



# Food Manufacturer

CLARENCE PRATT ENTERPRISES, INC.

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14001 Western Hwy.  
Salt Lake City, UT 84101

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*This plan for an established minority-owned food manufacturer seeks to expand the distribution of its products within the U.S. military, to build brand equity in retail distribution, to expand the company's product line, and to continue a promotional program. Action steps include featuring company products on the founder's talk show, directing donations to nonprofit youth groups, and donation and promotion programs with the U.S. Defense and Commissary Agency.*

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## EXECUTIVE SUMMARY

Clarence Pratt Enterprises, Inc. is a minority-owned Utah Corporation founded and owned by Clarence Pratt, a graduate of the University of Vermont. The company was incorporated May 24, 1994. To date Clarence Pratt Enterprises, Inc. has developed a line of products marketed under the Clarence Pratt's Original™ brand that are in distribution in the military resale market through the Defense Commissary Agency and in retail distribution in Lindstrom's, Abner Stevens, and Fosters Food and Drug Centers. The company's military distribution is accomplished through a contract allowing access to the market for the company's approved products.

### Progress to Date and Recent Accomplishments

The company has quality product formulas, contracted co-packing arrangements, an established network of authorized military distributors, brokerage representation in the military resale market, regional retail, and arrangements with Save-Mart in place.

The company holds a Resale Order Agreement (ROA) with the Defense Commissary Agency that provides access to the market for the company's products. The commissary market averages \$5.4 billion in grocery sales annually. There are 300 stores systemwide.

The company, with its ROA, has approved distribution of three products nationwide, four products worldwide, and sixteen products regionally.

The company has established distribution of five products in the Utah Region of Abner Stevens.



The company has established distribution in Fosters Food and Drug Centers Utah division, with product approved for systemwide distribution into 159 stores.

The company has an established retail distributor in the Gulf Coast region of Florida, with four products.

The company is in the final stages of approved distribution in Save-Mart.

## Clarence Pratt's Original Products

Barbecue Sauce  
Spicy Barbecue Sauce  
Honey Mustard  
Teriyaki Glaze  
Roasted Garlic Marinade  
Sweet & Sour Sauce  
Salsa  
Disposable Aluminum Baking Pans  
Bean Coffees  
Spices  
Potato Shells  
Fresh Pasta  
FastBind  
Doodle Stick  
Pasta Sauce Mixes  
Chocolate Truffles

The company has established distribution in the Utah Division of Lindstrom's with five products.

Major food manufacturers and corporate co-promotion partners, such as The Shaker Foods company and Foods America, support and participate in the company's cause-marketing programs because they feel it is the right thing to do. Shaker Foods provides advisory consultation and Foods America offers ongoing promotional support of the company's products in military distribution. These relationships are rewarding for both parties.

Foods America is developing a fat-free bacon product, which they will manufacture, market, and distribute under the Clarence Pratt's Original™ label. This type of relationship is consistent with the company's programs. Other companies are suggesting similar types of programs.

A number of high-level industry and commissary marketing executives have expressed a desire to join the company.

Mr. Edward Maas is a national spokesperson for the youth at risk program associated with the company's marketing program.

## Proposed Transaction

The company is currently seeking to fund further development of its existing military distribution to market the company's products and build brand equity in retail distribution, expand the company's product line with higher margin products, and carry on an advertising and promotion program to drive and stimulate product sales.

The company projects sales levels in year one of \$2,968,389, year two sales of \$6,508,268, year three sales of \$8,421,342, year four sales of \$8,972,021, and year five sales of \$9,421,639.



## Marketing Strategy

The company has a three-faceted marketing strategy. A national strategy, a retail strategy, and a military resale strategy, based on cause-marketing.

The company's national strategy encompasses "The Clarence Pratt Show™" a topical 30-minute talk show.

The company's retail strategy is to direct a donation of 3% of gross sales to nonprofit groups working to stem the gang problem through interfacing with the stores, the community, and the consumer, who can make a difference.

The company's military strategy encompasses the donation program, as well as promotion periods established by DeCA headquarters.

The company's cause related marketing program centers around the donation of 3% of the company's gross revenues to nonprofit organizations that are helping to fight gang problems in markets where the products are sold. For retail distribution, youth at risk boards are being formed to help determine the recipients of the donations. In the military, the Armed Services YMCA's national and branch offices are our youth at risk boards.

Clarence Pratt, president of the company, also hosts a solution-based television program, "The Clarence Pratt Show™" that promotes the products and establishes strong name recognition and production positioning in markets where the show airs.

The company's innovative cause-marketing program and solution-based television and radio programs position it to garner and secure considerable support, including:

- Retailers foregoing slotting fees
- Retailers foregoing initial free distribution of products
- Retailers either reducing allowances or allowance periods
- Marketing programs and in-store mandatory promotions not required

Television and radio stations offer opportunities to air public service announcements relative to the company's products and youth at risk programs, the cause-marketing program, and charitable donation aspects of the program. The FCC also requires stations to air and support minority and youth-based programs through airing of specific information about specific organizations and or programs that impact the community they are licensed to serve.

## Growth Opportunities

Government regulations provide that government entities and companies that do business with the U.S. government are required to purchase and do business with minority-owned companies. This meets this requirement.

The company will vigorously participate in all bidding and "RFP" (Request for Proposal) opportunities to increase and diversify the company's sales activity. These opportunities will come through the Armed Services Support Center (DPSC). This organization is responsible for all troop and support provisioning, worldwide.

Federal acquisition requirements provide for contracts set aside for minority-owned small business and minority preference contracts. Minority preference contracts provide for 10% price advantage over non-minority bidders.

The company has the opportunity through its military broker to penetrate other areas of the military resale marketplace, including the exchanges of all the services.



## Key Investment Considerations

The company's strategy of contracting product manufacturing, allows it to operate with smaller staff levels than would be required if the company did its own manufacturing. As the company is able to penetrate additional markets, the costs of operation will increase at a substantially lower rate than revenues will increase.

The company has the ability to increase its margins through negotiation with additional manufacturers and suppliers of products.

Clarence Pratt, president and founder of the company, has consistently demonstrated his ability to implement his vision. Mr. Pratt's unique abilities to attract and develop experienced and skilled management support, secure contacts and contracts, and market his products and company is a great asset to the fast growth of the company. The company's current market penetration is the result of Mr. Pratt's efforts.

Due to the nature of the commissary market and the entry requirements, the company and Mr. Pratt, because of his unique abilities, are constantly presented with new opportunities relating to products and companies wishing access to the commissary market. Each opportunity is evaluated on its merits and its compatibility with the current operations of the company.

The company has filed an application for the 8(a) program which, when approved, will provide a basis for increasing sales, with lower costs, and provide minority preferences for potential contracts with many areas of government purchasing.

The company is pursuing Friendly Inns of America International Corporation for institutional distribution of its products. Friendly Inns of America Corporation is developing a "Market Place" concept to increase its utilization of small businesses in its purchasing. This program will also allow small businesses to purchase goods at the same price that Friendly Inns of America International does.

The company is also working with Friendly Inns of America International as a potential subcontractor for responses to "requests for proposals" from the government. For example, the company is pursuing a "Prime Vendor" contract for Guam.

## INTRODUCTION

Clarence Pratt Enterprises, Inc. is a minority-owned for profit Utah corporation, founded by Clarence Pratt. Incorporated in May 1994 to engage in the private labeling of food and food-related products, the company markets 40 products under the Clarence Pratt's Original™ brand.

The company has established distribution as follows: seven products in the Defense Commissary Agency (DeCA), five products in Lindstrom's (Utah Division), seven products in Fosters Food and Drug Centers, six products in Abner Stevens (Utah Division), four products in Top Savings (Gulf Coast of Florida), and sixteen products authorized for Save-Mart.

The company has established contracted manufacturing arrangements for production of the company's products. The company has established worldwide brokerage representation to all elements of the military resale market through R.J. Steele Company of Daytona Beach, Florida. The company has established brokerage representation at Save-Mart and regionally in retail to coincide with its retail distribution.

The company, through its founder, Clarence Pratt, has established significant relationships in its distribution channels. This has created additional opportunities for the company to expand its distribution, increase sales of its products, and through funding implement strategies to achieve projected sales and profitability levels. Mr. Pratt has also developed relationships in several arenas important for the company, including political, government, business, media, and community.

Mr. Pratt hosts "The Clarence Pratt Show™," a weekly 30-minute talk show focusing on solutions to the issues that affect all communities across America. While this show has been on the air longer than the company has



been in existence, the affect it has on the company's products and the potential for relationships that benefit the company is significant.

The company was publicly launched on May 27, 1994 with a widely attended press conference and announcement in the Mayor of Provo's office. Attending were representatives of the Governor of the State of Utah, the Attorney General of the State of Utah, and many other dignitaries.

The company's pourable (liquid) food products are based on family recipes of Mr. Pratt. The company contracts for manufacturing as there is an abundance of manufacturing capacity available, the capital costs are significantly less than instituting the company's own manufacturing, and the company has more flexibility with new product development.

The company's central marketing program is cause-related to youth at risk. The company donates 3% of its gross sales (which translates to 50% of the profits from the sale of the products) to nonprofit groups working with youth at risk. This 3% is factored into the pricing of the company's products and is calculated in addition to gross margins on the products. The company has aligned itself with the national Armed Services Youth of Faith Association for distribution of the donation from the company's military commissary distribution. The company's youth at risk program has in part been the reason major manufacturers, such as Foods America and The Shaker Foods company, have supported the company's military distribution through participating in advertising support, or through co-promotions (see Marketing). The company's youth at risk program is also presented to retail grocery chains, as a cause-marketing program, and has, in effect, persuaded retailers to participate by waiving traditional slotting fees and merchandising programs.

This ability to impact this important issue from a positive perspective positions the company distinctly apart from its competitors. Through inclusion of retailers and other participants into the program, the consumer motivation to purchase the company's products is enhanced and translated to these participants. This is true of the company's products and "The Clarence Pratt Show™," which helps television and radio stations meet their programming mandates and is a motivator for them to participate.

The company is minority-owned, which accords the company certain benefits in relation to sales activities with the U.S. government, including potential set aside contracts and minority preferences in purchasing. The company's thrust in this area is directed at the Armed Services Support Center, in Pittsburgh, which is responsible for purchasing all manner of materials, food, and food-related products for provisioning of active duty personnel.

The benefits of cause-marketing and the company's youth at risk program come from the passion of the founder, Clarence Pratt, to make a difference. Knowing that literally no neighborhood in America is exempt from gangs, knowing that solutions come from positive efforts, Mr. Pratt has taken the youth of America as a goal, and through Clarence Pratt's Original™ products and "The Clarence Pratt Show™," he is building a strong foundation for profitability and positive change.

This cause translates directly to benefits for the company. Retailers have waived slotting fees; corporations like Foods America and The Shaker Foods company have taken an active part in helping to establish the company's business. The company's products are advertised in "The Clarence Pratt Show™." The company's promotional activities are enhanced through the youth at risk program with co-demos and co-promotions with complimentary products, thus reducing the cost to the company and through donated assistance in promotions, i.e., Foods America meats for sampling.

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Total Population	66%
Influentials	78%
Household Income \$50,000+	82%

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The effect of the company's cause-marketing on the consumer is positive. The company's product labels carry the following statement: "3% of gross sales (which translates to 50% of the profits from the sale of the products) are donated to nonprofit groups working with youth at risk." In 1994, Seehaver Worldwide, Inc., a preeminent research company and Keye/Wilson Communications completed which is commonly called the Keye/Wilson Study of the power of cause-marketing on consumers' buying habits.

The foremost guiding findings that emerged from the study were that "consumers believe that business has a responsibility to help improve social ills" and "consumers respond positively with increased brand equity and sales to companies that practice cause-marketing sincerely." Key to the results of the study is the effect of what Keye/Wilson calls "Influentials." These are people who by their nature, income, education, and circumstance affect others.

The company has advantages in its products and distribution. Having access to the military commissary market and the contacts to expand products in distribution in this market is an important aspect to securing new business, new revenue streams, and avenues of profitability. This market averages \$5.4 billion in sales annually, ranking it as one of the largest grocery chains in America. The company is also moving to tap the very large Armed Services Support Center market. This agency is responsible for purchasing all materials, food, and food-related products for support of active duty personnel, worldwide. The company is also moving to tap the military base exchange marketplace, with products for this distribution channel.

The company anticipates, through funding, significant growth in its retail distribution within its current distribution channels—i.e., Lindstrom's, Abner Stevens, Fosters Food and Drug Centers, Top Savings, and Save-Mart—increases in its military distribution, and in penetration of other market segments.

From the beginning, Mr. Pratt has successfully sought the advice and help of others to develop Clarence Pratt Enterprises, sell his products, and further his ideas to help youth at risk. For example, Senators Alan Bennett and Robert Thatch were instrumental in making introductions to appropriate persons in the military commissaries (administered by the Defense Commissary Agency, DeCA). In addition, past Representatives Smathers and Hanusik supported the company's entree into the commissary market. Senators Thatch and Bennett are members of the New Challenges Honorary Advisory Board.

With its youth at risk program and through Mr. Pratt's efforts, the company has developed significant co-promotion and advertising support from major food manufacturers, such as Shaker Foods and Foods America, a regional Venture Cola bottling company, and Mountain Bank U.S.

## PROPOSED TRANSACTION

Clarence Pratt Enterprises, Inc. has developed high quality products, which together with its innovative marketing program have resulted in the products' rapid sale into military commissary, military exchange, and retail grocery outlets.

To enable the company to develop these profitable distribution channel relationships, along with its favorable manufacturing, brokerage, and distributor agreements in successfully exploiting the company's market opportunity, CPS is currently seeking \$1,000,000 of equity funding.

The funds will be used primarily to provide working capital and to implement programs to drive sales of the company's products in its established lines of distribution. See the attached financial statements (additional detail is available upon request) and the Summary Financial Information section, which follows.

### Common Stock Investment

**Voting Rights**—The stock will be Class A voting stock and will be entitled to one vote for each share of stock.

**Distribution Rights**—The stock will be co-equal with existing shares held by Mr. Pratt.

**Exit Strategy**—It is anticipated that the company will do an initial public offering of its stock within the first



five years. The company also believes that it will receive attractive buyout offers due to its ability to penetrate retail and especially government markets on behalf of the acquirer. (The company has and expects to continue to receive numerous requests for help in obtaining distribution of other companies' products—especially in government organizations.)

## SUMMARY FINANCIAL INFORMATION

The company's founder and president has demonstrated ability to obtain distribution in military and retail markets for the company's products. Clarence Pratt has also negotiated favorable manufacturing and distribution contracts and developed substantial financing and marketing support from retail grocery chains, manufacturers in the food industry, and politicians and government. Clarence Pratt Enterprises, Inc. is demonstrating that it is the company for the next millennium.

The proposed financing is to accomplish the following:

1. Marketing and advertising to increase and drive sales in established commissary and retail grocery markets. Increased volume in sales through commissaries and retail grocery chains.
2. Increase gross margins on the company's products through reducing costs of production of the company's pourable products.
3. Open distribution in military exchange markets, including Army, Air Force, Navy, Marine Corps, and Coast Guard.
4. Develop vendor status in institutional markets, including the Defense Personnel Support Center, the government agency responsible for purchasing of all materials for support of active duty personnel and their dependents. Other distribution channels include food service suppliers, such as Food Monarch and Friendly Inns of America, etc., and federal and state prisons.
5. Open new retail market areas, through placement of "The Clarence Pratt Show™" in new markets (see Marketing).
6. Bring to market new products and product lines with higher gross margins and introduce these products to the company's established lines of distribution.
7. Position the company to take advantage of marketing opportunities for current products and to take advantage of new product procurement.
8. Develop infrastructure and supplement management team to bring the company through breakeven to profitability.

The company enjoys several competitive advantages that are either unique to the company or unique to its markets.

1. "The Clarence Pratt Show™." This 30-minute television program focuses on bringing solutions to the issues that affects all of our communities. The program is entertaining and insightful and presents the solutions in a positive perspective. Clarence Pratt hosts the program. The program meets the mandates that stations have for community-based programming and offers advantages to the stations to air the program. Television stations regularly are judged as to whether to keep their broadcast licenses by the programming they air. "The Clarence Pratt Show™" meets the litmus test in several areas surveyed by the Federal Communications Commission. Thus the advantage to television stations is that they can air a high production value program, with no production costs to them, share the advertising availabilities in the program with the company, and therefore generate advertising revenue with no out of pocket costs for programming.

Year	1	2	3	4	5
Total Revenue	\$2,968,389	\$6,508,268	\$8,421,342	\$8,972,021	\$9,421,639
Gross Margin - %	17.7%	18.8%	19.3%	19.3%	19.3%
G & A Expenses	\$749,221	\$978,281	\$1,055,435	\$1,110,229	\$1,160,636
Earnings Before Int. + Tax	-222,448	\$245,936	\$569,003	\$620,414	\$662,064

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2. A significant portion of the company's distribution is in a "protected" market, the Defense Commissary Agency. This vital market is not widely known and many medium sized and large companies do not market their products in this channel. The commissaries account for approximately \$5.4 billion in sales per year, ranking it as the ninth largest grocery chain in America.

Unlike retail grocery, entry into the military commissary market is based on approval of a company's product(s), program, and pricing structure. The goal and mission of the commissaries are to provide their patrons (active duty personnel and their dependents, reservists, and National Guard personnel, and retirees) with quality products at the lowest possible price. Shelf pricing generally must be between 25% and 40% less than the same product on retail grocery shelves to be considered for placement in distribution.

Distribution in this channel requires selling product(s) into the system at DeCA headquarters in Arlington, obtaining authorized military distributors to serve the bases, and obtaining authorized military brokerage to serve the bases. Companies who desire can field a direct sales force to supplant the military broker. However, with the exception of perishable products, authorized military distributors, who are independent businesses, not affiliated or aligned with the Defense Commissary Agency, must deliver all products to the base. The number of distributors has recently decreased through acquisitions and mergers, in effect, lessening the opportunities for new products, or new entrants into the market to obtain distribution, even though they may have products authorized by DeCA headquarters.

3. With the company's ability to utilize contracted manufacturing and with the company's ability to be a conduit for other company's products into the DeCA system, the company has the advantage of flexibility in its products offered. Uniquely positioned in the military, the company can offer other companies products under the company's contract. This is accomplished under the most favorable possible terms negotiated with each company.
4. The company's youth at risk program and its donation of 3% of gross sales to nonprofit groups working with youth at risk, position the company to request and receive accommodations from retailers in foregoing traditional slotting fees and participation in mandatory marketing programs. This significantly reduces the cost of entry for the company.

The consumer can react positively to the company's marketing program of its donation to youth at risk. When price and quality are equal, consumers will choose the product that is identified with a cause that they care about, according to the definitive study of cause-related marketing conducted by Keye Wilson Communications and Seehaver Starch Worldwide, a preeminent market research firm. (See Marketing.) The company's competitive advantages, management team, cause-marketing program, and established distribution position it very well to obtain significant profitability through the proposed funding.

## KEY INVESTMENT CONSIDERATIONS

The company in its operating history has not shown a profit, as its funds and efforts have been directed at building the product lines and completing development of manufacturing, logistics, transportation, and distribution strategies. There are numerous factors contributing to the operating strength, stability, and exceptional potential growth of Clarence Pratt Enterprises, Inc.

The company's contract with the Defense Commissary Agency (DeCA) provides for the company's access to the commissary market. Only contract holders are authorized to distribute and sell products into the commissary system. The commissary, while like a grocery store, is primarily an important benefit to armed services personnel, their dependents, and retirees, as they can buy food at significantly reduced cost. The





contract is not product specific. Products are approved separately. The company can therefore include new Clarence Pratt's Original™ products and/or new products of other companies under its contract. This flexibility will provide for excellent future growth of the product lines of the company, both its own brand and others, as entry into the commissary system is not easy, or profit-driven, and harbors pitfalls for most companies, including brokerage, distributors, and the system of doing business with the military.

The grocery market is large, stable, and showing recurring long-term growth. In 1994 the grocery market was estimated at over \$71.6 billion dollars in sales. At the end of the fifth year of operations in this plan, the company projects penetrating less and .03% of this market. Thus, the growth potential in this distribution channel is favorable.

The company principal, Clarence Pratt, has the ability to develop relationships with key individuals and groups that result in numerous and potentially profitable business opportunities for the company in both established lines of distribution and potential lines of distribution.

The company's food products are attractively packaged and manufactured to the highest quality standards. The products are also competitively priced and the company has developed strategies for lowering the costs of production, while not diminishing quality, in order to expand the company's profit margins.

Minority ownership of the company, that meets the federal guidelines, permits the company to participate in various small business and small disadvantaged business programs in various areas of the government market. These include, but are not limited to, the Defense Personnel Support Center (troop provisioning), the General Service Administration (operation of government-owned facilities), and the Department of Justice (federal prisons).

Privately and publicly held corporations often are required to do business with small business and small disadvantaged businesses. As there are relatively few minority-owned companies operating successfully in the food industry, especially in the military resale markets, the opportunity for increasing product lines, sales, and profitability is inherently excellent.

The company's central cause-related community-based marketing program and its donation of 3% of its gross sales to nonprofit groups fighting the gang problem, is a significant marketing strategy. Not only has the company garnered support due to the program from the retail marketplace, food industry and food-industry related companies, such as The Shaker Oats Company, Foods Midwest America, and Venture Cola, have provided marketing and advertising support to the company's products. This support reduces the cost of doing business in the company's distribution channels.

Current management has developed the company's product, infrastructure, and business relationships to get the company to this point. It is anticipated that additional management personnel will be hired and utilized to further the company's strategy of meeting its distribution and product sales goals.

The market conditions under which the company operates, and has operated, have been favorable and it is anticipated to remain so. The company, with funding, will increase its sales and take full advantage of the distribution channels and products established, through increased marketing efforts.

The company's products have been well accepted by the consuming public. The consumer needs to be further educated as to the cause-marketing program of the company. While the Keyes Seehaver Study shows the positive bottom line effects of cause-marketing, the consumer must be informed to make the right choice. With funding, the prospects for mid-term and long-term growth are excellent.

Distribution Growth	Products	Year
Save-Mart	16	12/97
Foster's Food and Drug	7	9/97
Top Savings Gulf Coast	4	6/97
Lindstrom Utah	5	6/97
Abner Stevens Utah	5	4/97
Eastern Con. U.S.		2/96
Con. U.S. Mandated		7/95
Midwest DeCA		5/95
Southwest DeCA		2/95
Company Incorporate		5/94



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Lindstrom Utah	5	6/97
Abner Stevens Utah	5	4/97
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Con. U.S. Mandated		7/95
Midwest DeCA		5/95
Southwest DeCA		2/95
Company Incorporate		5/94

## MARKETING

### Market Analysis

The company's two primary distribution channels—retail grocery and military resale—are similar in that they both resell the company's products, however, the similarity does not continue with the business systems used by these two distinct groups. It is important to understand the system as it relates to marketing to judge the merits of the programs and funding allocations in this business plan.

The most significant difference between the two is that retail is profit-driven and the commissary segment of the military resale system is not, while the Exchange segment of the military resale system, is only marginally profit-driven.

Retail generates revenue from consumer sales and from manufacturers in the form of slotting fees, price allowances, promotional programs, mandatory marketing programs, discounts, incentive programs, and free distribution of product. Thus, entry into this channel is traditionally beyond the financial capability of most small businesses, on other than a limited basis or on a local distribution basis only. The company, with its advantageous youth at risk program, can enter retail without these costly programs.

The commissary sells products to the consumer at the cost it buys the products from the manufacturer, plus a 5% surcharge to cover overhead. DeCA operates from appropriated funds and the revenue generated from the surcharge. DeCA's mission is to provide the patron, active military, dependents, and retirees with the highest quality and lowest cost products. It is not profit-driven. With active competition from discount stores, Save-Mart, and other retail giants, DeCA's growth is certain through its legislated status.

The buying habits of the commissary shopper are beneficial to the company. The commissary shopper often only shops once per month, unless they live on base or within close proximity. It is not uncommon for a customer to drive hundreds of miles to shop at a commissary. Often, rather than buying one of a product, the consumer will buy a month's supply or more at one time.

The commissary market has stabilized and the patronage of the system by authorized consumers is expected to increase. The commissary system has undergone rapid changes, including category management and performance based operation, since its inception only six years ago. At that time the individual commissaries of the U.S. Army, U.S. Navy, U.S. Marine Corps, and the U.S. Air Force were combined into one operation. The same type of consolidation is occurring with the exchanges. The U.S. Army and U.S. Air Force consolidated some years ago.



<b>Total Authorized Commissary and Exchange Patrons</b>	
Active Duty	1,692,609
Dependents	2,347,116
Retirees	1,748,320
<b>Total Authorized</b>	<b>5,788,045</b>

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Active Duty	1,692,609
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The fact that the company has obtained distribution in several retail chains without paying slotting fees, or participating in free products programs or mandatory marketing programs, has been to the advantage of lower costs of entry into these distribution channels.

Marketing of the company's products is essential to the continued success in these channels. The company's cause-marketing program is best suited to independent marketing of the Clarence Pratt's Original™ brand, rather than as one of the many participants in store marketing programs. The company does participate in in-store couponing and demo programs.

<b>Retail Program Participation</b>	<b>Yes</b>	<b>No</b>
Slotting Fees		X
Price Allowances	X	
Store Marketing		X
Free Distribution		X

### **Retail Program Participation Yes No**

Slotting Fees		X
Price Allowances	X	
Store Marketing		X
Free Distribution		X

There are important differences in the makeup of the consumer base of the company's two main channels of distribution that require two approaches.

The consumer base for retail distribution is literally everyone within the local trading area of a grocery store. The consumer base for the military is limited. However, sales from the total authorized commissary and exchange shoppers exceed their small numbers.

The commissaries, with a total of approximately 300 stores worldwide, typically rank as the ninth largest grocery chain in America, with approximately \$5.4 billion in annual sales. The number one grocery chain, typically either McSweeney's or Stores U.S.A., have 2,000 plus stores producing \$22 billion in sales. Each commissary sells approximately 38.8% more per stores that the leading chains.

One factor that can account for this difference is that within the military resale consumer base are two different elements. First the active duty and dependents either live on base or within close proximity. If the base is located within a populated area, as most are, then they have a choice whether to buy their groceries down the street at the local store or go to the commissary. Retirees on the other hand, will drive many miles to shop at the closest store and will likely purchase more products per shopping trip than they do when they shop at a grocery store.

## **Product Marketing Strategy**

Product formulations, production, distribution, and sales into distribution channels are only part of the process of the success of the company. Once the products are on the shelf, marketing will drive sales to reach projected sales levels.

**Источник бизнес-плана:** <http://www.referenceforbusiness.com>



The company has a three-faceted marketing strategy: a national strategy, a retail strategy, and a military resale strategy, with the national strategy having positive impact on the other two.

### **National Strategy: "The Clarence Pratt Show™"**

This weekly 30-minute, fast-paced, entertaining and informative talk show, is the company's national marketing vehicle. The show has been on the air in the Intermountain market for seven years. It is growing in popularity and this plan calls for expansion of the airing of the program into other markets. Clarence Pratt hosts the program. Clarence Pratt's Original™ products are showcased in the shows. There are cooking segments, using Clarence Pratt's Original™ products in the shows, as well.

This program can have more marketing impact, more impact on product sales, and opening new distribution than any other potential national program, including a national media blitz campaign.

The Clarence Pratt Show™, like the food products, began as an effort to bring about positive change in America's communities. The show has grown and evolved into one of sufficient prominence to become regional and even national in scope. The program serves several needs that make this happen.

First, the television stations of America must show that their programming meets the need and necessity of their broadcast areas, to either obtain or keep their broadcast licenses. Therefore, meeting the Federal Communications Commission's regulations and requirements are important. Stations must ascertain the issues of importance to stations and broadcast programming to meet these needs. Stations must air programming for children and stations must air programming for their minority communities. These are mandated requirements. The Clarence Pratt Show™ meets these requirements.

The show is offered on a barter basis to the stations. This means that the stations receive the show, via satellite, with half the commercial time taken, and half available to them to sell, with no cost for the production of the program to the station. This is important, as other than local news operations, stations have a difficult time producing local programming of note. Most have weekend shows, hosted by either reporters or weekend news anchors, talking about various charity events in their communities. The Clarence Pratt Show™ offers a viable alternative, with shows on topics that can bring positive change to the station's audiences and solutions to the issues. The show adds to the effectiveness and impact of the company's cause-marketing program.

Solutions to the issues that affect our community are presented on the program. The show topics shown below are representative and are the most recent 13 program series produced (11/97).

### **Show Topics**

#### **Youth Support Programs**

- Successful methods of turning youth from gangs.

#### **Chamber of Commerce**

- Resources for vital information and business assistance.

#### **Teen Pregnancy**

- Successful solutions, focusing on prevention and education.

#### **National Academy Group**

- Solutions in schools to bridging the gap between academia and work reality.

#### **Mayors**

- Solutions to local issues through the Mayor's office.

#### **City Councils**



- The most power rests here. Solutions to gangs, youth problems, community involvement from this perspective.

#### What Are Our Differences?

- Through the talents of "Boys to Females," a performing female impersonator group, solutions to understanding and accepting differences, while recognizing that we're really all the same.

#### Republicans and Democrats

- The philosophical differences between the two and how are solutions presented through the party system.

#### TV—Who Does It Serve?

- Does TV meet our information needs or are we mesmerized by the sensationalism of the news and hypnotized by the entertainment programming? What is TV's role?

#### U.S. Women Business Owners Organization

- The fastest growing segment of small business—someone has developed solutions to the glass ceiling.

#### Children's Justice System

- Revolving door? Successful solutions for youth continually going in and out of the system, with no redirection to the positive.

#### Community Affairs

- Solutions from county government, local charities, and media.

The benefits to the company from "The Clarence Pratt Show™" are significant, and include:

- Significant host recognition transferring to product image
- Builds brand awareness
- Develops commitment to cause-marketing program
- Advertises the products in use
- Advertises the youth at risk program
- Develops broad based community support for the products and program
- Generates revenue
- More effective and less costly than regional/national media campaign

## Retail Strategy

The strategy is to direct 3% of the gross sales of the products to nonprofit groups working with youth at risk, in an effort to stem the rising tide of gangs in America. The company uses a cause-related marketing strategy, for two reasons.

The company was founded with one barbecue sauce developed from an old family recipe by Clarence Pratt. The idea came from a need to fund the television show, then called "New Challenges," and on public broadcast television. With the intensely competitive donation solicitation market often barring media applicants, and with having to compete with community groups that the show served for funding, Clarence Pratt thought there had to be a better way. Thus, the barbecue sauce was born.

Grocery stores are members of their communities. They are affected by the rapidly rising gang problem in America, with shootings in their parking lots, rapid rising in pilferage, and shoplifting. They would like to do something about it and consumers would like to do something about it. Clarence Pratt's Original™ products and the grocery store can provide them a way.





The company positions itself, both to store and consumer, as a method to help the youth of the community. While unique, this strategy is effective when it is sincere.

In 1994, Keye/Wilson Communications and Seehaver Worldwide, Inc., a preeminent research firm issued the "Keye Seehaver Study" of the effects of cause-marketing on consumer buying habits. Their foremost finding was that "consumers believe that business has a responsibility to help improve social ills," and that consumers respond positively with purchases from companies that practice cause-marketing sincerely.

Likely to Switch	
Total Population	62%
Influentials	77%
Household Income \$50,000+	78%

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Influentials	77%
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Given that quality of the product and price are equal, the graphic below illustrates the Keye Seehaver finding for how likely consumers are to switch brands, they will also switch stores to meet their need. This is important for stores in their decision to take Clarence Pratt's Original™ products.

The 3% donation, which is detailed on product labels, all marketing and advertising materials, all publicity, and all information used or sent by the company, is what allows the consumer to participate and is central to the marketing strategy.

The declaration on the product labels reads:

3% of the price (which translates to approximately 50% of the profits from the sale of these products) is donated to military youth and nonprofit groups helping youth at risk" in your community.

The retail strategy also includes traditional marketing methods used in innovative ways. Because of the donation from the sale of product, television and radio stations have run public service announcements emphasizing the youth at risk aspects of the program. The program is ideal for interfacing with local community groups much in the same manner as the company has done with the Armed Services YMCA program (see Military Strategy).

Other elements of the retail strategy are:

- Product Demonstrations
- Co-Promotions
- In-store Couponing
- Store Circulars
- Electronic Media

The donation is accomplished through local boards comprised of community, business, government, and education leadership. The boards determine which group(s) receive the allocated donation by their effectiveness in doing the job. There is no grant or application procedure, although direct solicitation is not discouraged.

"The Clarence Pratt Show™" affects the retail strategy in that the celebrity status of the host—the transference of image to the products and the community-based nature of both the products and the television show—reinforces product marketing and influences retail grocery chains to take Clarence Pratt's Original™ products, when they might not otherwise have.



## Military Strategy

The cause-marketing strategy and the 3% donation are also effective in the military. The company has aligned itself with the national Armed Services YMCA program as both the recipient and determinator of which of the many deserving Armed Services YMCA programs receive donations from the company.

Due to the distinctly different nature of the commissary shopper, the company's strategy is to direct its marketing efforts at the authorized patron, and in locations and through means that reach them specifically. The strategy is to utilize a mix of traditional with innovative uses of media.

Elements of the military strategy are:

- Product Demonstrations
- Co-Promotions
- In-store Couponing
- Base Newspaper Advertising
- DeCA Specific Promotional

## Definition of Retail and Military Elements

### Product Demonstrations

Product demonstrations are serving sample portions of the products in the store to the consumer. Often a 25-cent coupon that is only immediately redeemable is used. The military allows for and the company participates in setting minimum case purchases for demos. The company currently has a 5 case per product minimum for demos.

### Co-Promotions

Through relationships developed by Clarence Pratt with major corporations, the company undertakes co-promotions with other manufacturers. For example, Foods America is a copromoter of the company's products and annually participates in a holiday promotion with Clarence Pratt's Original™ Disposable Baking Pans in the military. The company is talking with other corporations to develop a cross-couponing program.

### In-store Couponing

The company uses 25-cent-off discount coupons affixed to the bottles or shelf (in pads) to help drive sales.

### Store Circulars

The company, in retail, participates with 25-cent coupons in the stores' shoppers guides and/or direct-mail newspaper inserts.

### Electronic Media

The company uses radio advertising to promote its products in retail. Radio is also used to reinforce store-specific promotions and promote the company's products through its youth at risk program.

### Base Newspaper Advertising

There are approximately 120 newspaper publications that are targeted at readers around specific military bases of all services. These papers report on the local military community and happenings on or in the base community. The readership is very high among authorized commissary and exchange patrons. There is a



prohibition regarding advertising prices of products offered in the commissaries and exchanges in any public media. The company has advertised its youth at risk program and the product image and will continue to do so.

### DeCA Specific Promotional

DeCA headquarters establishes two-week promotional periods, most of which are theme-related and that carry specific pricing promotional requirements. The company participates in these programs, where they are beneficial to the company. The company participates in the holiday promotional period, which is a 60-day promotion. DeCA promotes primarily based on price. The pricing structure of the system includes VPR (Variable Promotional Pricing), when required or used by a manufacturer the regular price is lowered during the promotional period. There is usually a functional minimum of 15% reduction for a 30-day period required to participate. The company also uses coupons to drive sales during promotional periods.

### Marketing Budget Elements

The plan calls for expending the following budgets in advertising, promotion, and demonstrations. It should be noted that "The Clarence Pratt Show™" is included in the budgets for advertising.

Market Budget Elements	Year 1
Advertising	\$355,000
Promotion	\$341,520
Demonstrations	\$147,397
Total	\$828,917

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Advertising	\$355,000
Promotion	\$341,520
Demonstrations	\$147,397
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Market Budget Elements	Years 2-5
Year Two	\$1,190,782
Year Three	\$1,248,598
Year Four	\$1,313,217
Year Five	\$1,394,892

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Year Two	\$1,190,782
Year Three	\$1,248,598
Year Four	\$1,313,217
Year Five	\$1,394,892

Year	Demos	Promotions
2	\$200,000	\$390,000
3	\$250,000	\$400,000
4	\$300,000	\$410,000
5	\$375,000	\$425,000

### Demonstrations and Promotions

Year	Demos	Promotions
2	\$200,000	\$390,000
3	\$250,000	\$400,000
4	\$300,000	\$410,000
5	\$375,000	\$425,000

Demos are included for both retail and military distribution, as found in previous sections.

**Advertising—Television and Radio**

Year	Radio	Television
2	\$90,000	\$80,000
3	\$100,000	\$80,000
4	\$100,000	\$80,000
5	\$100,000	\$80,000

**Advertising—Television and Radio**

Year	Radio	Television
2	\$90,000	\$80,000
3	\$100,000	\$80,000
4	\$100,000	\$80,000
5	\$100,000	\$80,000

**Television Show and Base Newspapers**

Year	Television Show	Base Newspapers
2	\$200,000	\$50,000
3	\$325,000	\$50,000
4	\$375,000	\$50,000
5	\$375,000	\$50,000

**Television Show and Base Newspapers**

Year	Television Show	Base Newspapers
2	\$200,000	\$50,000
3	\$325,000	\$50,000
4	\$375,000	\$50,000
5	\$375,000	\$50,000

The budget for promotions will be expended on an as-needed basis that is determined by the events and retail distribution channels. The same is true of co-promotions.

Co-promotions and promotional events especially tailored to the distribution channel, incorporating the youth at risk program and coordinated with the company's brokers, are the main thrust of the promotional program. Initial entries into new markets include press conferences announcing the products and youth at risk program.

**Conclusion**

The company has established products in established distribution channels. Funding is needed to support the marketing programs as previously outlined for the company to drive sales to projected levels.

There are a number of positive factors relating to the company's position that are not reflected in the analysis in the marketing section. The most important in this regard is the company's attractiveness to other companies as an outlet for access to military distribution with products they wish to put into the military resale system.

The marketing analysis is based upon what is currently in-house. As the company and its founder Clarence Pratt attract significant opportunities on a regular basis, it is pertinent to assume that the profit potential possibilities through marketing new products, whether private, labeled, or not, and/or services, and accessing new less costly lines of distribution, i.e., the Armed Services Support Center, will play integral roles in developing the company's positive financial picture.

The attractiveness of the company's youth at risk program generates interest from companies wishing to co-promote their products and/or become involved in solving the gang problem. The food products and the television show, as the major marketing thrust of the company is unique in the industry and positions the company to control its destiny.



## OPERATIONS

The company produces its products in three ways. The company's pourable food products are produced under contract, using the company's formulas and quality control mechanisms. The company purchases private label Clarence Pratt's Original™ products from manufacturers, as in the case of Clarence Pratt's Original™ Disposable Baking Pans. And third, the company puts other companies' products under its contract with the Defense Commissary Agency, or under its representation to the military resale market for exchanges.

The company currently negotiates the most favorable terms possible for the purchase of the products. This is usually 30 days and sometimes longer, if the company's creditor is willing to allow for the cash flow cycle in the military. With funding, the company anticipates to seek out and secure other sources of contract manufacturing of the company's products. The logistical and bottom line benefit of shipping the products only the shortest distance possible will accrue to the bottom line.

While the company maintains an account with a reputable commercial warehouse to store products, orders to either distributors or customers are produced to order and drop shipped.

The following are the resources and or sources of products marketed by the company:

### Clarence Pratt's Original™ Products

Private Label Food Manufacturer  
GB Great Foods, Portland, Maine  
Remarkable Foods, Grand Rapids, Minnesota  
Sun Burst, Boise, Idaho  
Private Label Disposable Baking Pans  
FoilRite  
Private Label Pastas and Sauce Mixes  
Natalina's Premiere Pasta  
Spices  
Natalina's Premiere Pastas

### Products Marketed by Clarence Pratt Enterprises, Inc.

Fast Bind  
Fast Bind Enterprises, Phoenix, Arizona  
Yummy Bite Dog Biscuits  
Joan's Products, Kansas City, Missouri  
Cookware  
Greg's Marketing Group/Direct Europe, Orlando, Florida  
Crank Case Aid  
A1 Quality of Redding, California

## Distribution and Brokerage

The Defense Commissary Agency requires manufacturers to participate in their distribution system. This means that a company has to have a business relationship with independent distributor(s), authorized by the system, and representation by authorized military brokerage or a direct sales force, to meet the distribution sold into the Marketing Business Unit in Arlington, Virginia. The company has established relationships with some of the top military distribution companies, including the following and the territories they serve:

Southeastern U.S. and Central America





Top Savings Military, Savannah, Georgia

Northeast Atlantic Region

Byrd Lowrey, Emmittsburg, Massachusetts

Central Atlantic Region and Europe

Armed Forces Distributors of Virginia, Norfolk, Virginia

Central States and Midwest

Orrion Tackett, Springfield, Illinois

Hayden Aaron Sales, Lubbock, Texas

G&A Distributors, Norman, Oklahoma

C&D Distribution, Kansas City, Kansas

Byrd Lowrey Denver, Colorado

Southwest Desert Wholesale, Socorro, New Mexico

Southwest, Northwest and Pacific Rim

Wagner Military Distribution

The company is represented by the following brokerage firms, and the territories they serve:

Military Resale Market World Wide

Sisson company, Daytona Beach, Florida

Retail Grocery

Young Brokerage, Provo, Utah

Moscow, Idaho, Tempe, Arizona, and Socorro, New Mexico

Save-Mart, Sam's Clubs

HCS, Hope, Arizona

## Transportation

Wherever possible, the company utilizes minimum order quantities for a freight discount. The company has negotiated discount tariffs with Greene Freight and Continental U.S. Transport, to transport products nationwide.

## Product and Cash Flow System

To date, the company has put into place all of the ingredients for a successful operation, with the exception of the funding. Accomplishments include the following:

- Established channels of distribution through which: (1) its products have been mandated to be carried and sold, and (2) favorable shelving space has been obtained. The company has existing agreements with both military and retail grocery chains that alone would enable it to attain the sales projections represented in the accompanying financial projections.
- The company's youth program has been embraced by its customers as providing a benefit over and above the profit potential represented by the company's products.
- A business concept that enables the company to operate with a small organization with minimal fixed costs.



- Profitable contracts with reputable manufacturers that provide significant contribution towards the company's profitability.

## Management

The management of the company has more than 75 years of combined experience in developing contacts; selling products; staffing, organizing and developing start-up organizations; and accounting and management information systems. Mr. Clarence Pratt, a minority executive, has particular expertise in generating and utilizing support for his causes and companies.

A major advantage of the company derives from the fact that it contract manufactures its products. As a result, the organization initially will be very small, consisting of a president, an operations manager, a part-time financial manager, two administrative people, a retail sales vice president, and in a year, a military resale markets sales vice president. Mr. Pratt will continue to develop relationships with various military and retail organizations. The sales vice presidents will also be responsible for expanding sales. Mr. Perkins will come on board full-time when warranted.

**Clarence Pratt, Jr., President**, is the founder and developer of Clarence Pratt's Original™ products. He has a B.A. in Business Administration from the University of California at Berkeley. With 25 years of experience in advertising, marketing, and developing products and programs, Mr. Pratt has a proven ability to develop and organize sales programs that work. His entertainment and television production experience has helped him in impressing others with the benefit and opportunity that his products and companies offer. In addition, his remarkable vision has enabled him to identify opportunities presented by others' products and ideas, such that others have repeatedly requested his assistance in developing their opportunities. Mr. Pratt serves on numerous boards and committees and is able to use his contacts to put together coalitions that develop solutions. He has also formed numerous partnerships with other companies that have resulted in support of his products.

**Russ O'Leary, Vice President of Operations**, studied political science and philosophy at the University of the South. Mr. O'Leary has 25 years of experience in distribution management and planning, marketing, and advertising. He has had profit and loss responsibility serving as a branch manager, where he increased sales and related distribution by over 50% in one year. He also served as director of traffic of a common carrier, where he increased sales and distribution by 700% over a 7-year period. This distribution experience has served him well in assisting to put CPE supply agreements in place. His experience in media has helped him to develop an understanding of product positioning. As Mr. Pratt's partner, he has participated in the development of the program since its inception, including developing the business concept and preparing the business plan, designing and developing product labels, coproducing PSA's and other company videos. He has also assisted in developing and setting up the distribution network for the company's products. In conjunction with Mr. Pratt, he prepared the pricing model used to set competitive prices and helped negotiate with manufacturers.

**Gregory S. Perkins, Chief Financial Officer**. An M.B.A. and a CPA with a B.A. in physics, Mr. Perkins has 25 years of experience in all aspects of financial operations, including 7 years living and working overseas. During 15 years with Intercontinental Corporation, he was CFO of a foreign subsidiary, and as an operations consultant, he developed and sold to senior operating and staff managements over \$42 million of profit and controls improvements. As an investment banker he developed \$300 million in debt and equity funding for small and medium-size companies. As Executive Vice President and CFO, working with a company suffering significant losses and a severe cash shortage, he cut expenditures and controlled cash outlays to attain profitability. He has developed strategic plans for dozens of different companies in diverse industries and has developed and implemented management information systems, budgeting procedures, and internal controls. He has implemented cash management systems, developed and maintained banking, auditing, and legal



relationships. He has extensive experience in contract negotiation and administration.

## SUMMARY FINANCIAL PROJECTIONS

The following information is an overview of our financial projections.

	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Sales Military	2,041,393	3,480,779	4,063,328	4,392,346	4,719,208
Sales Exchanges	182,917	257,306	289,440	345,544	415,674
Sales Retail	744,078	2,770,182	4,068,574	4,234,131	4,286,757
<b>Total Sales</b>	<b>2,968,389</b>	<b>6,508,268</b>	<b>8,421,342</b>	<b>8,972,021</b>	<b>9,421,639</b>
Cost of Goods Sold	2,441,616	5,284,050	6,796,904	7,241,378	7,598,939
Gross Margin	526,773	1,224,218	1,624,428	1,730,643	1,822,700
General & Admin. Expenses	676,847	1,349,813	1,458,775	1,513,569	1,563,976
Earnings Before Interest & Taxes	-150,074	-125,595	165,663	217,074	258,724
Net Income	-104,194	-87,541	101,374	135,591	161,815

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