



CatSpaces

modular environments for cats

Business Plan
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presented by The CatSpaces Management Team:

Jennifer Longstaff, Tina Wilson, Ken Long

prepared under the supervision of

Stephen R. Lawrence, Ph.D.
faculty advisor

University of Colorado at Boulder
College of Business and Administration and
Graduate School of Business Administration
Campus Box 419
Boulder, Colorado 80309-0419

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Executive Summary and Company Overview

The Company

CatSpaces (“the company”) is a subchapter S-Corporation engaged in the creation and sale of indoor furniture for cats.

The Product

What is *Cat Furniture*? Although most cat owners would say that *all* of their furniture is cat furniture, they keep pieces specifically made for their cats’ exercise and entertainment. Often looking like a miniature jungle gym covered with cloth or carpet, a piece of cat furniture provides a place for cats to climb, sit up high, play with hanging toys and other cats, enclosed areas to hide, and an attraction other than the *people-furniture* of the household.

The Market

The market for cat furniture is very attractive, with minimal competition. Cats are now the #1 pet in the US, passing dogs in the late 1980s for that distinction. As more people adopt cats and keep them indoors, the demand for cat furniture is expected to increase by 15% per annum.

CatSpaces offers a “total solution” for cat owners: cat furniture that fits into any home. *CatSpaces* creates modular furniture, enabling customers to choose the desired modules and assemble a custom-made piece. This concept is unique, since the market doesn’t offer a convenient way to customize such furniture. Presently, it offers completed stock designs, or special-order customized pieces with long lead times for delivery. *CatSpaces* will fill this market niche by offering cat furniture with interchangeable modules that are easy to assemble as well as sturdy.

This allows customers to start with a simple design and upgrade later. There is no nationally-recognized brand for this kind of product.

Operations

As a start-up company, CatSpaces expects to spend three months in R&D, with regional direct marketing and retailing during the first three months of business. This market is accessible through Rocky Mountain states' cat shows, cat clubs, veterinarians, animal shelters, and pet stores, as well as the Internet and national mailings. In addition, CatSpaces will have its own *retail showroom*, displaying CatSpaces furniture in interior-decorated home settings. In this unique store, cat owners can observe how cat furniture fits into, and even enhances, any room in the home.

After the company's products and operations have been fully developed, expansion to a national market will begin.

Vacuum-formed plastic modules, with attachable cloth "jackets" will be created for R&D prototypes and early sales. Subsequent designs will be mass-produced via injection-molding. This will enable the company to take advantage of economies of scale, quickly penetrate the national market, and become the dominant brand.

Location

CatSpaces anticipates manufacturing in several of the plastics molding and prototyping shops available in Longmont, Colorado. Its warehouse, shipping area, and showroom/retail store in Boulder, Colorado will be large enough to serve a national mail-order and pet-store market. As the company grows, large-scale manufacturing will expand to shops in the Denver metro area, while CatSpaces researches the possibility of outsourcing its manufacturing to Asia.

Company Status

Different furniture designs are currently being prototyped and test-marketed; an industrial designer's services have been retained; market research is proceeding through surveys, beta-test sites and focus groups; and plastics-production details are being finalized.

Finances

CatSpaces will grow to a \$22 million company after three years. Growth is explained by a first year aggressive marketing campaign by the officers, in which products are sold directly and placed in regional pet stores: Beginning in the second six months of year 1, agreements with national wholesalers and mass production techniques support the growth rate expected from a national expansion campaign. And in its second and third years, demand for the dominant brand explains CatSpaces' continued growth to capture 25% of the national market for cat furniture.

Offering

CatSpaces offers very attractive investment potential, with a tenfold return on seed money after three years.

Exit

The company's long-term goal is sale to a national pet products manufacturer (such as Hartz Mountain or DogLoo). Another possible strategy is a public offering.

Management

The CatSpaces management team consists of three people with over 40 years of combined experience in management, marketing, and operations. In addition to this experience base, the team shares a love of pets and commitment to the CatSpaces market of those who "treat pets like family."

Product and Service

The CatSpaces Product

CatSpaces provides modular furniture that is easily assembled. Selecting from a large set of available modules, a cat owner can design a customized piece of cat furniture. The purchase includes the specific modules selected plus instructions describing how to assemble the customized piece. Assembly is easy, since the modules fit together with an easy connector system needing only a screwdriver.

What is unique about a modular product?

Competitors offer pre-designed, pre-assembled cat furniture. A customer buying such a piece has little choice as to how it will fit in the home, whether it will satisfy the needs of the cats,¹ and since competing products are not modular, the customer can't modify the design later.

- Custom-built cat furniture is offered by the competition, but only for a higher price and if the customer is willing to wait several weeks. In contrast, CatSpaces provides a customized product immediately.
- Pre-assembled cat furniture is large and bulky, difficult to ship and usually impossible for a customer to fit into a car. In contrast, CatSpaces' separate modules are small and easy to transport.

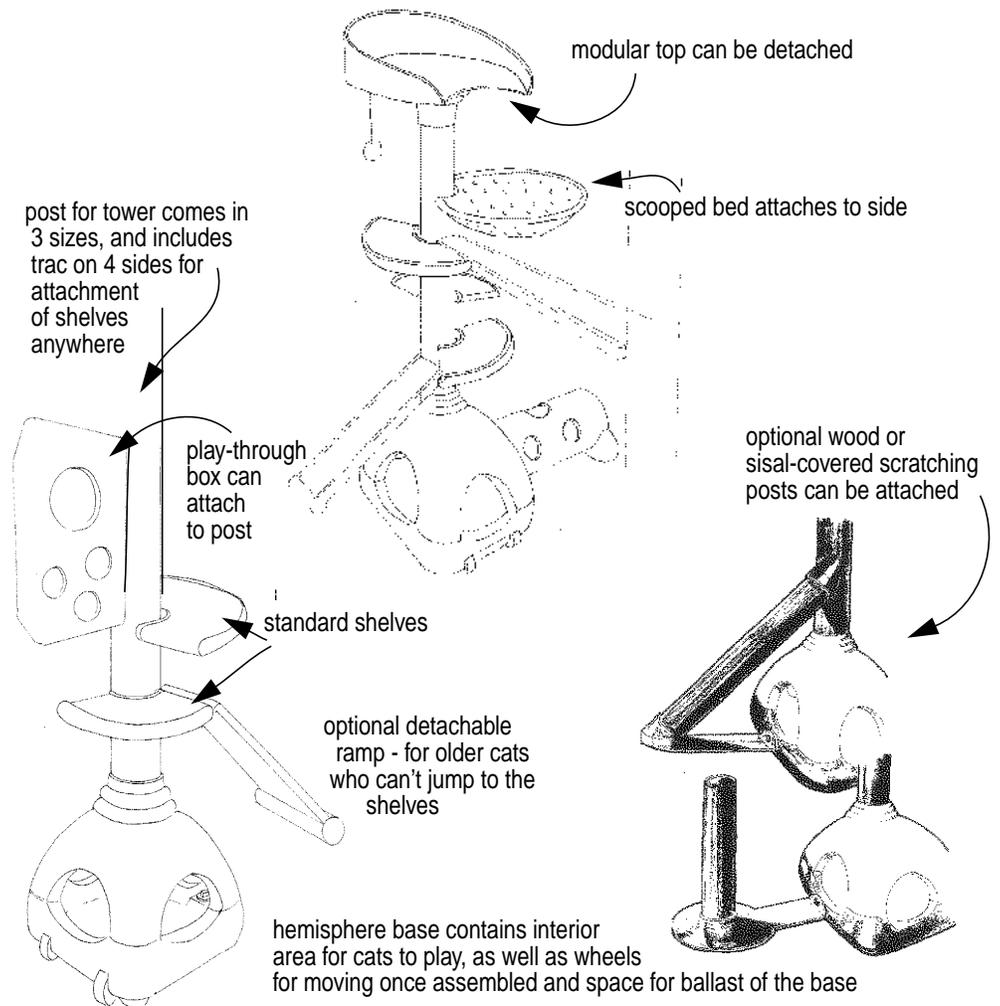
Using the CatSpaces interactive *java-based* Internet web page, customers will be able to “drag and drop” modules and design a personalized product before ordering.

Initial product line

The initial product line is a customized *tower* design. Three tower heights are available with space for interchangeable module shelves on the sides

1. Different ages and physiques of cats require different furniture

and the top. Available shelf and top modules range from basic flat surfaces to deluxe *scoops*, *condos* and *boxes*. See Appendix E for detailed drawings and descriptions of modules and assembly system concepts.



Proprietary Aspects

CatSpaces products have a unique and recognizable *look*, that will become synonymous with the CatSpaces brand name. In addition to their appearance, products will have a novel assembly system and upholstery-attachment system. Thus, design patents will be sought.

Product Liability

Any time an item requiring assembly is sold to the public, there is potential for injury, and thus, a liability claim. Because CatSpaces will

incur this risk in its modular furniture, the company will purchase sufficient liability insurance. In addition, there is the risk that a piece of furniture assembled incorrectly may fall down and cause property, pet, or bodily harm. CatSpaces will consult legal professionals and include proper printed warnings and disclaimers with all furniture sold.

Product Planning

CatSpaces will open its business with one type of design, and expand to new product lines as its market increases. Each new product line will consist of a modular, easy-to-assemble product, consistent with the CatSpaces mission of customizable furniture through modular pieces.

First product

Lightweight, sturdy, vacuum-formed plastic modules. Each covered with a removable upholstery “jacket” that allows for easy cleaning. Tree-branch wood (with or without bark) and sisal rope (scratching-post material) optional. *Tower*¹ design with modules attached to top and sides.

Second product

High-volume, mass-produced injection-molded modules designs. Same lightweight, sturdy plastic as first product, with more assembly options and types/colors of material covering visible plastic.

Third product

Responding to market demand, new unique-looking modules will be produced, allowing ongoing customization of the original *Tower* design.

Fourth product

A flat-pack kit to serve a low-end economy market. A series of modules which require no tools assembly and can be reconfigured in an infinite number of ways. Made totally of recycled materials, it can pack into a small suitcase style package. It will have a distinctive appearance and be easily updated or extended. Materials to be durable, yet inexpensive.

The CatSpaces Furniture Store

CatSpaces will open a retail furniture showroom, which will be designed and decorated like an elegant furniture store. Different interior-decorated sections of the store will depict a contemporary living room scene, a traditional den scene, a bedroom, library, and children’s room.

1. Wright, John C, Ph.D. *Is Your Cat Crazy?*, p. 123: multiple-cat households require several vertical shelves for cats to sort out social dominance. The CatSpaces *Tower* will satisfy this need.

Each scene will present the CatSpaces product, fitting into a room of the home, showing how well the properly-designed piece matches the other items in each room of the home. See Appendix E.

In addition to CatSpaces furniture, other local cat-fancier products will be sold on a consignment basis, still arranged attractively in the furniture store setting. For example, cat jewelry and tapestries will be displayed in the “bedroom” scene; cat books will be displayed in the “library” scene. Cat-safe plants hang from the planter-attachment to the cat tower, enhancing a “living room window” scene.

The CatSpaces Furniture Store is expected to become very popular with cat owners locally. Through advertising and word-of-mouth, it will become a unique and newsworthy tourist destination.

Related Products, Spin-offs

Once the modular system has proven itself, CatSpaces will extend its product line and retail store, and may venture elsewhere into the pet and modular products market. Possibilities are:

- CatSpaces retail furniture displays within PETSMART and other pet stores
- Indoor dog-houses with removable carpet “jackets” for easy cleaning
- Modular houses and feeders for backyard wildlife, e.g., squirrels, songbirds
- Pet furniture that can be *built-in* to a home, rather than freestanding
- Modules that can attach to people-furniture, such as a cat-bed that attaches to a computer table (since cats like to “help” people using the computer)

Market and Sales

The Pet Industry

The Pet Industry is comprised of pet foods, pet product supplies, and pet services. All the feeding, clothing, grooming, care, and entertaining necessary to maintain a pet was estimated to result in a \$20 billion dollar industry in 1996. Because the Pet Industry was not affected by the early 1990's recession, it is considered relatively recession-proof.¹

The Pet Industry is growing by 15 percent per year.² According to an American Pet Products Manufacturers Association (APPMA) survey of pet owners in 1992, the 115 million cats and dogs at that time represented a 54 percent increase in pet ownership since 1988!³ Industry analysts credit the growth in the Pet Industry to cultural trends toward miniaturization, convenience, and changing living patterns that support demographic trends of an aging population along with smaller families. A PETsMART survey conducted in 1996 reported that 61 percent of pet-owners keep pets for companionship and 15 percent have a pet for love.⁴ For a variety of reasons, pets represent "very important security blankets in today's changing and fast-paced world."⁵

1. Discount Merchandiser, December 1993

2. Business Index, Pet Supplies Industry April 1, 1996

3. EPM Communications, Inc. Research Alert, Oct 21, 1994

4. Pet Poll of Twin Cities Pets, PETsMART Survey, PR Newswire, March 26, 1996

5. Christian Science Monitor, March 9, 1990

As the American population ages and people move into condominiums and apartments, cats have become the most popular pet in American households, outnumbering dogs by 13 percent.¹ Their small size, independence and lower requirement for human attention is a match for busy Americans who are always “on the go.”²

The Pet Product Supplies Segment

Pet Product Supplies represented 68 percent of total industry sales in 1995.³ Specifically, cat furniture accounted for national sales of \$86,143,791 between 1993-1995.⁴ 1996 Survey information collected by PETsMART estimated that 97 percent of pet owners *admit* to giving their pets gifts and treats on special occasions and holidays, including Christmas, birthdays, and Valentines Day. 82% of these owners increased the amount they spent on their pets’ gifts over the previous year.⁵ In fact, one quarter of Pet Industry sales occur between Thanksgiving and Christmas which translates into a total market expenditure for Christmas related gifts of about \$500 million. Approximately 45 percent of cat owners surveyed by PETsMART purchased presents for their cats. According to the cat owners, the ideal gift features aspects such as style, a quality feel, and a strong perceived value.⁶ Recommendations from other pet owners, veterinarians, and breeders have been reported to influence the purchasing habits of at least 34 percent of cat owners.⁷ In addition, the advice of staff at local pet stores is highly valued.

1. “Pet Care Products becomes Dog Eat Dog Industry,” Business Wire, November 13, 1996

2. Christian Science Monitor, March 9, 1990

3. Pet Product News, May 1996

4. Pet Product News, May 1996

5. “PETsMART Holiday Survey Unwraps Pet-giving Habits”, PR Newswire, December 1, 1996

6. Chilton’s Hardware Age, “Pets and Profits” January 1996

7. Pet Product News, February 1996, Marketing Week, March 17, 1995

Market Size: Pet Product Supplies Segment for Cats

Families with cats keep an average of two cats per household, with 28.3 million US households providing homes to at least one cat.¹ This is nearly 29% of the 98 million total US households.² Seventy-five percent of cat-owning households keep their cats either exclusively indoors, or indoors more than 90 percent of the time.^{3,4} These are the households most likely to purchase cat furniture. *Outdoor cats* are not as interested in playing on cat furniture because of their exposure to the outdoors.

Approximately 50 percent of households with *indoor-cats* have at least one piece of cat furniture, costing an estimated \$75. New or replacement pieces are purchased approximately every five years as old pieces wear out, or the cat owner “notices something new and buys it.”⁵

Market Growth Potential

The population of the United States is estimated to grow by 10-15% over the next ten years.⁶ Assuming that the same percentage of these *new* households will own cats, the cat furniture market will likely increase by 15 percent, which is consistent with the present growth rate of the Pet Industry.⁷

In addition to population growth, the percentage of cat owners is anticipated to continue to increase as it has for the past 15 years,⁸ as will the percentage of people keeping their cats exclusively indoors. Thus, the market for cat furniture as a provider of exercise for indoor-only cats will increase even more. This estimate is supported by projected sales of

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1. DiNicola, Clare. Spokesperson for American Pet Products Manufacturers Association (APPMA), 1995 interview with CATS Magazine, Inc.
<http://pwr.com/catsmag/PRODREV.html>
 2. US Census Bureau, <http://www.census.gov>
 3. Perry, Jill, “The Great Debate: Indoors vs. Outdoors” (July 1995) *Cat Fancy*, pp. 40-44
 4. People for Ethical Treatment of Animals, *PETA Times*, June 1996
 5. Personal interviews: cat breeders, owners, veterinarians; conducted in person and via the Internet
 6. US Census bureau, <http://www.census.gov/population/projection-extract/nation/table1n.asc>
 7. Business Index, Pet Supplies Industry April 1, 1996
 8. PETsMART Investor Relations, 1996

pet product supplies which are expected to increase 21 percent by the end of 1997,¹ which translates into national cat furniture sales of \$67 million.²

Industry Trends

The following trends will affect the cat furniture segment as more choices are offered and customers demand specific products tailored to meet their individual needs.

- Pieces that can be adjusted for an easier fit for apartments and condominiums
- Custom-designed furniture that is as affordable as the presently-available commercial stock pieces
- Attractive designs that coordinate with the owner's decor and furniture in fine homes, providing cat owners a "total solution"
- Entertaining and interesting attachments(i.e. motorized or wind up toys and other moving parts, or even food bowls)
- Buying decisions influenced by indulgence (i.e. "what will make kitty happy," birthday, and holidays presents)³

Distribution Trends in the 1990's

Distributors provide an essential link between manufacturers and retailers. The Pet Industry is characterized by a handful of large companies, including Hartz Mountain, Inc. and PETsMART, and a myriad of small "mom and pop" companies that operate in their own local areas. Typically, small pet product manufacturers use independent wholesalers as their *marketing arm* in order to reach pet product retailers. Both the Pet Industry Distributors Association (PIDA) and the American Pet Products Manufacturers Association (APPMA) provide mailing lists for members as well as educational and trade seminars, industry information and trade journals for advertising.

During the 1990's, traditional retail outlets for pet supplies have shifted from supermarkets and local pet stores to mass merchandisers and pet superstores.⁴ Although local pet stores are still a principal retail outlet

1. Research Alert, October 21, 1994

2. Calculation based on \$46 million sales in 1995, increasing 21% per year to 1997.

3. "PETsMART Holiday Survey Unwraps Pet-giving Habits", PR Newswire, December 1, 1996

for pet supplies, the convenience of *one stop shopping* is increasing the popularity of pet superstores. Purchases at superstores such as PETsMART have doubled over the past two years, attributed to competitive pricing, quality, selection, and store cleanliness.¹

In addition to the obvious retail outlets, pet supplies and products are being stocked by hardware stores that are renowned for keeping track of growing niche markets with appealing margins and rising consumer interest.² Unique pet products are being touted by a variety of catalogs as well, including L.L. Bean, specialty pet catalogs, and specialty gift catalogs.

Competitors

Although there are at least 1400³ small companies competing in the pet product supplies segment, there are few companies producing cat furniture nationally. There is clearly no dominant brand present in this market.⁴ Three categories of competitors have been identified: *local*, *Internet*, and *national*. See Appendix B for a description of these categories and a list of specific companies.

Marketing Strategy: Target Market

CatSpaces will target cat owners, cat clubs, and businesses that depend on cats and cat owners. In addition to cat owners that shop at pet stores, the target market is characterized as follows:

Cat club members including breeders and other cat-lovers who enjoy the chance to share their enthusiasm socially. There are many nationally-recognized cat clubs with numerous chapters.

- Cat Fanciers' Association (CFA)

4. Supermarkets are the primary venue for pet food purchases, while mass merchandisers sell more routine supplies (e.g. flea powder). Since 1990, mass merchandisers have reported ~56% of industry sales to the 36% reported by supermarkets.

1. Progressive Grocer, 1996

2. Chilton's Hardware Age, "Pets and Profits", January 1995

3. Weekly Home Furnishings Newspaper, November 22, 1993

4. Herr, Paul M. Ph.D., *Marketing Moose* research, 1997, University of Colorado

- The International Cat Association (TICA)
- Federation Internationale Feline (FIFe)
- American Association of Cat Enthusiasts (AACE)
- American Cat Fanciers Association (ACFA)
- Governing Council of the Cat Fancy (GCCF)
- The Traditional Cat Association (TCA)
- The Happy Household Pet Cat Club

Cat magazine subscribers. *Cat Fancy* and *Cats* are national magazines for cat enthusiasts aimed at different consumer segments.

Internet Customers. Numerous cat fancier clubs exist on the Internet as well as a variety of chat rooms.

Businesses that depend upon cats and cat owners:

- **Professional cat breeders.**¹ Breeders raise very expensive cats that must be kept indoors and well-exercised. Breeders may keep as many as 20 cats and kittens at home at one time, and some must be kept separate from others, so different rooms of a cattery might each contain cat furniture.
- **Veterinarians.** Often, clinics have a resident cat that might enjoy a piece of cat furniture. Displaying cat furniture in a veterinarian's office will create inquiries from other cat owners.
- **Animal shelters.** Some of the newer shelters have *cat rooms* where cats spend a few hours every day exercising. Cat furniture is a must for these rooms.
- **Cat-boarding services.** Cat boarders provide several rooms of cat furniture and toys to encourage cat owners to board their cats while on vacation.
- **Pet stores.** CatSpaces modular furniture will provide an attractive product for pet stores, because the pieces will fit on shelves instead of taking up valuable floor space. According to *Pet Product News*, "Though they can be space hogs, cat furniture are big-ticket items that help a pet store's bottom line."²

Positioning and Price

CatSpaces will position itself as a "total cat furniture solution" company. Its mission will be to provide customizable furniture to complement any room in the home. As a component of this total solution, its furniture will be positioned as modular and customized to meet consumer desires,

1. Cattery names and addresses are registered in their respective states and are required to be a member of a cat club in order to enter cats in shows

2. Sorenson, Marry, "Scratching Up Business" *Pet Product News* (May 1996) p. 80

convenient, and sturdy. This positioning differentiates CatSpaces from all its local and national competitors, thus filling a void in the cat furniture market. Pricing is competitive with existing furniture offered by local and national competitors, but offers the additional benefits of convenience and on-going customization. See Appendix A.

Market Penetration and Sales Strategy

A combination of direct sales, direct mailings, magazine ads, and Internet advertising will be used to penetrate the target markets. CatSpaces will begin distributing its products regionally using direct sales and evolve to national distribution using national wholesalers after its first six months. CatSpaces plans to enter the market with its proven product and expand to national distribution quickly in order to leverage its first mover advantage in quality modular cat furniture. This strategy will allow CatSpaces a limited window of opportunity of at least one year. It is essential that CatSpaces become a nationally known brand early in the third quarter of Year 1 in order to continue to ward off competitors, as well as to improve its harvest potential. Please see the specific strategic plans in Appendix B.

Market Research

Ongoing market research will be required in order to quickly penetrate the cat furniture market and have a national presence late in Year 1. CatSpaces' commitment to its ongoing market research will provide it a sustained competitive advantage. See Appendix B to refer to the ongoing market research multi-phased schedule and market research results.

Development and Operations

Development

During the first few months of business, CatSpaces will launch its prototype products¹ by:

- vendor booths at local CFA² cat shows, the first in October 1997,
- direct sales through mailings, magazine advertisements, the CatSpaces retail outlet, advertising at veterinarian clinics and shelters,
- through its interactive web site,
- through regional pet stores.

The company has chosen to limit exposure to a regional market initially, in order to start small and deliver a quality product and service to its customers, while working out operational details and finalizing product design. These first months, preceded by three months of start-up, encompass the CatSpaces *development period*. In line with its market positioning, CatSpaces plans to compete operationally through its flexibility in product design and its timely delivery schedules.

Start-up period

The launch of the business will follow a three month start-up period in which a warehouse, office, retail outlet, and several employees will be secured.³ R&D through prototyped designs will occur during this time.

1. CatSpaces' first product is a modular cat tower, seen in the *Product Description* chapter

2. Cat Fanciers' Association (CFA), the world's largest registry of pedigreed cats
<http://www.cfainc.org/cfa/>

3. The details of the start-up period are listed in Appendix C.

During the development period, day-to-day operations will be solidified, final product decisions will be made, and company policies, such as for returns and customer credit will be finalized. These, as well as many other operational and developmental details, are listed in Appendix C.

Operations

After the development period, the CatSpaces operations will be well established and prepared to increase manufacturing volume to mass-production using injection- or blow-molded plastic modules. An additional benefit to the expensive molds required is the barrier to entry of competition. At this time, CatSpaces will ramp up its manufacturing and marketing efforts while expanding into national retail sales.¹

A prototyping shop, used for production of vacuum-formed prototypes during the development period, will be retained to assist in future market research of new product designs. Injection-molding shops in the Denver Metro area will be interviewed and allowed to bid for the production of the CatSpaces molds, and for subsequent manufacturing of the modular furniture. Local upholstery manufacturers will similarly be hired to mass-produce the cloth “jackets” that will fit over the new modules. During its second year, CatSpaces will investigate the possibility of outsourcing its plastics and upholstery production overseas.

The CatSpaces warehouse will house the modules and the corresponding cloth coverings before shipping to the national distributors’ centers. As national distributors begin ordering standard lot sizes, arrangements will be made for shipping directly from the manufacturers, alleviating the need for a larger warehouse or more shipping personnel. The warehouse will still be needed to house modules sold in the retail outlet, and those sold direct through the web site and through magazine and direct-mail/catalog advertising. Expansion into additional warehouses is planned for the second year.

1. See the *Market Penetration* section in the *Market and Sales* chapter, and Appendices B and C for more expansion details

**National growth:
Years 2 and 3**

An industrial designer will be retained throughout the first three years, continuing to introduce new prototype designs. These new prototypes will be introduced quarterly, with ongoing market research requiring continued prototyping and packaging effort in the CatSpaces warehouse. Additional sales and marketing personnel will be hired as needed, as well as customer service personnel to take Internet and telephone orders and to handle service calls.

Exit

After three to five years, CatSpaces will consider several options. By this time, the market of *indoor-only* cat owners will be even larger and there will be national demand for a standard, easy-to-assemble, easy-to-transport piece of cat furniture. The offer of the CatSpaces brand name and distinctive product line will be tempting to a manufacturer such as Hartz Mountain or Dogloo, therefore a buyout or merger will be feasible. Alternatively, an IPO may be considered.

Risks

CatSpaces has identified several risks in its “worst case” scenario. In the event that these risks come to pass, the company will reevaluate its operations, marketing strategy, and viability in order to formulate a realistic course of action.

- Growth may be significantly less than expected
- Growth may be significantly more than anticipated. Operations may not have sufficient time to meet the increased demand for the product while maintaining quality control standards.
- Competition from one or more of the large national companies may eliminate the CatSpaces competitive advantage. Because the modular concept can be copied, the company recognizes its vulnerability. Thus, CatSpaces is poised to exercise its first mover advantage through rapid penetration of the national market.

**Stage of
Development**

CatSpaces is in the planning stage. Currently, the following steps have been accomplished:

- Prototypes of a modular product have been built.

- Beta-tests are being conducted. Cat Towers are currently in four homes and one veterinarian's office.
- Surveys have been written, administered, and scored.
- A focus group has been held to critique the product.
- Phase I market and advertising research has been completed.
- Business plan has been critiqued by several venture capitalists, small-business owners and bankers, and has won the University of Colorado Business Plan competition (December 1996).
- Negotiations have begun to establish line of credit and other services with the Bank of Boulder.
- Consultation with small business owner regarding possible partnership arrangement with bird-feeder manufacturer has been scheduled.
- Negotiation meetings with venture capitalist interested in the business have been scheduled.
- Consultation meetings have been held with several venture capitalists regarding suggestions for raising capital and for further developing the company.
- An industrial designer has been retained, and the first sets of concepts drawings have been completed, including details of a unique connector system and several options for prototyping materials.
- A CPA has been retained.
- A local prototyping shop (both for wood and vacuum-formed plastic prototypes) has been retained.

Management Team

Key Managers

The CatSpaces management team consists of three people who love pets and between them have over 40 years experience in management, marketing and operations. In addition to this broad and diverse experience base, the management team shares the commitment to the CatSpaces market of people who “treat pets like family.”

Jennifer Longstaff, CEO, Operations

Ms. Longstaff has 15 years experience in the software/engineering industry, including

- operations and quality management,
- project team leadership and program management,
- mechanical computer-aided design.

This engineering experience will be useful when working with the industrial designer and developing new structural and functional product designs. In addition, her software and computer network skill will enable CatSpaces to take advantage of Internet/Web technology to augment its advertising efforts.

Ms. Longstaff’s strengths include attention to detail, perseverance, and the willingness to contribute the time and attention to do what is necessary to complete projects on schedule and with high quality. She has been a cat-lover all her life, and regularly attends cat shows and humane-society activities.

Ms. Longstaff has a BS and MS in computer science, and is a candidate for the MBA at the University of Colorado (5/97) with emphasis in Operations Management.

**Tina Wilson,
Marketing**

Ms. Wilson has 10 years management experience, including fiscal and personnel responsibilities in the healthcare industry. She has been involved in the development, administration and evaluation of continuous quality improvement activities with customer service programs, and has also designed and implemented a comprehensive marketing program to increase community awareness of services (resulting revenues for her department doubled over a two-year period).

Ms. Wilson's previous experience will enable her to effectively organize and manage the CatSpaces marketing program, thereby resulting in increased awareness of company products. The primary emphasis will be to provide a quality product that consistently exceeds customer expectations.

Ms. Wilson is a candidate for the MBA at the University of Colorado (5/97) with emphasis in Marketing and Entrepreneurship.

**Ken Long,
Financial**

Mr. Long has 17 years experience in management, including several successful restaurant ventures as well as work in the aviation industry. CatSpaces benefits from his

- knowledge of finance and management for small businesses
- manufacturing expertise and creativity
- negotiation experience useful in outsourcing manufacturing operations and in entry of products into pet stores
- knowledge of construction and technical aspects of production

Mr. Long is a candidate for a Business degree from the University of Colorado (5/97) with emphasis in Small Business Management/ Entrepreneurship and Finance.

**Other Key
Employees**

In order to create a well-rounded management team, CatSpaces is seeking the following three specialists to complete its necessary skills set.

- An industrial designer.¹ This position is critical for ongoing product design
- A manufacturing expert, specifically with experience in plastics
- A retail expert who understands the industry and its channels of distribution

These specialists will be hired as consultants during first 6 months. After this time, they may be offered a partnership and stock options.

Ownership Structure

The three principals will collectively hold 55% of the company, with an offering for seed money made to outside investors of 35%. 10% of the company will be available in the form of stock options to be offered on a vesting schedule to key employees and future partners.

Compensation

The management team will draw a nominal salary initially, which will modestly increase as national sales begin to accelerate. The team has chosen to take low salaries initially in order to increase future company equity.

Board of Directors

The small board of directors consists of the CEO, an investor's representative, and the key retailing expert (above).

If at any time the Board of Directors feels a change in the management structure is needed, the management team is agreeable to making any adjustments necessary to ensure the success of CatSpaces.

1. Designer Mark Pierce's services have been retained, and his drawings appear in this report.

Financial Analysis

The Financial Plan Financial forecasts for the first three years of business have been estimated based on marketing plans, operational strategy, pricing and costs of goods. See Appendix D for these forecasts. All projections are based on 1997 dollars. The CatSpaces fiscal year extends from June 1 to May 31.

Results After an initial cash infusion of \$1 million, CatSpaces sales are forecast to increase from \$700,000 in 1997-98 to five million dollars in 1998-99 and to \$22 million by the end of 1999-2000. This growth in sales is consistent with the growth explained in the marketing and operations sections: from regional (direct and retail) sales, expanding to national exposure with a mass-produced product. Specifically:

- Year 1: sales growth is explained by an aggressive marketing campaign by the officers, in which products are placed in regional pet stores, sold through a unique retail outlet, and via direct catalog, phone and Internet sales. Agreements with national wholesalers support the growth rate expected from mass production and a national expansion campaign during the second six months.
- Years 2 and 3: continual supply of new products, in conjunction with demand for the dominant brand, explain CatSpaces' continued growth.

Ratios Break-even will occur in October 1998, in the second quarter of FY2. Appropriate ratios at the end of year 3 are as follows:

- ROE: 65.8%
- ROA: 93.1%

- D/E: 18.3%
- P/E ratio: 9
- Gross margin: \$18,247,200
- Asset turnover ratio: 3.7
- Quick ratio: 6.5

Investor Returns

Using a price-to-earnings ratio of 9, the company value at the end of its third year will be \$29.7 million. Net present value of an initial \$1 million investment using a 50% discount rate is \$1,300,194. The internal rate of return is 79.3%

Scenarios: realistic case

The realistic case scenario is represented in this business plan and in the CatSpaces financials (Appendix D). This case shows CatSpaces obtaining only 25% of the national market after three years. Realistically, CatSpaces will lose some of the national market share to competitors who are sure to develop a plastic product and a modular concept.

worst case

In the worst case, CatSpaces will be unsuccessful in its attack of the national market - either due to production limitations and costs, failure of the plastic product line, or high sales commissions demanded.

If this is the case, the CatSpaces retail furniture store will continue as a small *life-style entrepreneurship*, utilizing direct sales, Internet sales, and mailings, and servicing the local and regional markets with a scaled-back product line. In this case, CatSpaces will grow to realize sales of \$150,000 to \$200,000 per year with net profit of \$65,000 to \$80,000.

best case

In the best case, predicted demand will be exceeded, and CatSpaces will be successful in its attack of the national market, capturing 30 to 40% by utilizing its first-mover advantage, brand-name recognition and brand dominance as “the total cat furniture solution.”

Offering

CatSpaces is prepared to offer a potential investor(s) 35% of the company in exchange for \$1 million in cash, payable over the course of the first year.

The CatSpaces management team members will invest \$50,000 of their own capital initially, to demonstrate their commitment to start-up of the venture.

CatSpaces offers a potential investor:

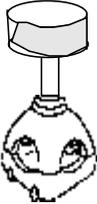
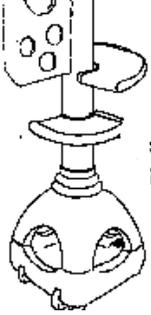
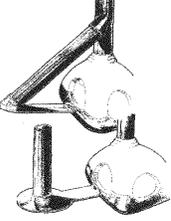
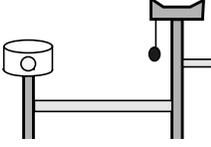
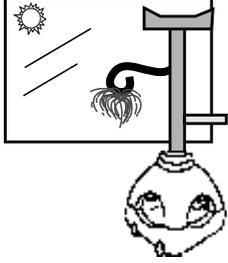
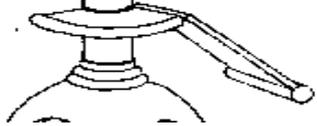
- High payoff with short windows
- High margin potential
- A chance to take advantage of a fragmented market without a dominant player
- An opportunity to become an integral part of the high-growth pet products industry

Based on the realistic case projections and a P/E ratio of 9, this \$1 million will increase to a value of \$10 million at the end of CatSpaces' third year. Thus, the investor(s) will realize a ten-fold increase in the investment over this time.

Appendices

Appendix A: Product Retail Price List

This is a preliminary price list, subject to change.

item	price	item	price
<p>basic small tower: "The Shrub":</p> <p>one 3-foot round trac post, one hemisphere base, one basic top "crows' nest" platform, assembly system included. Pieces covered with choice of material. Total height: 3' 4".</p> 	\$89	<p>basic medium tower: "The Sapling"</p> <p>one 4-foot round trac post, one hemisphere base, one basic ledge to be attached anywhere on the post, "nest" top platform, assembly system included. All pieces covered with choice of material. Total height: 4' 5".</p>	\$119
<p>basic large tower: "The Cat Tree"</p> <p>one 5-foot round trac post, one hemisphere base, two basic ledges to be attached anywhere on the post, choice of top platform, assembly system included. All pieces covered with choice of material. Total height: 5'6".</p> 	\$149	<p>Assembly cost (optional):</p> <p>Shipping of unassembled towers (within zone)</p> <p>Small \$10</p> <p>Medium \$20</p> <p>Large \$35</p> <p>Shipping outside of zone (continental US) \$15-\$40</p> <p><i>pre-assembled towers will not be shipped using this price list due to carrier constraints on package size.</i></p> <p><i>Shipping of sand for ballast of base is negotiable.</i></p>	\$5
<p>Add-ons!</p> <p>Add on an additional ledge: basic (flat, quarter circle) or deluxe (bed, box, tunnel, scoop, among others). Round trac post allows any number of ledges to be added, at any heights. Assembly system included with each ledge.</p> 		<p>examples of deluxe ledges</p> 	<p>basic ledge: \$15</p> <p>deluxe: \$20</p>
 <p>Add on a raw-wood or sisal-rope-covered scratching post to hemisphere base.</p>	\$25	<p>bridge to join 2 towers</p> <p><i>the bridge option requires 2 towers and is connected to both. It provides a wider design with a larger ledge for several cats to play or sleep.</i></p> 	\$20
<p>planter hook, attached using the same system as a ledge.</p> <p><i>Planter hook is accompanied by a list of plants that are dangerous to cats. if your cat is a chewer, the planter hook is not recommended!</i></p> 	\$15	<p>ramp from floor to higher ledges.</p> <p><i>ramps are recommended for older or overweight cats who can't jump to the ledges.</i></p> 	\$15
		<p>organic, homemade hanging catnip toy. To hang from any ledge, or sold separately.</p>	\$5
Additional products (not yet factored into price plan)			
<p>furniture-cleaning brush - to brush cat hair off cat furniture, make furniture last longer.</p> <p>screwdriver for assembly</p>			

Appendix B: Sales and Marketing Details

Appendix B shows the specific, timely details and scheduling of the marketing and sales plans, as well as the identified CatSpaces competition. In the interest of space, detailed market research results are included in a supplemental report, available upon request.

Market penetration and sales strategy, first 3 years

Year 1: first 6 months

The officers will provide direct sales support during the first half of Year 1 and will target the following regional groups and businesses:

- A booth will be reserved for direct sales to breeders and cat enthusiasts at regional cat shows (7).
- Independent pet products and supply stores (250 minimum).
- Local veterinarians (800 minimum).
- Animal shelters and pet boarding services (approximately 100).
- Independent hardware stores (approximately 200 privately owned). Hardware stores provide a broad base of customers for CatSpaces who enjoy a *do-it-yourself-approach*.
- Industry trade show. A booth will be reserved at the Pet Industry Christmas trade show in October 1997. This will enable CatSpaces to reach pet supply wholesalers and retailers for its national expansion.

Additional direct mail order sales will arise from:

- Yellow Pages Advertising.
- Holiday mailing in October to 2000 regional cat club members, cat product supply retailers, and other cat enthusiasts.
- National cat magazine advertising. *Cats* magazine (circulation 125,000), *CatFancy* magazine (circulation 300,000).
- Interactive Web site, current beta test site located at:

<http://ucsu.colorado.edu/~longstaf/CatSpaces>

Year 1: second 6 months

Sales efforts will focus on expanding national market penetration using several regional independent wholesalers. Additional target markets will include:

- National cat shows.
- National pet stores and pet supply chains (i.e. PETsMART).
- National hardware stores (i.e. True Value, ACE).
- Trade Association advertising in *Pet Product News* (15,000 trade association members).
- Catalog sales with *R.C. Steele and Cats*, *Cats and More Cats* will be investigated.
- Catalog sales using CatSpaces' own retail showroom catalog, including photographs of the "Total Furniture Solution," cat furniture coordinated with people-furniture. Margins for catalog sales run 20-30% higher than for retail.¹

Years 2 and 3

Activities during years 2 and 3 will focus on rapid expansion of the national market by building solid relationships throughout the distribution channels. The original product line will be expanded quarterly to ensure CatSpaces can provide sufficient variety in its modules to meet customer requirements. The retail outlet will continue to offer a “Total Customer Solution” to the cat owner’s cat furniture needs.

Market Research Multi-Phased Schedule

Phase 1: Information gathering and concept testing

(Completed for Feasibility Plan, Summer 1996)

- Attend Cat Shows (4)
Observe and examine the types of cat furniture currently available
Interview local cat furniture manufacturers (2)
Interview cat breeders (15)
- Interview other Cat Owners
Personal Interviews (6)
Internet survey (100 respondents)
- Research *Dogloo* plastic doghouses: a successful mass-produced pet product model

Phase 2: Prototype Market Testing

(Business Plan phase, 3rd and 4th quarter 1996, 1st quarter 1997)

- Veterinary Clinic
Beta Test Site (1)
Interview with Veterinarian and staff
Self-administered survey for clinic clients (16)
- Focus group (4 participants)
Ease of assembly
Attributes necessary to make modular concept successful
- Beta-test sites (5)
Cat furniture left with cat owners to assess durability and stability
- Discussions and prototype/concept drawings with Industrial Designer
- Research *Three Dog Bakery* retail dog-biscuit bakery: a successful pet-industry retail model
- Research *Little Tykes* plastic children’s modular furniture for design ideas: a successful plastic modular concept.

Phase 3: Initiating the Start-up

(Start-up, 3rd quarter 1997)

- Develop mailing list for holiday promotions
- Obtain industry study by APPMA

1. Halverson, Richard, “PETsMART Seeks Growth from Within, Delves into New Lines, Services.” *Discount Store News*, April 15, 1996

- Develop media kit: includes brochure featuring various modules, ordering information, etc.
- Media kit to local newspapers, t.v., radio, cat club newsletters, cat fancy magazines
- Interactive Web page operational
- Design booth and sales promotional materials for direct sales, cat show and trade show presentations
- Retail showroom designed and opened
- Ongoing market research into plastic modular furniture and new products
- Purchase mailing lists for holiday mailing

Phase 4: Development of Final Prototypes

(fourth quarter 1997 - first quarter 1998)

- Market research using vacuum-formed plastic modular prototypes to solidify final design
- Select independent regional wholesalers for national campaign
- Roll out mass-produced plastic injection-molded modular furniture with “Valentine’s Day” campaign
- Investigate catalog distribution options as well as design of CatSpaces catalog

Phase 5: Ongoing Research and Growth

(Years 2 and 3)

- Quarterly research to evaluate new modular designs and expand product line to meet anticipated customer desires.

Competition: Categories, and Identified Competition

- The typical local competitor is a home-based, privately-held “mom and pop” company. At the present time, neither of the local competitors is constructing modular cat furniture. Local competitors compete for the annual, regional cat show trade.
- Due to the volatility of the Internet, it is unknown exactly how many competitors exist, how reputable these companies are or how serious a threat they present now or in the future. However, it is anticipated that sales via the Internet will increase in coming years.
- National competitors compete via national cat magazines and industry trade shows. Nearly all of these competitors feature carpeted cat furniture and differentiate through the uniqueness of design.
- Of all the local, Internet, and national competitors, only one national competitor, *Catnex*, produces modular cat furniture. However, it is sufficiently sturdy *only* for kittens due to its cardboard construction and small size.

<p>Local competitors identified at cat shows are:</p> <ul style="list-style-type: none"> • Awesome Kitty Towers: pressboard and cardboard covered with carpet, also custom-made furniture (Golden, Colorado) • Joe Poore Wholesale Pet Supplies: wood and cardboard covered with carpet (Houston, Texas) 	<p>A conservative estimate of the competition currently present on the Internet:</p> <ul style="list-style-type: none"> • CATMAX Climbing Trees for Cats. Attach to ceiling (Finland) • Cat’s Fifth Avenue: Carpeted townhouses • Pet People Cat Furniture: Carpeted cat trees
<p>The primary national competitors have been identified as:</p> <p>J.D.’s Cat Habitats: Whole cat trees of recycled junipers.; Angelical Cat Company: Custom designed, wood and carpet furniture; Baily’s That Cat Place: Unique wood and carpet furniture; The Company Cat House: Wood and carpet cat furniture; Rite-Way Cat Furniture: Carpeted cat furniture; Curley Mill Studio: Carpeted tree designed furniture; Cat’s Request: Carpeted cat furniture</p>	

Appendix C: Development and Operations Details

Appendix C shows the specific, timely details and scheduling of the operations plans.

Time line to product launch (Details of Start-up Period)

CatSpaces will launch its first products at a cat show following three months of research and development. The following is a list of the start-up activities required:

Month 1:

- Incorporation of company name and
- Register CatSpaces company name and logo with Colorado and national agencies. Register `CatSpaces.com` domain name with InterNIC
- Establish a company bank (Bank of Boulder) and set up accounts, line of credit, credit-card capabilities, etc.
- Secure 2000 sq. ft commercial space (1000' retail, 1000' office and warehouse space).
- Remodel the warehouse space as a warehouse, office and retail furniture showroom. This remodeling effort will include for the warehouse: a lighted, heated, painted, drywalled room with shelves for storing modules and a work table for cutting and collating carpet with modules. For the retail space: a carpeted room with several built-in pedestals, sunk-down areas, and half-sized walls to separate the different "rooms" of the house being depicted. In addition, a staircase will be built, both for displaying items on and for showing a custom-fit cat tower under the stairs. Finally, the retail space will have a constructed "cat walk" at near ceiling-level.
- Join the major national cat clubs.¹ Membership and involvement in the cat-club community will give CatSpaces access to lists of potential customers, as well as more accessible market information.
- Legal consultation as to the proper wording for disclaimer labels to go on each tower. For example: "don't climb on this if you're not a cat" and "put this together correctly or CatSpaces assumes no liability." Further legal consultation regarding negotiation of contracts for offering.
- Interview and hire manufacturing and retailing consultants to conduct negotiations with local plastics manufacturers, and to provide expertise into necessary retail distribution channels.
- Work closely with an industrial designer to develop unique, structural, and easy-to-assemble modular designs that will offer the "complete furniture solution" by fitting in with the furniture of the home.
- Establish a good relationship with the prototyping manufacturer. In addition, interview back up plastics "Job-Shops" in order to establish a plan for rapid growth and for an alternate shop to supplement manufacturing the product in periods of high demand. The CatSpaces manufacturers will purchase the necessary materials in bulk and fabricate modules according to the company's plans and specifications.
- Have wood prototypes of modular furniture made and test for quality, unique appearance and stability.
- Contact *Boulder County Enterprises* sheltered workshop (a local company that finds temporary employment for developmentally-disabled adults) and arrange working interview and sign-up of several workers for carpet fashioning. These workers will come on-site and will cut out carpeting according to specification for sale with the early prototypes.

1. Colorado cat clubs are listed in the *Marketing Strategy* (Target market/customer profile) section of the *Market and Sales* chapter

- Interview and select upholstery shop(s) to sew carpet pieces for the plastic modular prototypes. Determine “backup” shops in case demand exceeds the selected shop’s capacity.
- Negotiate with UPS for pickup/delivery service to/from warehouse.
- Negotiate a “rush-order” price arrangement with the manufacturer so that modules may be fabricated immediately during the early period of “trial-and-error” estimating demand. These rush-orders will require higher payment, but in order to create good relationships with customers, the company will sacrifice these costs during its development period.

Month 2:

- Begin designing Web page to be used for Internet advertising. The web page will consist of a Java-based facility allowing Internet customers to “drag and drop” modules on the screen, constructing a piece of cat furniture visually. When the final furniture design has been selected, the price (calculated based on number of deluxe and basic modules selected) will be automatically calculated and displayed. Ordering information will subsequently be presented.
- Modify plans and work with manufacturer to construct plastic prototyped furniture. Enough pieces must be constructed to display at first cat show and to outfit retail showroom for its opening (Approximately 50 full towers and attachments).
- Negotiate with local furniture stores, interior designers, local cat-product artists and others for displaying and consigning their products in the CatSpaces retail showroom.
- Design and order letterhead stationery and business cards.

Month 3:

- Purchase high-speed Fax/modem and business account on a local Internet Service Provider (ISP). Indra’s Net is committed to fast server response.
- Design sales brochures and make 1000 color copies and 4000 B/W copies to distribute and post at veterinarians’ offices, shelters, etc. Brochures will include the Web-page address, details about pricing, and color photographs of different pieces of furniture and modules available.
- Send description of business to Cat Fancy and CATS magazines, who will print a story free in their New Products columns. Send media kits to local newspapers and TV/radio (in anticipation of a human-interest feature story) during the “Grand Opening.”
- Purchase liability insurance.
- Purchase pagers and mobile phone.
- Install two phone lines into office (necessary to take orders by phone, as well as to connect to the Internet to check orders by email and to maintain the web page). Arrange for a toll-free line.
- Design posters and display props for booth at cat show and trade show. Register for vendor fairs and pay booth rental.
- Ensure quality: Check every module (returned from the manufacturer) for quality, including modularity: make sure any module fits into any other. Once satisfied with the quality coming from the manufacturer, QC checking will be scaled back to a statistical random sample.
- Arrange furniture rental (both office furniture, and rental of furniture to show off cat furniture in the retail setting).
- Arrange rental of office equipment
- Design and order the sign for the exterior of the furniture store building.

Day to Day Operations

Initially, day-to-day operations will be managed by two people working out of the warehouse-based office and will include:

- Presiding over the retail showroom and assisting walk-in customers
- Communicating and arranging delivery of consigned goods for display in the retail showroom
- Supervising finish-work of *Boulder County Enterprises'* employees and conducting a quality control inspection of finished modules
- Taking orders via telephone, Fax, letter, and email
- Packaging modules ordered and arranging for UPS pickup
- Communicating with the manufacturer(s), coordinating materials and delivery/pick up of completed modules
- Maintaining the web site
- Bookkeeping, writing up invoices, billing, processing credit-card orders, paying labor/materials bills
- Processing returned merchandise (clean, deliver to animal shelter)
- Processing customer complaints
- Negotiating credit terms for larger orders
- Scheduling, then attending cat-shows
- Coordinating travel arrangements to trade shows, including booth setup
- Running booths at trade shows
- Design and reproduction of new advertisements and mailings
- Attending cat club meetings
- Developing new modular designs by working with Industrial Designer, including Improving the products based on customer comments and industry trends.

Operational Costs

Plastics research (manufacturing, mass-production)

references: Mark Hotchkiss, Spatial Technologies Inc. 449-0649, Paul Hastings, Colorado Roller Inc. 442-7799,
Don Greenwood, Greenwood Products Inc. 651-9191

CatSpaces is currently researching plastic-production methods. Plastic *blow-molding* or plastic *injection-molding* processes are being considered for the mass-produced modules, while *vacuum-forming* will be used to create the first 1000 prototypes. The custom molds required in both blow molding and injection molding are very expensive to produce, however once the molds are made, mass-quantities of product may be produced at close to the cost of the plastic. Depending on the final product design, the molds may require elaborate tooling (specifically the molded modular fasteners and slots/knobs for attachment of carpeting).

Other plastics manufacturing possibilities include:

- Vacuum forming: lay sheets of material over a form, heat and pull down over the form. Presently, this is the best option for CatSpaces. Prototyping molds (for use in forming small batches for prototyping, not mass-production) prices are estimated to be \$5,000 for a mold that will produce 1000-5000 parts. (After spending on the mold, the per-part price is between \$2 and \$25.)
- Lay-Ups (also called rotational molding): involve a process in which plastic is poured into a mold and the mold spins to spread the plastic. This may not be a good option for CatSpaces (and in addition, there is not a known rotational-molding shop in Colorado)
- Compression molding: pressure and heat fills the outer shell of the molds. Further research must be done here to determine the viability of this option for CatSpaces.
- Structural foam: Material is “squirted in” so that the mold is completely coated. A chemical reaction fills the volume and hardens the material so that it looks like hard styrofoam. This may be an option for CatSpaces, also.

Material costs: recycled “pop bottle” plastic: approx \$1.50 per lb. PVC and ABS plastic: approx \$2.50 per lb.¹ CatSpaces prototyping plans: reference: Greenwood Products, Inc., Hygiene, Colorado is a “Prototyping Shop.” They produce wooden prototypes (\$1500 for 4 modules), followed by Vacuum-formed prototypes (up to 1000 modular prototypes will be made at high costs; \$60 per \$150 product). These prototypes will be used to launch the company and secure orders from national distributors. The Vacuum molds will then be used as the base for designing the injection-molds or blow-molds. Future marketing research efforts during design of new products and new attachments will likely involve more vacuum-formed prototypes.

Cost of goods estimated for mass-produced plastic modules. Approximately \$80,000 to \$100,000 price per mold, molds expected to last through CatSpaces’ first three years with no repair or refurbishing necessary. Per-piece price is then calculated based on price of plastic per lb. plus a percentage (discounted by volume) charge from the molding shop. Estimated cost per \$150 product is \$20, plus \$6 each for cut and sewn carpeting jackets.

Industrial Designer

reference: Mark Pierce, Industrial Designer (holds certificates in Product Innovation, Plastics Technology and Quality Assurance); private consultant, Chicago IL. Mr. Pierce has begun discussions with CatSpaces regarding his services in product design, design of trade show materials, and company logo. His first set of concept/prototype drawings appear in this document. He will provide his expertise to help CatSpaces in:

- getting the project to a commercial stage,
- determining the costs associated with each stage/element,
- defining an initial program schedule,
- key project objectives and goals,
- well defined design brief,
- continue generating and refining concept designs,
- investigating the appropriate manufacturing methods.

1. Plastics magazine, January 1996

CatSpaces plans to utilize the services of Mr. Pierce heavily during its start-up period, and retain his services throughout the first years of operations, as new products will be designed and manufactured quarterly throughout the CatSpaces growth period.

Sheltered workshops

reference: Boulder County Enterprises: employers of developmentally-disabled adults.

Contact: Corliss Gates, 449-1632/772-6278

Boulder County Enterprises contracts people of different abilities. First, an employment consultant views the workplace and learns exactly what is involved in the work. Then based on the people currently available, the consultant returns with one or two potential employees. A “working interview,” in which the employees get instruction, then work for an hour, is conducted. After that, the business proprietor and employment consultant discuss whether the employee can handle the job satisfactorily, and the potential employee discusses whether he/she wants to take on the job.

When actual labor commences, the employment consultant comes with the employee (for no charge) until the training period is over, then returns once a month to check on progress.

By using an intermediary such as *Staffing Solutions*, the business proprietor can avoid excessive paperwork (benefits, FICA etc.). Current hourly wages, including overhead, are \$6.05 per hour. Boulder County Enterprises requests at least 15 hours per week per employee. Based on discussion with Ms. Gates, it was estimated that, once up to speed, an Enterprises employee could cut carpet for a little over four complete units per hour, as well as do some QC checking of whether modules fit together properly. Given the number of units CatSpaces plans initially to sell during the prototype phase, several people at 40 hours (each) per week during the first months is a good starting point.

Warehouse space rental

Warehouse/retail space in North Boulder (along business loop, Hwy 36 through center of city): rental of 2000 sq. foot space is \$3750/mo. (including grounds maintenance, building insurance, etc.) plus \$120/mo. utilities. Remodeling costs: \$90/sq. foot for the retail portion, \$50/sq. ft for warehouse and office portion.

Certified Public Accountant

reference: Mary Pedersen, CPA, Port Orchard, WA. Ms. Pedersen has run her own tax business (both for individuals and small businesses) for the past 15 years. She has consented to set up the initial CatSpaces books and first two years’ tax returns at no charge.

CatSpaces policies

CatSpaces Returns and Donations Policies

Returns policy: *Merchandise may be returned for 100% refund within the first 15 days. After 15 days, merchandise may be returned for 100% exchange, or for 80% refund. CatSpaces incurs the cost of shipping on returned merchandise.*

The upholstered “jackets” on returned merchandise cannot be resold.¹ However, returned merchandise may be cleaned with disinfectant carpet cleaner and donated to local animal shelters. Plastic modules may be resold, but CatSpaces chooses to donate a certain number of products to local animal shelters in the interest of good community relations, promoting humane animal treatment, and helping homeless animals.

After development of the brand, discounted “seconds” may be offered.

Credit Terms

Initially, CatSpaces will handle individual orders that are packaged and shipped separately. Those orders must be paid in full before shipping. However the company will be prepared to offer credit terms for larger orders (minimum \$5000). This entails establishment of a bad-debts account.

1. Even though the material may be cleaned and disinfected, cat owners will not want to buy a returned piece that another cat may have soiled.

Appendix D: Financial Details

In the interest of space, only the following spreadsheets are included in Appendix D:

- Year One cash flow projection by month (showing start-up, ramp up, and growth of mass-produced product)
- Three-year summary of cash flow projections by quarter
- Three-year income statement projections
- Three-year balance sheet projection

More detailed spreadsheets are included in a supplemental report, available on request.

Notes:

- The number of units sold is based on expected percentage of market share; one is represented here as an average \$150 unit, which includes approximately 2 upgrades per sale. Number of units sold in year 1: 5000 units. year 2: 33,500 units. year 3: 147,600 units.
- First year sales to capture 1% of the national market, second year: 6%, third year: 25%.
- Category "Marketing Budget" includes costs for market research, advertising, trade-show materials, promotions, and miscellaneous. Included in product roll-out budgets is salary of a temporary "Public Relations" expert. Marketing is estimated to be 20% of sales.
- Category "R&D" includes costs for wood prototypes (start-up period), vacuum-formed prototypes (early-development period) and research and manufacture of all injection or blow-molded forms, including forms for new modules quarterly throughout. R&D is approximately 5% of sales.
- "Consulting and design fees" includes fees for key employees: manufacturing consultant, retailing expert, and industrial designer.
- APPMA mailing list is priced based on the earnings size of the business purchasing it. CatSpaces will buy the list early, for only a nominal fee at that time.
- All salaries and wages, including those for officers and employees, consist of 20% which covers FICA, taxes, benefits.
- Ramp-up expenses include: warehouse and retail space remodeling costs, initial inventory, incorporation, legal fees, etc.
- Life of the plastic molds is estimated to be approximately one million units, however a decision has not been made as to the marketable life of the molds. Therefore, financial depreciation data is not yet finalized.
- Sales commissions are based on 30% of all units that are not sold direct. 50% of year 1 sales are estimated to be direct sales, and 25% of sales subsequently. (Direct sales include catalog, retail outlet, internet sales.)
- Key owners' salaries: \$2000/mo in year 1. \$3000/mo in year 2. \$4000/mo in year 3.
- Increase in employee salaries throughout first three years represents employee raises, as well as hiring of new employees as growth demands.
- Increase in number of employees scheduled as follows. Year 1: hire 1 retail assistant, warehouse supervisor for shipping/receiving, 1 secretary. Additional personnel in 4th quarter year 1: 2 hourly employees, 1 salaried employee. Year 2: 1st quarter: 2 hourly, 1 salaried employees. 2nd quarter: 2 hourly, 1 salaried. 4th quarter: 2 hourly, 2 salaried employees and again every month through the second quarter of Year 3. Salaried employees will include HR director, permanent PR director, controller, additional marketing personnel, corporate communications, etc. Approximately 50 total staff will be on board at the end of Year 3.
- Dramatic increase in sales in February 1998 is explained by introduction of first injection-molded "complete cat furniture solution" product, and concurrent marketing campaign. These sales also represent the filling of previously-generated orders based on the vacuum-formed plastic prototype products.

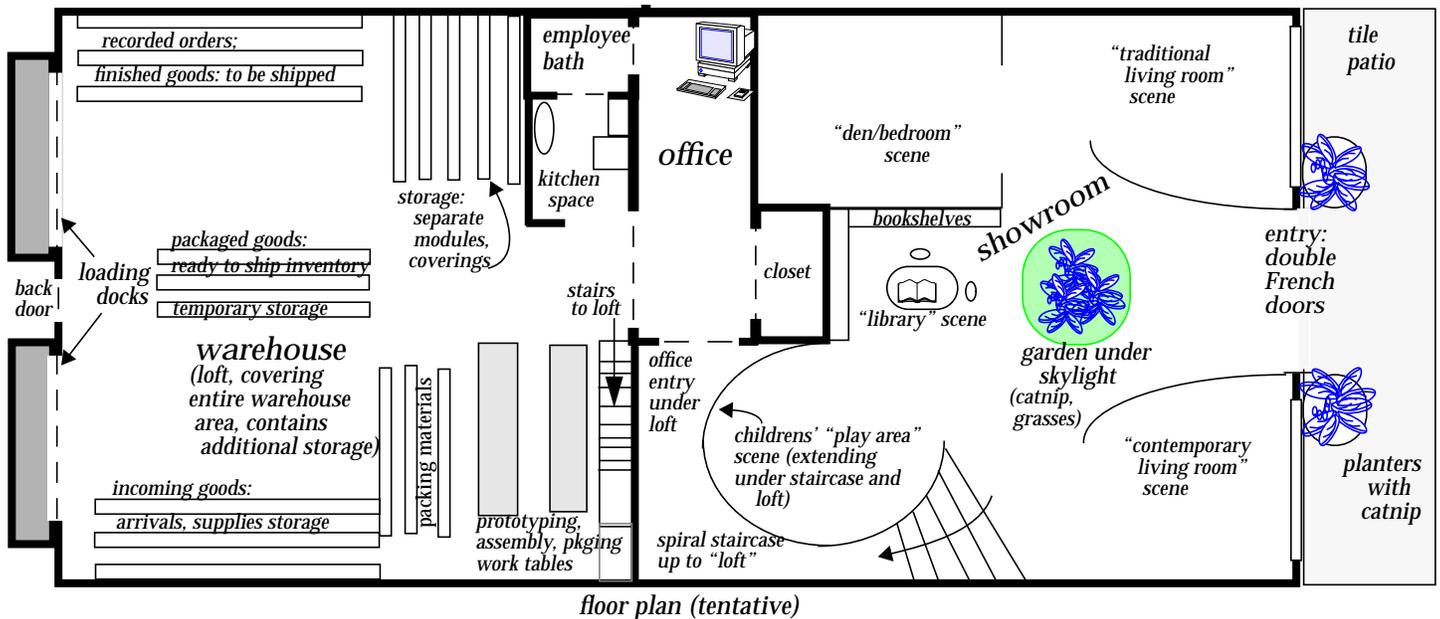
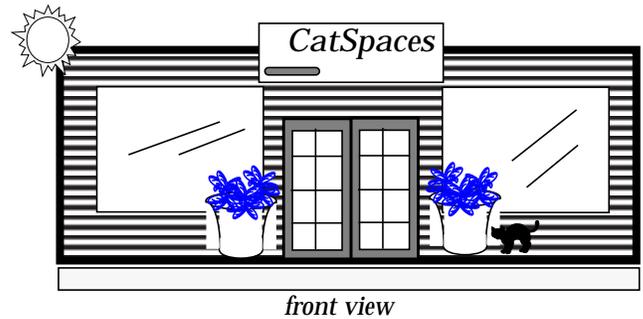
Financial spreadsheets have been manually attached to these pages.

Appendix E: Product and Service Details

Sketches of CatSpaces Retail Furniture Showroom/Warehouse

Showroom looks like an elegant furniture store, with different room “scenes” uniquely decorated. CatSpaces modular furniture is integrated into each setting, showing customers a “total solution” for them and their cat: cat furniture that fits into any room beautifully and functionally.

In addition to CatSpaces furniture, other cat products, sold on consignment, will be included in each setting. Cat books adorn the “library,” toys hang from the loft, tapestries and pictures are featured on living room walls.



Sketches of CatSpaces Initial Product Concepts follow on the next several pages, and are further described in a supplemental report, available on request.



CatSpaces

Supplemental Report

This supplemental report is intended to accompany the CatSpaces Business Plan of February 27, 1997. This report includes additional information that was not included in the Business Plan due to space limitations. Report contents are:

Resumes of Principals

Marketing Materials

- Target customer profile
- Customer benefits
- Market research results: focus group and survey data
- Text of surveys

Financial Details

- Year One Cash flow projections by month
- Year Two Cash flow projections by month
- Year Three cash flow projections by month
- Three-year cash flow projections summary by quarter
- Pro-forma income statement, year one
- Pro-forma income statement, year two
- Pro-forma income statement, year three
- Three-year income statement projection summary
- Three-year balance sheet projection summary

Product Information

- Detailed explanation of product concept by Mark Pierce, industrial designer
- Early sketches of product concepts

Resumes of Principals

Jennifer Longstaff

4482 Clay Street
Boulder, Colorado 80301-3009
303/530-4959

Education

Master of Business Administration degree (in progress), *emphasis*: Technology and Innovation Management and Operations Management. University of Colorado, Boulder: degree expected May 1997; GPA: 4.0/4.0

Master of Science degree, Computer Science, *emphasis*: graphics, user-interface, networks.
University of North Carolina at Chapel Hill: May 1982

Bachelor of Science degree, Computer Science, *minor*: Electrical Engineering (digital and analog design).
Washington State University, Pullman, WA: February 1979

Experience

9/92-present: contractor for **NOAA/FSL**, Boulder, CO: Senior Systems Analyst

- Designer/implementer of graphics primitives for 2-D forecast-drawing editor.
- Lead engineer for user-documentation and software-development tools projects.
- Administrative team-lead for group of 5 software contractors. In charge of technical personnel reviews, hiring, interviewing.

3/90-9/92: consultant for various front-range area companies.

- **Evolving Systems, Inc.** Lakewood, CO: Project lead to implement and coordinate C, SQL and IPC code as part of *Client Server* project for GTE.
- **Western Automation Labs, Inc.** Boulder, CO: Designed and implemented data-access system for 3480 tape drive and IBM PC using SCSI interface.
- **Exabyte Corporation**, Boulder, CO: Responsible for long-range planning and implementation of CAD development network, including benchmark and selection of workstations, system and TCP/IP network administration. Represented Exabyte at conferences, users' group meetings and with outside vendors.
- University of Colorado, Boulder, **Continuing Education, ECEN 5523**: Using *ELI* tools and object-oriented attribute grammars, developed a compiler to translate a descriptive LISP-like music language into PostScript graphical output.

3/88-3/90: Cadnetix Corporation (later Daisy-Cadnetix), Senior Software Engineer

- Designed and implemented new user-interface and graphical features in CAM (electrical) editors and in *Design Browser* windowing system.

11/84-3/88: UNISYS (ASG and Graftek Inc.), Boulder, CO: Senior Software Engineer

8/82-11/84: Bell Telephone Laboratories (now Lucent Technologies), Denver, CO: Member of Technical Staff

Specific Skills

Software: C++ (3 years), C (over 15 years), UNIX (over 15 years, including SUNOS, HPUX, AIX, AT&T Sys V, BSD 4.2), PostScript, HTML, *nroff/troff*, Adobe's FrameMaker, Word, ESQL, Xlib functions, sendmail, TCP/IP
Hardware: Sun4/SPARC, HP 7000, DEC VAX (BSD, ULTRIX, VMS), IBM RS/6000, IBM PC (DOS, Xenix, Windows), Apple Macintosh

TINA PIERCE WILSON
5303 Deer Creek Court
Boulder, CO 80301
Telephone (303) 530-4588

OBJECTIVE:

Challenging position as a member of a cross functional team incorporating responsibility for the provision of administrative and marketing activities within the business community.

SELECTED EXPERIENCE:

1996 **INTERNSHIPS.**

IntelCom Group, Inc. Initiated Quality Improvement Teams, developed specific tools, facilitated meetings

Exabyte, Corp. Obtained the "Voice of the Customer" in a Quality Function Deployment (QFD) project

1993 to 1996 **ROSE MEDICAL CENTER/SERVICEMASTER(Denver, CO).**

Clinical Nutrition Manager, Food and Nutrition Services.

Coordinated daily office activities including staff hiring, supervision, professional development, scheduling, timesheets, disciplinary action, evaluations, financial management, policy & procedures.

Achievements:

- * Initiated a comprehensive marketing strategy to expand nutritional services. Revenue doubled.
- * Developed and implemented new patient screening protocol thus improving efficiency by 25%.
- * Created diet order computer printout that resulted in a 30% reduction in labor.
- * Responsible for administering and reporting Nutrition Quality Improvement activities.

1990 to 1992 **THE WESLEY HOSPITAL (Brisbane, Australia).**

Director, Department of Nutrition and Dietetics (1991-1992).

Dietitian - Nutritionist (1990).

Achievements:

- * Developed and directed \$300,000 annual departmental budget. Reported savings of 1-2% during period of expansion of staff and services.
- * Developed, taught, and evaluated two 16 hour seminars designed to train Diet Cooks and Dietary Aides. Self-funding activity which generated \$2000 net profit per seminar.

ADDITIONAL EXPERIENCES:

1992 -1993 **ST. MARY-CORWIN REGIONAL MEDICAL CENTER (Pueblo, CO).**

Clinical Manager, Nutrition Services.

Demonstrated increased patient satisfaction with meal service from 78% to 86%.

1982-1986 **NUTRITIONAL CONSULTANTS of FT. WORTH, Inc. (Ft. Worth, TX).**

Partner in this nutritional consultation corporation which provided nutritional assessment, education, and continuity of care for referred clients.

1980-1982 **ALL SAINT'S EPISCOPAL HOSPITAL (Ft. Worth, TX).**

Chief Clinical Dietitian (1982), Clinical Dietitian (1980-1981).

EDUCATION:

MBA candidate (5/97), University of Colorado, Boulder, GPA: 3.85/4.0.

B.S., Dietetics & Nutritional Care, Rochester Institute of Technology, Summa Cum Laude.

PROFESSIONAL CERTIFICATION and AFFILIATIONS:

Registered Dietitian, 1979 to 1996 The American Dietetic Association, 1979 to Present.

DDA/CDA Board of Directors. Montessori Children's House, Board of Directors, Texas & Australia.

Employment

The Cloud Base
Boulder, CO

Pilot handling glider flight instruction and scenic flights for commercial glider operation. 1/88 - 8/95.

Gliders of Aspen
Aspen, CO

Pilot for scenic glider flights in the mountains around Aspen. Also responsible for ground crew, scheduling of flights, customer relations, and aircraft maintenance. 6/88 - 10/88.

Snowmass Conference
Center
Snowmass Village, CO

Conference Staff Member responsible for coordination of meals at a first class facility. Included setting up, service, and break down. 12/86 - 10/88.

The Tower Restaurant
and Magic Bar
Snowmass Village, CO

Bartender and part of entertainment team which specialized in close up magic acts. 6/85 - 4/88.

Personal Experience

Pilot

Certified Flight Instructor for gliders and private power pilot with several thousand hours flight experience.

Climbing/Travel

Expedition Member in two successful major mountain climbs; reaching summits of Mt. McKinley in Alaska, and Cerro Aconcagua in Argentina. Also, have traveled extensively in many different parts of the world.

Education

University of Colorado
Boulder Campus

Currently enrolled in finance and in small business management and entrepreneurship degree program, graduating in the spring of 1997.

National Outdoor
Leadership School

Completed Fall Semester In The Rockies Program. 1981.

Indio High School

Graduated in 1977.

Marketing Supplement: Target Customer Profile

Demographics of the actual target market customer profile is characterized as follows:

Cat owners with the following profile are most likely to purchase cat furniture:

- **Women.** 93 percent of those who actually care for cats (including veterinary trips, feeding and purchasing supplies) are women.¹
- **No children living at home.** Over 60% of cat-owning households have no children at home, so cats have become a much more pampered part of the family and are likely to have more toys and cat furniture in such households.²
- **Age 35-50.** The over 35 consumer is more established with a higher disposable income to indulge their cats. Older cat owners are thrifty and typically spend less.
- **Annual household income: over \$40,000**³
- **Urban/suburban location.** City-dwellers tend to keep their cats indoors more than rural cat owners, thus they buy *indoor exercise* pieces for their cats.

Cat club members including breeders and other cat-lovers who enjoy the chance to share their enthusiasm socially. There are several nationally-recognized cat clubs with Colorado chapters.

- Cat Fanciers' Association (CFA)
- The International Cat Association (TICA)
- Federation Internationale Feline (FIFe)
- American Association of Cat Enthusiasts (AACE)
- American Cat Fanciers Association (ACFA)
- Governing Council of the Cat Fancy (GCCF)
- The Traditional Cat Association (TCA)
- The Happy Household Pet Cat Club

Customer Benefits

- **Different Modules** are available to customize the furniture, meeting customer needs and desires.
- **Additional modules can be purchased at a later date.**
- **Modular cat furniture can be shipped immediately.** Currently, customized furniture must be special-ordered and takes several weeks before completion.
- **Modular pieces can be transported easily.** Currently available cat furniture is fully assembled and therefore, is too bulky to fit into many cars. The furniture must be shipped to the customer thereby, resulting in extra expense. In many cases, customers opt for a smaller piece due to the logistics of getting it home.
- **Plastic modules with removable upholstery covers can be easily cleaned.** Currently available cat furniture is made of pressboard or cardboard, which swells if cleaned with water. CatSpaces plastic furniture can be kept clean and sanitary, and removable carpet or cloth coverings can easily be laundered.
- **Modular cat furniture is competitively priced.** Cat owners feel available stock furniture is too expensive. The additional benefit of *customization* with a competitive price should make this product very attractive.

1. CATS Magazine, reader profile and demographics, 1996

2. DiNicola, Clare. Spokesperson for American Pet Products Manufacturers Association (APPMA), 1995 interview with CATS Magazine, Inc.
<http://pwr.com/catsmag/PRODREV.html>

3. Mogelonsky, Marcia, "Reigning Cats and Dogs," *American Demographics*, 1995

Market Research Results: Survey and Focus Group Data

Surveys

Over a two week period, sixteen surveys were received. In general, the results confirm the industry reports and the previous market research completed in Phase 1 (Summer 1996). A summary of the results follows:

<p>Profile of Respondents:</p> <ul style="list-style-type: none"> • 1 to 2 cats • Age of cats: 50% of respondents keep cats that are 1 to 2 years old • 75% of respondents own 1 to 2 pieces of medium sized cat furniture 	<p>Ranking of locations where respondents purchased cat furniture -</p> <ul style="list-style-type: none"> • Large Pet Center (PETsMART) 25% • Discount Store (Target) 19% • Cat Show 19% • Small Pet Store 13% • Catalog 6% 	<p>At the time of purchase, all respondents spent \$100 or less for their cat furniture</p>
<p>The respondents rated the modular cat tower as appealing and had a preference for sisal rope and raw wood.</p>		
<p>Carpet that matched the colors at home was important for 56% of the respondents.</p>		
<p>The cat tower was rated as sufficiently sturdy for the respondent's cats by 75% of those surveyed.</p>		
<p>The overall attractiveness of purchasing cat furniture that could be transported home at the time of purchase, then assembled using only a screwdriver was expressed by 70 to 80 percent of the respondents.</p>		
<p>Respondents were equally divided regarding the attractiveness of the plastic furniture and expressed concerns about the safety of the glue used in constructing plastic furniture.</p>		

The responses to the open-ended question is listed below. Once again, the results confirm responses from personal interviews with breeders, other cat owners, and the focus group participants.

Survey question # 23. Describe your ideal piece of cat furniture:

<p>Hiding Places</p> <ul style="list-style-type: none"> • Must have tunnels and hiding places. • Maybe a tunnel for kitty to hide in. • Has rooms that they can crawl in and out of, with openings so that they can play with each other through them. • Something with holes so one cat could be inside the structure, playing with the other cat who is outside, underneath, or on top of structure. • Your (tower) needs a place to hide. Something two cats would share. 	<p>Platforms</p> <ul style="list-style-type: none"> • Lots of platforms • He also likes to nap on it. • Multiple platforms with some enclosed spaces. • Lots of levels - areas tall enough for a cat to stretch out fully. • Needs more than just platforms and perches. Make a place for a bed, a room, a perch - a little variability.
<p>Toys</p> <ul style="list-style-type: none"> • Lots of toys or interesting features for a cat to play with • Would be nice if it had some moving toy (e.g. ball in enclosed tube) • Toys hanging on it or a way to hang up toys. • Would have some hooks available for hanging things. 	<p>Materials</p> <ul style="list-style-type: none"> • Made of material that can be scratched and not fall apart easily. Construction of parts must be strong, screws should loosen easily. • Made of wood. • Has different textures (i.e. wood, bark, carpet, rope). • Furniture made mostly of sisal rope

<p>Size</p> <ul style="list-style-type: none"> • Tall and sturdy • Tall and stable with carpet to climb up. • High enough for dogs (golden retrievers) not to reach the top level. Sturdy enough to not tip when a 15 lb. cat jumps around on it. 	<p>Other general comments:</p> <ul style="list-style-type: none"> • Received cat furniture as a gift • Make our own cat furniture • If lighter weight cat tower was less expensive, would see it as a bonus. • Great ideas: rope, wood, bark, etc. • I think your tower is cool. If you are concerned about durability, I have 3 very rambunctious cats you could test this out with.
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Focus Group Questions and responses:

A Focus Group was held the evening of November 1. Five prototype cat towers were shown and the modular pieces demonstrated. The following are the questions and responses given by group members (all cat owners: potential customers):

1. Think about cat furniture that you own or have seen. Describe the features that you like best.

<p>Appearance</p> <ul style="list-style-type: none"> • Looks classy, not junky. You don't see it sticking out. • Blends in. Needs to look seamless. Not like something you just pulled out of your backyard. • Tunnel up high, carpet, hanging toys, high platforms • Hanging toys, long string or rope in tunnel • Basket-like shelves, scoops 	<p>Sturdy</p> <ul style="list-style-type: none"> • Must be sturdy, well-made. • Built well • Doesn't tip, stability • Able to move (owner can move to another room easily) • Works for uncoordinated cats
<p>Durability</p> <ul style="list-style-type: none"> • Looks like it will stay together, edges fit together well. • Cheap ones keep falling apart. Don't want it to tip or fall over. • Carpet coming off. Use high quality glue, keep things from coming apart. • Quality materials 	

2. Looking at these cat towers, how much would you be willing to pay? How much would you pay if it was twice as large?

Medium size: \$50-\$100	Larger size: \$200; at least double the price of the other ones if big, full-featured
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3. How do you feel about this concept of modular furniture?

<ul style="list-style-type: none"> • Can you take the cat tower somewhere else when boarding the cat? • Concerns: easy to assemble • Not too complicated - don't want to use too many tools • Must still be sturdy - don't want parts falling off 	<ul style="list-style-type: none"> • Make like IKEA - a wrench is included if it needs a special tool • Balance must be maintained • Like it - like to expand it, but expansion should be transparent • Make furniture taller
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4. *How important would it be to be able to purchase a different module and customize the cat furniture to some degree?*

<ul style="list-style-type: none"> • That would be a bonus - could start small and upgrade later as budget allowed. • As long as there's not a gaping hole where you HAVE to add something. 	<ul style="list-style-type: none"> • Must still be sturdy when you add on a new piece. • PETSMART has modular, but imported • At cat show, modular is key
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5. *Where would you expect to purchase modular furniture?*

<ul style="list-style-type: none"> • Pet shop; cat show; McGuckin's hardware; catalogs • Real important to buy something I can put in my car - unless they offer free delivery 	<ul style="list-style-type: none"> • Would not go to K-Mart because the stuff is cheesy. • If you can disassemble it, it's easy to ship in a box. Short turnaround on catalog sales would be important.
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6. *What if some of the pieces were made of plastic, in more interesting shapes, then covered with carpet/fabric? How appealing would this be and what would be your concerns, if any?*

<p>Thoughts</p> <ul style="list-style-type: none"> • Glue - maybe the cats could pull the carpet off completely • What if it wasn't as stable, not as heavy, might tip over • Want base to still be wood and other parts can be plastic • Want raw wood for them to claw • Does plastic smell bad to cats? • Lightweight would be an advantage when first buying and shipping. But once it's at home, don't need to move it around. • Rather not have too much exposed plastic. If all covered, it's O.K., covered with heavy material, carpet, rope or fleece. 	<p>Fabrics</p> <ul style="list-style-type: none"> • Synthetic or fleece materials would be good • Berber carpet - might snag and pull up. Prefer short pile carpet, more durable for cat claws. • As long as it's soft/fleecy, plush carpet • Want a cushioned under-pad • Use cheapest fabric if it keeps the price down • As long as it looks nice, cats won't care.
<p>Colors</p> <ul style="list-style-type: none"> • Maybe bright colors - like Lego • Want neutral to blend in. • Although, based on "mood" of the room, bright colors might be O.K. • Color shouldn't stand out 	<p>Cleanable</p> <ul style="list-style-type: none"> • With carpet shampoo • Detachable materials would be easier to keep clean • Plastic parts easier than wood to keep clean/sanitary

7. *Describe your ideal piece of cat furniture?*

<p>Design</p> <ul style="list-style-type: none"> • Designed to ship flat • Break down totally • Sacrifice total breakdown for sturdiness • Important to take it apart all the way, but not compromise sturdiness (i.e. similar to outdoor picnic tables w/umbrella) 	<p>Size</p> <ul style="list-style-type: none"> • 6 feet tall, about twice as wide as prototypes • A little taller would be good, so the cat could get away from the dogs. • About 50% wider
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<p>Features</p> <ul style="list-style-type: none"> • Different levels • High perch - be able to climb to the perch, but a little challenging - step below the top shouldn't be too close. • Perches up on top with a couple different levels • Beds with a crow's nest • As cat gets older, needs to be able to climb easily to next level. • A bigger top shelf. Top could be crow's nest or dish shaped • High places, place to hide • Large platform on the top, protect the cat from the dog • Place to sprawl in the sun • Definitely tunnels and high platform • Tunnels 	<p>... and more Features</p> <ul style="list-style-type: none"> • A tunnel up high to crawl into and hide • Tunnel in it - they like a secure place to hide from the dog • Maybe a tunnel up high • Tunnels to hide in, tunnels to climb up in • Crawl into small space in private, enclosed place • Enclosed spaces are good • Like a silo w/ openings on the side to climb around • Hanging toys • Hanging toys - a way to customize (i.e. by adding eye hooks to the wood to hang toys) • Different places to hang catnip
<p>Materials</p> <ul style="list-style-type: none"> • Carpet • Neutral carpet • Some real wood and bark. • Neutral colors • Raw wood, or one w/bark and one without • Would pay another 10% for all recycled products 	<p>Sales/Service</p> <ul style="list-style-type: none"> • Return policy: if you don't like the product, if malfunction, etc. - return in 30 days • Have a warranty against defects, carpet coming off (1 year) • Glue guaranteed to be nontoxic, wood not from ancient forests • UPS will pick it up and bring it back, company also pays for return shipping
<p>Stability</p> <ul style="list-style-type: none"> • Older, overweight cat - so needs something stable so it doesn't fall on him • Sturdy 	

The following survey was administered during the two-week period of October 23 - November 12, 1996. Results are described in the previous section, and average question-by-question responses are indicated below.

CAT TOWER SURVEY

Hi! We are a group of University of Colorado students preparing a business plan for selling cat furniture. If you presently own a cat or have owned cats in the past, we would appreciate it if you would take 5 minutes of your time to complete our survey. Thanks!

1. How many cats do you presently own? (Circle one)

None 1 to 2 3 to 5 more than 5 Owner / Breeder

2. What are the ages of your cats? (Circle all that apply)

Kittens 1 to 2 3 to 5 5 to 8 8 to 10 Over 10

3. How many pieces of cat furniture do you presently own for your cat(s)? (Circle one)

None 1 to 2 3 to 5 more than 5

4. What sizes of cat furniture do you prefer to have for your cat(s)? (Circle all that apply)

Small Medium Large

5. Where did you purchase the cat furniture? (Circle all that apply)

Cat Show Grocery Store Discount Store (i.e. Target)
 Catalog Small Pet Store Large Pet Center (i.e. PETsMART)

6. Thinking back to the time of purchase, approximately how much did each piece of furniture cost? (Circle all that apply)

Less than \$25 \$25 - \$50 \$51 - \$100 \$101 - \$200 \$201 - \$500 Over \$500

7. How appealing does your cat find cat furniture? (Circle one)

Extremely Appealing 6 5 4 3 2 1 Not at all Appealing

8. Would your cat like having sisal rope to play with? (Circle one)

More sisal rope 6 5 4 3 2 1 Less sisal rope

9. Would your cat enjoy having raw wood or bark as a scratching post? (Circle one)

Raw Wood 6 5 4 3 2 1 Bark

10. To what degree would you prefer a cat tower with a raw wood vs. wood with bark scratching post? (Circle one)

Prefer Raw Wood 6 5 4 3 2 1 Prefer Bark

11. To what degree would you be willing to pay more for cat furniture with "natural wood" as compared to one completely covered with carpet? (Circle one)

Pay More for Natural Wood 6 5 4 3 2 1 Would Not Pay More

12. When purchasing cat furniture, the **color of the carpet** is an important decision criteria. (Circle one)

Color is very Important 6 5 4 3 2 1 Color is not at all Important
13. If cat furniture that “matched” the colors in my house were available, I would be willing to pay more. (Circle one)

Definitely Pay More 6 5 4 3 2 1 Would not Pay More

14. Estimate how much more you would be willing to pay for cat furniture that “matched” the colors of your home.

\$00 \$0-\$5 \$5.01-\$15.00 \$15.01-\$30.00 \$30.01-\$50.00 \$50.01-\$75.00 More than \$75

15. In my opinion, cat furniture must be sturdy and stable. (Circle one)

Strongly agree 6 5 4 3 2 1 Strongly disagree

16. How desirable would it be to have “lighter weight” cat furniture, providing it was still strong and sturdy? (Circle one)

Very Desirable 6 5 4 3 2 1 Not at All Desirable

17. In order to construct “lighter” weight furniture, it might be possible to use some plastic parts. The plastic would have carpet glued on using FDA-approved NON-TOXIC glue. How appealing would a cat tower with some plastic parts be to you? (Circle one).

Extremely Appealing 6 5 4 3 2 1 Not at all Appealing

18. How concerned would you be about our using NON-TOXIC glue in the construction of the furniture? (Circle one)

Extremely Concerned 6 5 4 3 2 1 Not at all Concerned

19. In comparison to cat furniture made of wood with stapled-on carpet, would you purchase lighter weight furniture with some plastic parts covered with glued carpet? (Circle one)

Definitely Purchase 6 5 4 3 2 1 Definitely Would not Purchase

20. If you purchased medium to large cat furniture, how important would it be to take it home for your cat today? (Circle one)

Very Important 6 5 4 3 2 1 Not Important at All

21. If you purchased medium to large cat furniture, would it be desirable to transport it home in your car? (Circle one)

Very Desirable 6 5 4 3 2 1 Not at All Desirable

22. If you purchased large cat furniture, how willing would you be to partially assemble it at home if the only tool required was a screw driver? (Circle one)

Very Willing 6 5 4 3 2 1 Not Willing at All

23. Describe your ideal piece of cat furniture:

The following survey was administered over a three-day period during the summer of 1996. It was administered over the Internet, and over 100 responses were received.

Cat Furniture Marketing Questions

Do you own any cat furniture, such as cat beds, small condos, climb-on scratching posts, bigger wall units, etc.?
(Something in your house that takes up space and has no use except to be there for the cats?)

If so, what do you own

- small, medium or large piece?
- how many?
- approximately how much \$\$ have you spent for the pieces you are using now?

From your own experience, how long do you think a piece of cat furniture will last? What influences how long it will last?

- gets worn out and looks too ugly to have in my house
- gets worn out and doesn't work right (unsafe, falls down, whatever)
- cats get bored with it
- person gets bored with it
- person sees something new and decide to replace old one

If you don't own one, why not?

- not enough room in the house
- not worth it for the price
- think they are ugly
- haven't seen one that I really like

What would it take to persuade you to buy one (or to buy another one)?

- cheaper price
- I could customize my own
- want it to look nicer and mix with my decor

If so, what would be the highest price you'd be willing to pay for

- a very large wall-sized unit?
- a medium sized freestanding tower?
- a little condo?

If money was no object, what would your perfect piece of cat furniture look like?

How valuable would a put-it-together kit be to you - where all the pieces were included and you put them together yourself?

Would you like to have a "furniture architect" design exactly the furniture you wanted, then give you a kit with all the correctly-cut pieces (covered with carpet or sisal rope) to assemble that design?

Would it be of value to you to have a "furniture architect" design a set of plans to your exact specifications, then buy the plans and do the actual building yourself? (You would need to be able to cut wood to spec, use a drill, staple gun and screwdriver)

If you wanted to build your own from plans, why would you do it?

- to select your own materials?
- build for less money than a pre-built one
- are you a do-it-yourselfer?
- if you would like this option, what would you be willing to pay for a set of customized plans?

What are the most important items that you consider when purchasing a piece of cat furniture? Enter the level of importance where “1” is most important and “5” is least important:

- ____ Appearance: does it fit into my house decor
- ____ Appealing to my cats: has lots of good stuff for them to play on
- ____ Cost
- ____ Customized to exactly what I want
- ____ Ability to fit the cat furniture into a nook in the house (like under the stairs or around a corner)
- ____ To have my own set of plans and build myself
- ____ To have all the pieces so I can put it together myself with just a screwdriver
- other?

Is it more important to you that the cat furniture looks nice and fits into your house, or that the cats have fun with it? Or are these two criteria equally important to you?

What features do you (or your cats) value in a piece of cat furniture? Enter the level of importance where “1” is most important and “5” is least important:

- ____ a perch to sit up high
- ____ a way to climb up high (little stairs or a ramp)
- ____ something to jump up to
- ____ built-in sisal rope scratching post
- ____ hanging toys or springy things attached
- ____ an enclosed place to sleep or hide (tepee, or box with entrance hole)
- ____ an open place to sleep (like ledge, bowl or scoop)
- other?

Are many of these considerations dependent on either your breed of cat or your cat’s age?

Do you live in a house or apartment?

How many cats live with you?

Are your cats:

- indoor-only
- indoor/outdoor (more than 75% indoor)
- 50/50
- mostly outdoor

Do you share your home with other pets as well as cats (such as dogs, fish, birds)

Do you share your home with children - what ages - how many?

Financial Details