mobile phone devices. Facebook, twitter, linked-in, and other social media that targets working mothers. Tracking their target audiences trends and buying behaviors helps guide their business in how to cater to their current and future clientele.

Consumer Analysis

Creating a target marketing analysis to determine our place within the fragmented industry, will help serve a purpose on developing our; location, product price strategy, and overall customer convenience. The survey is an easy and cost-effective way to understand our target audience buying behavior. Constructing basic related answers that gives our business an insight and understanding on how effective and strategic advertising needs to be in order to obtain, capture, and retain customer loyalty. The analysis help provide our business with necessary statistical information that can create market separation from our competitors, and distinctive market penetration throughout the upcoming years.

Marketing Strategy:

Step 1: Identify Your Target Market

Middle Aged, Working Woman

Step 2: Divide Your Markets

Downtown Chicago & Surrounding Areas

Step 3: Conduct Market Research

Conduct Research, Polls, Census Data/Trends, and Downtown Area Industry Information

Step 4: Choose Which Markets to Serve

Gift, Novelty, and Souvenir Stores all in the local Downtown Area

Step 5: Target Market Projections

Evaluate necessary polls, surveys, and trending data. Compare data with Industry abroad, and U.S. GDP standings within industry.

Step 6: Write the Target Market Analysis

Once data has been gathered and accessed, will update in a marketing log sheet for future reference.

(Abrams, 2010)

Market Segmentation & Growth Potential

Our market segmentation focuses on these demographics listed below. The average age within our Downtown Chicago target area is 37-38 years of age. We have pre-selected our demographic to be a middle aged, educated female, with a median household income of $86,000 income.

Downtown Chicago Demographics:

Population

Male: 98,184

Female 105,716

Median Age 37.39

Employment

White Collar 84.34%

Blue Collar 15.66%

Income/Financial

Average Household Income $133,838

Median Income Ages 35-44 $85,803

Median Income Ages 45-54 $93,598

Households

Households With Children 13,314

Households Without Children 100,948

Education

Some College 17,522

Bachelors Degree 47,593

Graduate Degree 42,715

(Point2, 2013)

Demographics for the Downtown Chicago location identify Gift purchases being up 25% above average.

|  |
| --- |
| Gifts  Below Average Above Average |
| no data |

The location will be placed in Downtown Chicago, which will have heavy traffic flow throughout the day. The target areas listed below will help advertise our product offerings and create awareness with our target consumer market.

* Balloon shops
* Card shops, greeting
* Christmas stores
* Collectible gift shops (e.g., crystal, pewter, porcelain)
* Craft (except craft supply) stores
* Curio shops
* Gift shops
* Gift stands, permanent location
* Greeting card shops
* Novelty shops
* Party goods (e.g., paper supplies, decorations, novelties) stores
* Seasonal and holiday decoration stores
* Souvenir shop

Marketing Plan

Marketing Opportunity

As noted in the industry analysis, the US gift, novelty and souvenir stores bring in an estimated $17 billion dollars in 30,000 stores nationwide (Gale Group, 2013). People buy gifts and novelty items for every occasion. Offering the marketplace a candy arrangement in the form of a bouquet is just another creative form of encouraging sales and profits for this industry. In addition to novelty stores, flower shops are also very popular and profitable in the US. In 2011, floriculture sales at retail outlets generated over $32 million dollars in sales (About Flowers, 2012).

As the candy bouquet would be in categorized as gifts, novelties and souvenirs, it would also be in competition with floral boutiques. Consumers may choose to buy candy flowers and bouquets as there are several benefits to buying a candy bouquet versus a real bouquet of flowers. Some of these benefits include the creativity of a candy bouquet, the possibility of it lasting longer then live flowers, the added benefit of having candy to indulge in, and the ability to customize the candy bouquet.

Product Description

Candy Bouquet is a franchise business that is highly creative and can be very successful and fun. The franchise was founded in 1989 by a woman named Margaret McEntire who founded the corporation on the simple principle that work should be fun.

The candy bouquet product is a unique bouquet, made out of candy that is often themed to match the occasion at hand. The bouquets will not wilt or die like a traditional bouquet of flowers, and in addition, the bouquet is edible. The bouquets are made with candy, chocolates and other creative additions to make the bouquet colorful and fun.

The idea of a candy bouquet can be beneficial for some people who have an allergy to traditional flower arrangements or for other reasons such as bringing live flowers to a hospital or other facility where this discouraged or because some people cannot or choose not to care for real flower bouquets properly. A candy bouquet is unique because it does not wither up and die; instead it simply gets eaten and used up in a yummy fashion.

The candy bouquet products will be sold in a storefront atmosphere in the busy downtown area of Chicago, IL. It will be in a high traffic area where the store is very visible to both people driving by and to those on foot. This will be a location that has similar products in the neighborhood like novelty and flower shops. People will purchase the candy bouquets because they offer unique and customized gifts and decorations for anyone to enjoy.

Candy bouquets also come in sugar free varieties for those who are diabetic or who choose to eat this type of candy. The bouquets are also offered in varieties that are chocolate free or customized to create the perfect bouquet. These bouquets are made to suit any taste and imagination. Customers may choose to give the product away as a gift or to decorate as table centerpieces for gatherings.

Some examples of specific occasions where a candy bouquet may be appropriate and specific product pictures (Candy Bouquet, 2012):

* Valentine's Day
* Mother's Day
* Father's Day
* Easter
* Thanksgiving
* Christmas
* Promotion
* Graduation
* Thank You
* Birthday
* House Warming
* Hostess Gift
* Newborn
* Get Well Soon
* 
* Sympathy
* Wedding
* Anniversary
* "Just Because”

Target Market

The specific target market includes the following:

Geographic/Location segmentation:

Candy Bouquet franchises have been successful in 300 locations in the US and other countries. This specific franchise will be located in downtown Chicago and will support the downtown Chicago and surrounding areas. This is a great place for a store front as the female population in the downtown Chicago area is 105,716 with a median age of 37.39. It is also important to have a product like this in a visible place that offers lots of foot traffic and exposure to people (Forbes). In addition, having similar stores like flower shops or other novelty sales encourages shopping and is important to have in the surrounding area.

The storefront will have a small galley area that offers about 50 bouquets at a time for viewing and purchasing. This small galley in the front of the store does not need to be large, as the bouquets are small and rent in the downtown Chicago area is expensive. The store will however have an area in the back for creating the bouquets. This area can also be small as there only needs to be counter space and supply space to create these unique bouquets. Having the bouquet supplies in store will allow the bouquets to be made while the store is open. The person tending to the store will create the bouquets and stop to assist customers and make sales. Customers can also request small changes or additions to bouquets which can be done immediately in the store.

Demographic segmentation:

Our target is educated, middle aged, working women. These women will have an average household income of $86,000. Women often will be the buyers of creative gifts and novelty items. Our intent is to offer candy bouquets for holidays, birthdays, and special occasions.

Behavioral segmentation:

Often times gifts, novelty items, and flowers are given for special occasions, birthdays and holidays. Candy bouquets can be given as a gift for these occasions as the bouquets can be picked right off the shelf or customized to fit a person’s personal tastes. Bouquets will be available for specific holidays or occasions like birthdays, retirement, achievements, birth of a baby, get well soon, etc. In addition, we will target men to buy for their wives or girlfriends around specific holidays such as Valentine’s Day.

Psychographic segmentation:

Since we are targeting educated, working females for our target market, there are some sets of values or behaviors that this target market will have. They will be busy women with families who are looking for something unique and playful to offer as a gift or party decoration. Since these working females are busy, they will not take the time to create something like this themselves, instead they will purchase a bouquet that suits their needs. They value being different and offering something that is not the norm as flowers or a balloon would be for a special occasion.

Market Trends

The market for gifts, novelty items and souvenirs are often impacted greater around the holiday’s as these are times that many people often buy for others. It is more likely that someone will buy a candy bouquet for another person versus buying the candy bouquet for themselves. An additional time where someone may buy for their own use is if they are hosting a party and choose to buy candy bouquets for party decorations or table centerpieces.

Seasonal buying trends are common in this type of industry due to the following trends throughout the year (Firelight Web Studio):

**January through March** – These are months in which consumers aren’t spending as much as they are recovering from the shopping that they did for the big December holiday’s like Christmas where they bought for others. Items that do sell are self health and do it yourself projects. In this time is Valentine’s Day where Candy Bouquet should pick up on sales due to people buying small gifts for one another. Valentine’s Day traditionally includes buying flowers and chocolates as gifts and this would be a perfect time for people to buy chocolate candy bouquets.

**March through May** – People are often in a spending mood as they are receiving their tax returns and have the extra cash to spend. Large items are often splurged on like cars and home improvement items. The Easter holiday is in this time frame and people may buy smaller items for each other including candy and small gifts.

**June through August** – This is the time where people get ready for returning for school so items involved in that see higher sales. Computers and other school supplies are in that category.

**September** – This month is seen as a transition month as people are getting used to the new school year and they are also preparing themselves for the upcoming holiday months.

**October through December** – This is the holiday shopping season where people will spend much of their money on others. Almost any place that sells items meant as gifts does well during this time. Even though Christmas is the main holiday, there are other holiday’s in which candy bouquets can be sold during this time including Halloween and Thanksgiving.

Market Size

In the US, there are about 30,000 gift, novelty and souvenir stores that total about $17 billion dollars in sales each year (Gale Group, 2013). Many of these stores are very small, family owned businesses who do not employee anyone (IBIS World). These types of stores are not concentrated into specific areas of the US, instead they are disbursed.

Revived income levels will tend to drive the sales of items such as gifts, greeting cards and souvenirs yet this industry revenue overall will decline. This is due to competition from online such as social networking sites and online greeting card websites (IBIS World). The industry may see a growth rate of -6.1% over the next five years (IBIS World).

While this market overall may be in the decline, candy bouquets still have an advantage over greeting cards as there is no online substitute for a candy bouquet. A candy bouquet is for visual stimuli and for eating so there are other components to it. While an online bouquet of flowers can be looked at just like an online greeting card, a candy bouquet is unique and there is no online way of replacing the candy bouquet.

Therefore, while this particular industry may start to decline in sales due to online greetings and social networking sites, the candy bouquet is differentiated in the way that it is more difficult for it to be affected by online competition.

Market Research

A survey was conducted to see what others would think about the idea of purchasing a candy bouquet item and how willing they would be to purchase this type of product.

Our survey was as follows:

1. Do you like candy?

Yes No

1. Have you ever bought a Candy Bouquet?

Yes No

1. If not, have you ever heard of a Candy Bouquet?

Yes No

1. Would you consider buying a candy bouquet instead of a floral bouquet?

Yes No

1. Would you buy a Candy Bouquet for a gift?

Yes No

1. Would you consider buying a Candy Bouquet for holidays or birthdays?

Yes No

1. Would you pay between $25-$50 for a Candy Bouquet?

Yes No

1. Would you prefer a pre-selected arrangement vs. customized?

Yes No

1. Would you purchase a Candy Bouquet as a decoration or center piece?

Yes No

1. How many occasions per year would you purchase a Candy Bouquet?

0 1 2 3 4 5 5+

1. Would you prefer to buy a Candy Bouquet online or from the store?

Online Store

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