

Cove: For the Modern, Millennial Home

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For the modern, millennial home.

At Cove, we provide millennials with trendy & affordable home furnishings and accessories. We offer our customers a furniture take-back program, furniture salvation classes, & design inspiration to create a space for them to live & enjoy.

Our mission at Cove is to:

To provide stylish & functional products for the home.

To create spaces to live in & enjoy.

To give back to our global community.

To build lasting relationships.

Our vision for Cove is:

To create spaces that enhance our customer's quality of life by offering design inspiration to create a place for them to live & enjoy, while focusing our business around sustainability efforts.

MERCHANDISE & SERVICES

Cove offers many different products and services for the home and for our valued customer. Our staple pieces will be sofas and small sectionals, chairs, wall decor, and small accessories. We received feedback from our survey that our customers wanted, and took that information to formulate our offerings.

Services that Cove will provide:

- Furniture Take-back Program: Free customer drop-off for approved pieces and complementary pick-up with delivery. Cove charges a small fee if the customer does not have the delivery truck already going to their home for a drop-off. (See Triple Bottom Line part B for more information)
- Furniture Salvation Classes: Cove is partnering with a local business at their desired price. The goal is to set the classes at about \$50 per session. In these classes, we will teach our customers how to take care of their furniture at home to ensure the maximum years in their furniture's lifetime. (See Competitive Advantages for more information)

Products & Price Points that Cove will offer:

- Furniture
 - Sofas & Sectionals: \$700 - \$1500
 - Chairs/Recliners: \$150 - \$400
 - Dining Tables: \$400 - \$1200
 - Dining Seating: \$50 - \$200

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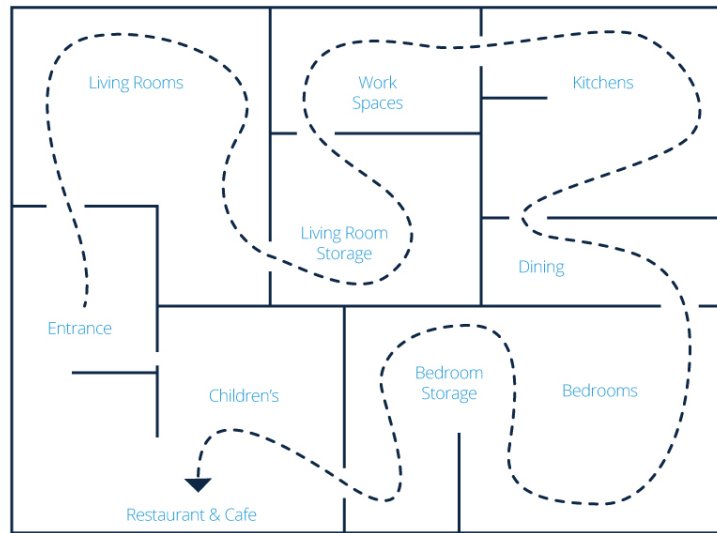
- Occasional Tables: \$100 - \$800
- Wall Decor
 - Mirrors: \$50 - \$300
 - Clocks: \$20 - \$60
 - Wall Hangings: \$45 - 70
 - Art: \$10 - \$350
 - Pillows/Throws: \$10 - \$60
- Other Accessories
 - Candles: \$5 - \$12
 - Planters: \$20 - \$50
 - Vases: \$10 - \$50
 - Baskets: \$25 - \$60
 - Bowls: \$30 - \$40
- Rugs
 - Welcome: \$20 - \$50
 - Area: \$200 - \$1000
 - Outdoor: \$30 - \$100
 - Balcony Furniture: \$50 - \$200
 - Pet Accessories: \$5 - \$200

RETAIL FORMAT

The physical environment at Cove gives our millennial customers an upbeat vibe. Our product offerings are trend focused and affordable to fit their needs. Our divided

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showrooms provide an example of how our products can be paired together to take the uncertainty of decorating off our customers' mind. The layout of Cove is modeled after the Ikea store layout. Below is an example. To alleviate any frustrations, we will have an opening between the living room storage and bedroom storage showrooms.



LOCATION & SIZE

Cove is located in San Francisco on the corner of 4th and King St. which is centered in a highly populated area. Our store is located in the Old Safeway building, which is equipped with a loading dock and ramp parking for our customers. The convenience of parking will be a great marketing tactic to pull people into our store. We chose San Francisco because of the high population of millennials in the area that fit with our target market's income levels. The size of our store is around 47,600 square feet - which is the perfect size for our target market's needs and wants in a retail store. This is also the average size of a Safeway. Cove uses this space for inventory storage, office space, our furniture salvation classes, and for creating a universally designed store. Cove has lower shelf heights which means more floor space is needed. This is why this larger building is perfect for Cove.

ORGANIZATIONAL STRUCTURE

The CEO, Chief Operations Officer, Chief Financial Officer, Chief Marketing Officer, and Chief Furniture Reclamation Officer are the key individuals at Cove. Our CEO leads our company along with our Chief Operations Officer to ensure our company is moving ahead at all times. As a team, these five individuals have created our strategic goals to ensure our company is continuously improving and upholding sustainability across all aspects of business.

TRIPLE BOTTOM LINE

The objective of Cove is to be a sustainable retailer by following these socially responsible business practices:

1. *Renovation Projects for Non-Profits*

Cove helps local non-profits that need updated facilities by renovating their space for a week. This helps the community and the workers at the non-profit operate more efficiently. Cove designs rooms in facilities that are rundown. Cove reaches out to other local business to help cover the costs.

2. *Cove runs a furniture take-back program to keep items out of landfills.*

Cove runs an in-house furniture take-back program. Cove has a delivery truck that doubles as the transportation truck for our customer's old items. When customers buy a new piece of furniture, we offer a delivery service at a fee and give them the option of donating their old furniture piece(s) after approval by our delivery employees. Cove then takes the furniture and donates it to a local

charity. Cove offers an incentive for this in the form of a discount for future purchases. Cove offers this service to customers who have bought our pieces in the past and would like to participate in the program. A picture of the item is required for pre-approval before pick-up or drop-off for these cases to ensure the piece is in good enough condition for donation. Cove charges a small fee for pick-up if the customer cannot drop it off themselves. The furniture will either be donated to a local charity or those in the community who cannot afford their own furniture. To ensure the furniture goes to those who need it, we will partner with the local second-hand business. Cove only takes back specific items. Customers will know if it qualifies for our take-back program by product tags in-store and stickers. For example, a couch will have a sticker placed near the manufacturing tags labeled "Eligible for Cove Take-Back." They can simply look at the tag on their couch and know if it's eligible. If the tag is cut off, our Cove take-back team has a list of product SKUs and images if customers are not sure if items qualify.

3. *Cove ensures our manufacturers have humane working conditions and are environmentally responsible businesses by being ISO 14001:2015 certified, have environmental business standards, or some other certification to ensure sustainability practices are in place.*

Cove sources from responsible manufacturers. Cove's ideal candidate is a certified ISO 14001 manufacturer.

"This International Standard specifies the requirements for an environmental management system that an organization can use to

enhance its environmental performance. This International Standard is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability” (ISO, 2015).

If manufacturers are not certified ISO 14001 members, Cove ensures there are standards in place to help reduce environmental impact and fair labor practices are being met. Cove sends employees on-site each month to make sure manufacturers are in compliance. Other certifications Cove looks for are GreenGuard certified for indoor quality, Forest Stewardship Council (FSC) for sustainably harvested wood products, Fair Trade, organic cotton & dyes certified by the Global Organic Textile Standards (GOTS), upcycled & recycled goods, & LEED certified companies. These certifications are achieved by being assessed by 3rd parties.

4. Cove incorporates solar power energy, natural lighting, and sustainable materials in our store.

Cove features solar panels on the roof of our building if allowed by the city. The exterior features large, low-e windows that allow light in, but not heat or cold. This reduces the overall energy cost in the long-run. The natural lighting also helps improve our workers' quality of life and expose them to outdoor views which also increases quality of life (Bergland, 2013). Cove incorporates sustainable materials into its store design. Cove has Armstrong commercial flooring with recycled materials that can be sent back to the manufacturer to be

recycled into new materials. Cove's materials and cleaning supplies will be either zero VOC or low VOC to improve indoor air quality while protecting the environment and its' atmosphere. DIRT moving walls allow us to change showroom designs often without major remodels and throwing old drywall into landfills.

5. *Cove ensures our building meets ADA requirements and is welcoming for those with disabilities by incorporating universal design principles.*

Cove's exterior and interior meet or exceed ADA requirements. The entrance will be step-less and have 3 feet or wider doors to allow wheelchairs and strollers to enter easily. Our flooring has a wet and dry coefficient of friction greater than .6, ideally .8 or more. We have contrasting colors in the flooring to guide those with visual impairments. Our walkways and aisles are 5 feet or wider to ensure ease of movement for all customers. Any handles are placed at 36" to allow children and those in wheelchairs ease of use. Our shelving does not exceed 5 feet to allow the sunlight to enter the entire store and for ease of reach for those lower to the ground.

6. *Cove offers a donation option for our customers at check-out and online for a local charity or organization each month.*

Upon checkout, the customer is asked if they would like to donate to a local charity. All proceeds go to the selected charity. We feature these organizations each month on our website so customers can learn more about what they do to

help our community. One organization is Rocket Dog Rescue, a dog rescue shelter in the San Francisco Bay area.

INDUSTRY & MARKET ANALYSIS

The Industry:

Market Size & Growth Potential:

A leading online furniture news source reported the industry will be worth \$122 billion by 2020; a 3% compound annual growth rate. Millennials market share was \$27 billion in 2014. They have accounted for the largest number of households buying furniture, but Baby Boomers spend the largest percent of dollars. E-commerce for furniture and accessories is expected to reach \$29 billion in 2018. Google searches for furniture increased 18% in 2016, and 57% of them came from a mobile device. The furniture sector continues to expand with the economy and even outpaced it at the end of 2017. Consumer confidence has increased, and as a result, has increased buying in the furniture sector. The industry is expected to continue growing as more consumers purchase houses and millennials move out on their own (Bryne, 2017).

Market Characteristics & Trends:

1. *Cross-over furniture* - residential blends with workplace furniture. An increasing amount of workers are getting their tasks accomplished from home. This has led to an increase in furniture design that blends commercial office furniture with cozy residential furniture (Dewey, 2016).

2. *Outsourcing manufacturing* - Although the United States furniture manufacturing sector is growing, most companies look to other countries to manufacture their products. Lower wages and materials save the companies too much money to manufacture in the United States at present. It's easier to check on manufacturing practices overseas than to set up a manufacturing facility in the United States for most companies. (Dewey, 2016).
3. *Furniture Resale/Second-hand Furniture* - The resale of furniture is growing 7% per year. Stores that sell consignment goods are becoming the destination for furniture shopping. Millennials and Gen Xers are the biggest users of the secondhand market. The top reasons for acquiring through second-hand stores and getting rid of items are listed below.

Top Reasons for Getting Rid of Items		Top Reasons for Acquiring Second-hand	
1	Decluttering	1	Save Money
2	Helping Those Less Fortunate	2	To keep still-useful items out of a landfill
3	Protecting the Environment	3	Thrill of finding a unique or valuable item
4	Earning Extra Money		

The most active households in the secondhand market have an income of more than \$200,000 annually. Also, the more kids a family has, the more they are active in purchasing second-hand. The top sectors in the market are clothing, shoes and fashion accessories, entertainment items (books & CD's), baby clothing/accessories, furniture, and games, toys, and video games (Halliday, 2018b).

4. *Downsizing* is a continuing trend as Millennials value experiences over material goods. Pair this trend with a generation that changes jobs and moves often, and clutter becomes a hassle to move (Dupius, 2016).
5. *Color/Interior Trends* - More color, warmer tones, and brighter shades is the mantra for interiors trends. Grey and white fades out white jewel tones like eggplant, teal, & emerald green come in to replace them. Contemporary style has a popularity of 65% followed by vintage style at 35%. Modern and art deco with velvet and stone rise as brushed metal bronze and copper fall. Geometric, nature, and floral motifs can be seen on pillows, curtains, and accent chairs. 46% of designers say they will buy more furniture pieces from artisans and craftsmen and say their clients need to think less about trends and more about individual style (Dupius, 2016).
6. *Online then In-Store* - Millennials and other generations like to research furniture products online but buy in store (Bryne, 2017). Cove will need to have an online presence with useful information to draw people into the physical store.

Gaps & Opportunities

There is a gap for pet friendly furniture and fabrics. Cove can use this as an opportunity to include pet friendly fabrics and market them as animal friendly and easy to clean pet hair from. This would expand our target market for the ever-growing *millennials with pet's* trend and their willingness to spend on their "fur babies."

There is another gap in the market for trendy pet accessories. Cove carries a line of pet furniture, toys, and accessories that fits our customer's needs. There's also not

many retailers that offer modern patio furniture at a reasonable price. With our location in California, it would be a great opportunity to offer outdoor furniture for this underserved market.

Major Players

Wayfair, Joss & Main, Target & Joybird are the top search results for the gaps in the industry. Ikea is a major competitor but does not come up on our search results for any industry gaps. Below are the other major competitors based on price levels.

High-end - Knoll, Restoration Hardware Modern, **Design Within Reach**, Ralph Lauren, Brabbu, Roche Bobois, Edra, Herman Miller, Fendi

Moderate - Pottery Barn, Pier 1 Imports, Crate & Barrel, Stickley, Ethan Allen, Ashley Homestore, Arhaus, **Room & Board**, HOM Furniture

Low-end - **Ikea**, Wayfair, West Elm, Target, Joss & Main, World Market, At Home

The Market:

Market size

The market size for home furnishing and accessories continues to grow every year. As millennials continue to age and grow, the home furnishing market size will grow with them. Improving economic conditions such as rising consumer confidence, disposable income and homeownership levels are anticipated to drive industry growth (IBIS World, 2017).

Growth Potential

Cove is a multilevel furniture and accessory store located in San Francisco on the corner of 4th and King Street. Cove is located in an old Safeway building which is equipped with a loading dock perfect for shipping and recovering, and ample parking for our customers which is necessary because Cove is located in high populated, college-town which will bring in consumers and revenue. Cove will have an online presence to help draw people into the physical store. There is potential for growth due to the high interest in e-commerce sites especially with millennials, so we will eventually move into selling products online. Cove's brick and mortar store will appeal to a wide variety of consumers because here, they are able to see and sit in the furniture they are wanting to buy.

Market Characteristics & Trends:

Market trends in home furnishing are:

1. *Free home delivery* - Customers increase in online shopping means they are reluctant to keep paying for shipping charges. Many expect this service to be complementary to their purchase.
2. *"Green" buildings* - Cove is located in a sustainable building with LED lights to conserve electricity and eco-friendly paint, flooring, & wall coverings. Cove also converted an old Safeway building into the current showroom reusing and recycling as much as possible.

Gaps & Opportunities:

Gaps in the furniture sector are lack of online retailers. Consumers have showed great interest in both online retailers and brick and mortar retailers. Cove is trying to close that gap by offering a way to shop for consumers who like to shop in store, consumers who like to shop online, and consumers who like to shop both in store and online. Cove will move into selling products online in the future.

Another gap in the market that we found is that there is no furniture and home accessories retailer to go to find good quality merchandise at an affordable price. Cove will fill that gap by outsourcing from global manufacturers who make a positive impact on the community around them with sustainable products.

Major players

HD Buttercup, Room & Board, and EQ3 San Francisco are all furniture and accessories retailers similar to Coves price range and product variety. All three retailers offer both brick and mortar stores as well as online retailers.

COMPETITIVE ANALYSIS

Our competitors in San Francisco are Room & Board, IKEA, and Design Within Reach. On the next page, you will find the competitive and SWOT analysis of each company.

Competitive Analysis - Scale 1 (lowest) to 3 (highest)

	Cove	IKEA	Room & Board	Design Within Reach
Product	2	3	3	2
<ul style="list-style-type: none"> Reasoning: Room & Board offers the option to customize almost anything, and IKEA offers a wider selection of housewares such as cookware and dishware, which Cove will not offer. 				
Price	3	3	2	1
<ul style="list-style-type: none"> Reasoning: IKEA is our closest competitor for affordably-priced products, as they offer almost unbeatable prices. Room & Board's products are priced moderately higher than Cove and IKEA, and Design Within Reach has the highest priced merchandise, some of which we feel our target market cannot afford to purchase. 				
Promotion	3	1	2	3
<ul style="list-style-type: none"> Reasoning: When it comes to sales, IKEA almost never offers promotions on products because of their already extremely low prices. Both IKEA and Room & Board do not have a "Sale" merchandise section on their website, whereas Design Within Reach does offer a "Sale" tab on their website as well as promotions such as a semi-annual sale. 				
Distribution	2	3	2	3
<ul style="list-style-type: none"> Reasoning: IKEA has 48 locations across the US, as well as an online store that offers the option to ship internationally. Design Within Reach has 35 locations, including international stores located in Canada and Mexico, as well as online merchandise that can be shipped. Room & Board has 17 locations throughout the US located in large cities, but Cove offers the furniture take-back program that none of our competitors offer. 				

SWOT Analysis

	
Strengths	Weaknesses
<ul style="list-style-type: none">• Very low price-point• Trendy and wide merchandise selection• Many store locations across US• Already developed consumer base with brand recognition	<ul style="list-style-type: none">• Furniture needs to be assembled by consumer• Low quality merchandise• Price is so low they cannot offer sales and promotions to entice consumers
Opportunities	Threats
<ul style="list-style-type: none">• Online presence with international shipping• No specific target market, products appeal to many target markets	<ul style="list-style-type: none">• Low quality could turn away consumers• Other brands with higher quality products are also in international markets• Consumer trend right now to purchase products made in the USA

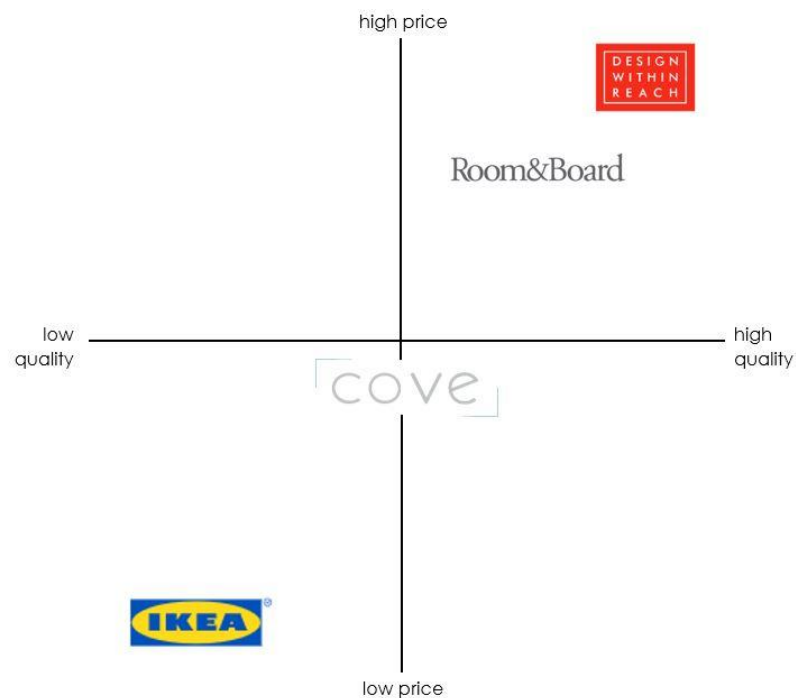
Room&Board [®]	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Moderate price point that millennials are willing to pay • Large selection of trendy merchandise • Option to customize almost any of their products • Located in largely populated cities 	<ul style="list-style-type: none"> • No international locations • Do not offer "Sale" merchandise on their website
Opportunities	Threats
<ul style="list-style-type: none"> • Offer free interior design services • Option to order online 	<ul style="list-style-type: none"> • While the price point is moderate, some items might be too high priced for the millennial generation to want to or be able to purchase



Strengths	Weaknesses
<ul style="list-style-type: none"> • Brick and mortar stores located internationally • Offer a “sale” tab on their website of discounted merchandise • Merchandise is of very high quality 	<ul style="list-style-type: none"> • All of their merchandise and accessories are very mid-century modern which is not the look for everyone. They don't offer a lot of basic staple pieces
Opportunities	Threats
<ul style="list-style-type: none"> • Offer online selection of merchandise and international shipping • Merchandise has been designed by famous designers who focus on finding manufacturers that produce products sustainably 	<ul style="list-style-type: none"> • Merchandise is priced very high and most millennials will not be able to afford it • Many of the designs can be found at other retailers for a much lower price, and consumers may choose to purchase from them instead

Positioning Map

Below is our positioning map for Cove and our competitors. IKEA is placed on the bottom with low quality merchandise at a very low price point. Room & Board is placed further up with higher quality products at a higher price point. Design Within Reach is at the very top, with the highest quality merchandise as well as the highest price points. Cove is located in the middle of our competitors because we saw a gap in the market. Cove is the only place you can go to find good quality merchandise at an affordable price point with a variety of different styles for our ever-changing, modern millennial.



Competitive Advantages

At Cove, we strive to provide the many millennials around us with the most trendy home furniture and accents for their new lives after graduating from college. More and more consumers in the millennial generation are becoming aware of social responsibility and sustainability, so that is why some of our products are eco-friendly and all are fairly produced. We know that our target market is just starting off in their new careers, and are cautious with their spending habits. This is why we have low-

moderate price points, so they can find their niche in their new lives while staying within their budget. It is important for us to emphasize and advertise our sustainability efforts since our competitors do not. Our competitors, IKEA and Room & Board, do not practice social responsibility and sustainability like we plan to at Cove.

To us, home furnishings are to be treasured and taken care of in a way that will increase their lifespan. We want our customers to be aware of the different ways to care for wooden furniture and upholstery so that they can enjoy their pieces from us for a long period of time. Room & Board has a section of product care and instructions for their products that is located on their website. At Cove, we want every customer to be aware of how to care for the specific piece they purchased. At the point of purchase of a wooden or upholstered item, we will be sure to educate them exactly how to care for that piece.

We focus our business around the triple bottom line - people, planet, and profits. We cater to the people by making sure all employees are being treated and paid fairly. We provide our customers with true sustainable products at an affordable price and by providing the best customer service we can. We care about the planet, and want to conserve as much energy and resources as possible. For this reason, we offer our customers a furniture take-back program to encourage recycling, refurbishing and donation to the community around us. As we deliver a customer's new furniture, we will take their previous furniture and donate it to our partnered donation center. If the piece of furniture is not in a state to be donated, we will recycle the parts to a local business who can refurbish it or use it in some way for another project. Our take-back program will set us apart from our competitors because they do not offer this to their customers.

TARGET CUSTOMER

Demographics

Our target customer ages from 25-34, both male and female. They are college graduates making a salary of around \$75,000-\$90,000 a year. They are single, dating, or married with no children.

The group our target market falls into is called *Connected Bohemian*. The connected bohemian uses Yelp, eats at Starbucks, owns a hybrid vehicle, and listens to alternative music. They live in urban locations around San Francisco. Aged 25-44 with no kids, they are in management and professional employment careers as college graduates.

Our target market could also be in the social group - *Midtown Mix*

“Diversity is the hallmark of Midtown Mix, a group of mostly younger, midscale urban renters. It's the most tech savvy of the urban social groups and consists of a mix of singles and couples. In Midtown Mix, the households are dominated by consumers who pursue active social lives - frequenting bars, health clubs, and restaurants at high rates, listening to progressive music, driving small imports, and acquiring the latest consumer electronics” (Claritas, 2018).

Psychographics - Experiencers & Innovators

Attitudes

Our modern millennials fall into the category of Experiencers and Innovators in the VALS survey. Experiencers and Innovators are the first to adopt trends into their home and keeping up to date with the latest home and apparel fashions. They are very spontaneous, and love to experiment with new ideas and values with an optimistic perspective on life. Our millennials are sociable, energetic, and future oriented. They love to travel and have lots of international exposure, all while being receptive to new ideas and technologies.

Beliefs & Values

Experiencers and Innovators believe that their friends and family are extremely important. They hold high spiritual values and they value social responsibility and believe that everybody plays a part in the well-being of their community and environment. Our millennials draw inspiration from minimalistic lifestyles, and believe that their home is a representation of his or her self.

Behavioristics

Our target customer loves to shop around for niche items and explore stores with trendy products. They are dedicated to furnishing their apartment with items that represent their trendy and unique personality. Millennials in San Francisco will refreshen their apartment or home with new furniture and accessories about every 1-2

years. They will purchase smaller accents and decor more often. Our target customers are experiencers and innovators, which means they are spontaneous and will most likely buy anything they love for the right price. They will shop on impulse, but will not give in to mainstream advertisements. They will love to shop with us at Cove because of our sustainable practices and stylish merchandise.



When shopping for home furnishings, our target customer most often makes buying decisions based off of the price of the item and style. Our customers will have brand loyalty to us because we will offer low-priced and up-to-date products. We will also create a loyalty program for them so they always keep us in mind when they are planning to re-decorate. For most of our target market, it is important to them that they buy from a socially responsible retailer. They like to know where their products are being made, and they want to be supportive of American made products.

SOURCING STRUCTURE

At Cove, outsourcing is the most beneficial for our company because the cost is much lower than in-house sourcing. We are a full-package company until we are able to move into CMT with a design team. Cove sources locally and globally. Most of Cove's suppliers are located overseas due to lower prices. Cove helps those in developing countries carry on cultural traditions of basket weaving and dyeing. Socially responsible criteria we look for in potential vendors are Fair Labor Association Certified Fair Trade, training to sustain culture, Cradle to Cradle certified, SCS Indoor Air Quality, and offers recycled/reusable content.

Potential vendors who meet our criteria are:

- Goodweave: An award-winning team of business-minded experts and advocates for social change dedicated to ending child labor, forced labor, and bonded labor in global supply chains Goodweave is Fair Labor Association Certified Fair Trade (Goodweave, 2018).
- All Across Africa: They create ethically crafted baskets, vases, trivets, jewelry and more. They are training to sustain culture and give jobs by reaching far into the rural areas where jobs are scarce, developing local leaders to lead positive change in their communities in countries (All Across Africa, 2018).
- Xorel x Carnegie: They have a Cradle to Cradle Gold Certification for their biobased interior textiles. They are SCS (Scientific Certification Systems) for Indoor Air Quality (Carnegie, 2018).

- Banbayu: They bring a unique collection of handcrafted interior pieces from the world's most diverse and remote cultures. They have curated an array of embroidery, jewelry, sculpture, and art pieces that encapsulate the spirit and vibrancy of their origin. Banbayu wood comes from sustainable forests where its growth is carefully managed and authenticated by a certified organisation (Banbayu, 2018).

Here is an example of a cost sheet for one of Cove's throws:

Cost Sheet: Throw	
Retail Price	\$43
Retail Markup	55%
Wholesale Price	\$19.35
Wholesale Markup	60%
Total Cost	\$7.74
Fabric	44% = \$3.41
CMT	23% = \$1.78
Trim	5% = \$0.39
Labor	18% = \$1.39
Logistics/Transportation	24% = \$1.86
Tariffs	9% = \$.69

MARKETING STRATEGY

Slogan: "For the modern, millennial home."

Our primary marketing strategy at Cove is to utilize Instagram. We post photos daily, as well as put interactive giveaways on our Instagram story. An example of this is "comment and share for a 15% off discount on one item" or "vote for your accessory sofa for a chance to win it!". We also pay for Instagram ads, which increases our traffic and business presence. Our managers create live Instagram stories which showcase the latest inventory, and provide information about events to create a more personal relationship with our customers. We also link our Facebook ads to Instagram by boosting a post. We offer the option for customers to become VIP by spending a certain dollar amount. Our VIP customers receive special discounts throughout the year that are not available to our regular customers.

Another marketing strategy we utilize is a Refer-A-Friend discount. Existing customers that have a friend sign up for Cove e-mails and monthly catalogs receive 30% off an item, as does the friend. This is a great way for us to expand our customer base, and reach more of our target market. Cove has a website that offers photos and the brands we carry, however you cannot order off the website. The URL to our website is linked on all our social media platforms, and is advertised through Google to increase our exposure as well as sales. In addition to this, we advertise on Houzz and Hulu to reach more of our target market.

Our social media platforms provide the option for our customers to give us feedback directly on services and products. It also allows us to answer any questions they may have. We engage with our customers by replying to comments on posts, or addressing any concerns they express. Cove holds in-store events for special occasions or promotions going on, which again gives us direct contact with our customers. This brings people into our store and we can hear first hand their thoughts on products and services. This in turn helps us get to know our customers more and learn their preferences. Cove also participates in community events like street fairs and other events. An example of an advertisement for our grand opening is attached below.



BUDGET

Net Sales			
Items	Quantity	Retail Price	Total
Living			
Sofa	154	\$800.00	\$123,200.00
Sectional	83	\$1,300.00	\$107,900.00
Cocktail Tables	112	\$250.00	\$28,000.00
Sofa Tables	84	\$300.00	\$25,200.00
End Tables	148	\$150.00	\$22,200.00
Chairs	132	\$200.00	\$26,400.00
Recliners	115	\$300.00	\$34,500.00
Dining			
Tables	85	\$950.00	\$80,750.00
Seating	164	\$125.00	\$20,500.00
Bedroom			
Headboards	162	\$150.00	\$24,300.00
Mattresses	93	\$450.00	\$41,850.00
Bed Linens	219	\$100.00	\$21,900.00
Wall Decor			
Mirrors/Art	512	\$200.00	\$102,400.00
Miscellaneous	426	\$70.00	\$29,820.00
Accessories			
Curtains	385	\$75.00	\$28,875.00
Pillows/Throws	468	\$43.00	\$20,124.00
Candles	325	\$13.00	\$4,225.00

COVE: FOR THE MODERN, MILLENNIAL HOME

Decorative Storage (planters, vases, bowls, etc.)	545	\$50.00	\$27,250.00
Rugs			
Welcome	288	\$35.00	\$10,080.00
Area	236	\$600.00	\$141,600.00
Outdoor	222	\$65.00	\$14,430.00
Balcony			
Furniture	327	\$125.00	\$40,875.00
Pet Accessories			
Collars & Leads	315	\$14.00	\$4,410.00
Beds	235	\$45.00	\$10,575.00
Toys	287	\$10.00	\$2,870.00
Cat Towers	122	\$100.00	\$12,200.00
Treats	348	\$8.00	\$2,784.00
Delivery/Pick-Up			
Furniture Delivery & Take-Back	167	\$129.99	\$21,708.33
Classes			
Repurpose/Upholster/Staining	120	\$50.00	\$6,000.00
Total			\$1,036,926.33

COVE: FOR THE MODERN, MILLENNIAL HOME

Operating Expenses	
Domain	\$10.00
Salaries/Wages	
CEO	\$75,000.00
COO	\$55,500.00
CFO	\$55,000.00
CMO	\$60,000.00
Rent	\$125,000.00
Equipment	
Office	\$5,500.00
Stockroom	\$800.00
Supplies	
Office	\$1,575.00
Delivery/Gas	\$4,200.00
Utilities	\$6,500.00
Insurance	\$5,800.00
Marketing	\$65,326.36
Total Operating Expenses	\$460,211.36

First Year Skeletal Statement		
	\$	%
Net Sales	\$1,036,926.33	100.00%
COGS	\$570,309.48	55.00%
Gross Margin	\$466,616.85	45.00%
Operating Expenses	\$460,211.36	44.38%
Net Profit	\$6,405.49	0.62%

Marketing Budget	
Facebook	
Promote Page	\$384.00
Boost a Post	\$962.00
Instagram	\$1,600.00
Pinterest	\$2,500.00
Brand Ambassadors	
20 Brand Ambassadors	\$25,000.00
Grand Opening	
Entertainment	\$2,000.00
Food & Drinks	\$1,258.53
Hulu/Houzz	
15 second adverts	\$13,929.63
Production	\$17,692.20
Total Marketing Expenses	\$65,326.36

Our marketing efforts totaled 6.3% of our net sales for the year. We looked at other retailers to decide what to sell. We need our price points to be lower than competitors like Room & Board and our quality to exceed that of Ikea. Cove price points offer customers the ability to keep their larger furniture pieces longer due to higher quality and swap out their small accessories more frequently. We wanted our marketing budget to be above 5% since we are a new retailer, and we need to gain exposure in the community. Most of our survey results had Houzz as a primary source for inspiration which is why we spent more money on this platform. Our sales staff and managers will all have access to these budgets to help them stay on track.

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