

Givalo: An Entrepreneurial Start-Up:

A Business Plan created during the McGuire Program for Entrepreneurship

By

Juan Diego Veintimilla

A Thesis Submitted to The Honors College

In Partial Fulfillment of the Bachelors Degree
With Honors In

Entrepreneurship

THE UNIVERSITY OF ARIZONA

MAY 2014

Approved by:

A handwritten signature in black ink, appearing to read "Robert Lusch", written over a horizontal line.

Dr. Robert Lusch
McGuire Center for Entrepreneurship

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A Business Plan created during the McGuire Program for Entrepreneurship

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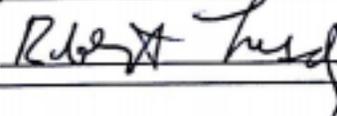
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Abstract

For Honors in Entrepreneurship, I created a business plan on an entrepreneurial start-up, from venture conception to presentations in front of actual investment firms. The following is the aforementioned business plan on the company herein known as *Givalo*. Givalo is an e-commerce gift giving service that utilizes scientific profiling principles to select the perfect gift for any occasion and for any person, with a satisfaction guarantee. The gift giver completes a 5 minute profile on the gift receiver, providing Givalo's proprietary algorithm with the information necessary to suggest the perfect gifts. Several suggested gifts are then shipped in exquisitely designed packaging to either the giver or receiver (at the giver's discretion). The recipient is able to physically examine and get a good feel for each gift before choosing their favorite(s), only paying for the item(s) they wish to keep.

The Honors Thesis in Entrepreneurship concludes with an in-depth *Leadership Self-Assessment* report analysis many aspects of leadership in my, the author's, life. The report includes analysis of leadership evaluation assessments, external evaluations, areas for improvements, and a report on a desire to lead in the future.

Statement of Roles for Group Members

The Entrepreneurship Major is a real-time learning experience where you are required to build a working business plan for a start-up venture of your creation. Because of the immense amount and variable breadth of work required in such an undertaking, students must form business teams of up to four students. Teams may be composed of a mix of Honors and non-Honors students. In the business plan created for this thesis, I was the only team member out of all four of Honors standing. The following is a statement of the roles for each team member, in consideration of the business plan only.

Ross Kroll:	Givalo General Manager
Juan Veintimilla:	Givalo Operations Manager
Hunter Kroll:	Givalo Finance Manager
Alec Nickell:	Givalo Marketing Manager

This division of roles is only in the creation of the business plan section of this document. The rest of this document is the sole authorship of Juan Diego Veintimilla for the purpose of attaining Honors in Entrepreneurship.

GIVALO

General Manager: Ross Kroll
Finance Manager: Hunter Kroll
Marketing Manager: Alec Nickell
Operations Manager: Juan Diego Veintimilla

Business Plan
Updated: April 17th, 2014

www.Givalo.com

facebook.com/Give.Givalo

twitter.com/GiveGivalo

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Givalo Executive Summary

One Line Pitch: Givalo is an online gift-giving service that introduces a proven business model of bridging consumers' brick-and-mortar and online shopping experiences to the \$125 billion gift giving market.

Business Summary: Givalo is an e-commerce gift giving service that utilizes scientific profiling principles to select the perfect gift for any occasion and for any person, with a satisfaction guarantee. The gift giver completes a 5 minute profile on the gift receiver, providing Givalo's proprietary algorithm with the information necessary to suggest the perfect gifts. Several suggested gifts are then shipped in exquisitely designed packaging to either the giver or receiver (at the giver's discretion). The recipient is able to physically examine and get a good feel for each gift before choosing their favorite(s), only paying for the item(s) they wish to keep.

Customer Problem: What to gift, where to get it, how to present it, and the time required in doing so. There is also a lack of a current gift buying shopping experience that provides the tangible aspect of brick-and-mortar shopping with the convenience of online shopping.

Product/Services: Givalo provides expert gift selections combined with elegant packaging, convenient delivery, and a satisfaction guarantee. Customers select the items they wish to give, and return those they do not (if any) in prepaid return packaging. Givalo offers premium goods, branded and non-branded, sourced directly and through wholesalers.

Target Market: We serve to improve the gift giving experience (and aftermath) of the 60 million gift givers in the United States with over \$50,000 in individual annual income. This market represents an annual total available market of over \$20 billion.

Business Model: We are introducing the successful business model of Trunk Club, an online clothier, to the gifting market. Trunk Club raised \$12M in seed funding and reached \$40M revenue by year 4. Like TrunkClub, we will initially deploy an affiliate marketing model until our business model is proven in the gift-giving market. In the long run we will source inventory directly from wholesalers, distributors, and manufacturers. We add personal Givalo wrapping and packaging, with optional add-ons, before sending the final product to the customer at a premium retail price. Gross profit margins will be 15% in the short term (affiliate) and 50% in long term (inventory).

Competitors: Gifts.com and Red Envelope.com are the closest direct competitors, however they provide hundreds of potential gifts based on simple profiling. These competitors ultimately leave the customer in the same predicament they were in before visiting their websites - requiring buyers to provide the time, effort, and know-how to select the right gift. Brick-and-mortar and online stores are indirect competitors.

Company Profile

URL: www.Givalo.com

Industry: E-commerce

Contact Info:

Givalo.orders@gmail.com

Financial Information:

Company Stage: Prototype ready

Previous Capital Invested: \$0

Projected Monthly Burn Rate: \$7,000

Pre-money Valuation: \$200,000

Capital Seeking:

Seed: \$50,000

Series A: \$250,000

Management:

- Ross Kroll, General Manager

- Hunter Kroll, Finance Manager

- Alec Nickell, Marketing Manager

- Juan Diego Veintimilla, Operations Manager

Advisors:

- Anita Bhappu, Ph.D Retail & Consumer Science

- Matthias Mehl, Ph.D Psychology

- Dr. Merrie Brucks, Ph.D Marketing

Competitive Advantage: Givalo’s extended team is comprised of three Ph.D.’s in the fields of personality psychology, marketing, and consumer buyer behavior. These industry veterans advise the team on technology development and execution. Unlike its competitors, Givalo is developing a patentable proprietary algorithm that selects the most highly personalized gifts, providing the most convenient solution on the market today to solve the problem of what to gift, how to present it, and the time required to do so.

Patents, IP, Proprietary Technology: Proprietary gift-selection algorithms, trademarks (“give it right”, company name, logo, etc.)

Customer Validation: Givalo’s concept has been validated through both primary and secondary sources, including consumer research and surveys. According to our study, 73% of 214 respondents were less than confident in selecting gifts. We were also able to test our preliminary algorithm by sending out 4 gift suggestions at retail prices to 50 adult males who filled out the Givalo personality profile based on their significant other for Valentine’s Day. 94% approved of at least 1 gift, 71% approved of at least 2 gifts, and 94% said they would use Givalo for future gift purchases. Our initial financial projections are based on a 10% return rate.

Sales/Marketing Strategy: In the short-term, Givalo will rely heavily on search engine ad words to drive traffic to the website with thousands of relevant monthly searches. In the long term, ad words will continue to be used in unison with search engine optimization. Social media advertising will be heavily used in both the short and long-term to precisely target customers. Marketing efforts will be most concentrated during the winter holiday season and the weeks leading to Valentine’s Day; however efforts will continue throughout the year for birthdays, anniversaries, and other common gift giving occasions. The average cost of customer acquisition through these marketing channels will be between \$32 to \$35 with an average customer lifetime value of \$250.

Use of Funds:

Use of Funds	Specific Activity	Funds Req.	Deliverable	Delivery By
R&D + Algorithm Development	Hire developer	\$40,000	Algorithm validation with 25,000 survey respondents	Dec-14
Validate customer willingness to pay	Customer acquisition	\$10,000	150 new paying customers; Operational Validation	Dec-14
Total Initial Capital Needs		\$50,000		

Financials:

<u>Financials</u>	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$22,500	\$1,750,000	\$3,510,000	\$7,500,000	\$15,000,000
Expenses	\$72,500	\$1,890,000	\$3,355,000	\$6,660,490	\$13,495,000
Net Profit	\$(50,000)	\$(140,000)	\$155,000	\$839,510	\$1,505,000

Customer Problem:

Many people feel a great burden regarding the entire gift shopping experience. They are undecided about what to gift, unsure about where to buy it, and overwhelmed by the frequent gift giving situations that occur throughout the year. In fact, 71% of over 150 survey respondents say they feel less than confident when purchasing a gift.

Additionally, gift giving is a time consuming process requiring days and even weeks to come up with satisfactory gift ideas. This does not even take into account the time it takes to hunt down the actual products and necessary gift wrapping materials. After all of this, the giver is still left with the uncertainty of knowing whether or not their gift will be well received.

In today's market, there is a lack of a gift buying experience that provides the tangible aspect of brick-and-mortar shopping with the convenience of online shopping. This retail as a service model has been proven successful in other industries such as clothing, but has yet to be offered to those who give gifts.

Product/Services:

Givalo is an easy to use online gift giving service that utilizes a proprietary algorithm to select the perfect gift for any occasion and any person, shipped right to your front door, with a satisfaction guarantee. We offer a complete & comprehensive gift giving service that takes all the worry and complications of gift giving out of the customer's hands, and into ours. How it works is very simple:

1. The gifter (customer) goes online to www.givalo.com and fills out the given personality profile based on the gift receiver's personality and lifestyle. This process takes no more than 10 minutes from start to finish for the customer.
2. The gifters answers are inputted into the proprietary and patent-pending algorithm; 4 personalized gift suggestions are then generated.
 - All gift items are small, lightweight, and economical to ship
 - Gift categories include jewelry, accessories, wellness & beauty, and home
3. Gifts are shipped to either the receiver or the gifter (at the gifters discretion) by the delivery date requested by the customer. Return postage shipping is provided.
4. Recipient of the gifts are allowed 10 business days to do one of the following
 - a. Keep all of the gift items. Customer is charged for all gifts, plus original shipping
 - b. Keep one or more gift items and return one or more. Customer sends back unwanted items using prepaid shipping label and is charged for the gifts kept, plus original shipping
 - c. Return all gifts. Customer not charged for any shipping

Target Market:

Our total available market in terms of monetizable users is approximately 135,000,000. There are approximately 200,000,000 male & females in the United States over the age of 18, of which 75% have computer and internet access in their homes. Out of the remaining 150,000, 90% plan to use the internet for shopping (Brafton), yielding 135 million potential customers.

During the first year of operations, Givalo will enter a pilot (discovery) phase in which we intend on targeting males over the age of 18 currently in a relationship, and currently residing in the Phoenix and Tucson, Arizona metropolitan areas. During this period of time Givalo will use initial seed funding to derive relevant conversion metrics and to validate the revenue model. During this pilot phase, we intend on reaching between 150-200 paying customers.

In year 2, Givalo will expand its reach substantially as the target market will be extended to all males in a relationship residing anywhere in the United States who have an individual income exceeding \$50,000 per year. We plan on targeting a busy professional who values their time over their money, thus assuming that an individual earning over \$50,000 in gross income per year has the disposable income to become a consistent user of our services. In addition, within this target market, we expect to gain initial traction within only the 2.5% of potential customers who are considered “innovators”. This 2.5% is derived from the Rogers Innovations Adoption curve which is a model that classifies adopters of innovations into various categories, based on the idea that certain individuals are inevitably more open to adoption than others. The 2.5% “innovators” are those eager to try new ideas, to the point where their eagerness almost becomes an obsession. Usually, innovators have substantial financial resources, and the ability to understand and apply complex technical knowledge. The innovator is also willing to accept the occasional setback when new ideas prove unsuccessful

In year 3, Givalo will grow and scale to serve a much larger market, as we will now target all of the gift giving needs of both males and females with an individual income level exceeding \$50,000 in the United States. No longer do you have to be a male in a relationship to use our services as we will now begin to serve every gift giving occasion (ex. grandparents buying for grandkids for the winter holidays, wife buying for husband for anniversary). As in year 2, we will continue targeting the innovating 2.5% of this larger target market.

In year 4, Givalo will continue targeting males & females residing in the U.S with an individual income level exceeding \$50,000. However in year 4 we will expand to reach the 13.5% of “early adopters”. Early adopters are individuals who tend to be integrated into the local social system more than innovators. People in the early adopter category seem to have the greatest degree of opinion leadership in most social systems as they provide advice and information sought by other adopters about an innovation. The early adopter is usually respected by his or her peers and has a reputation for successful and discrete use of new ideas, this hoping the early adopters will be an advocate for our services.

Year 5 will see Givalo keeping a similar target market as in year 4: males & females residing in the U.S with an individual income level of \$50,00. Although in year 5, we hope to secure between 10%-20% of early adopters in our target market.

Customer Validation:

Gift giving is an act that a majority of people in the United States regularly take part in. Gift giving has been around for hundreds of years and will continue to be around for the foreseeable future. According to a primary survey conducted by Givalo (214 respondents)

- 96% of people have given a gift at one point in their life
- 73% of people said they had felt less than confident when selecting a gift for their significant other
- 46% of people purchase gifts 2-3 times a year for someone else
- 27% of people purchase gifts 3-5 times a year for someone else
- 20% of people purchase gifts 5+ times a year for someone else

Validation of Givalo Concept:

According to a primary survey conducted by Givalo (214 respondents): 63% of people said they would use a gift giving service such as Givalo for their gift giving needs. This percentage has been appropriately discounted in our financial projections due to the small sample size involved in the survey.

For Valentine's Day 2014, Givalo offered men in a relationship of all ages free gift suggestions if they went to our website and filled out the personality profile for their significant other. Based on the inputs, we chose 4 gifts and e-mailed gift links to the giver. In order to be qualified for a prize, the respondents gave us feedback on our gift suggestions. Out of 47 respondents:

- 94% approved of at least one gift
 - This 94% is very significant as it shows that even with the rudimentary version of our algorithm; we were able to select a successful gift 94% of the time. Since a 1% change in our hit rate generates a 4% change in our bottom line, further improvements to our algorithm are critical and are therefore ongoing.
- 75% approved of at least two gifts
- 94% of people said they would consider using Givalo for their gift giving needs. This number is substantially higher than the 63% mentioned above, and that is because once customers understand our solution better, the "would use Givalo" stats improve substantially.

Sales/Marketing Strategy:

Marketing Mission: To be widely recognized by adults as the ultimate solution for all gift giving needs.

We will accomplish this by utilizing the following sales and marketing strategies:

- SEO
 - Costly; ongoing long term development
- Google Adwords - Expected Cost of Customer Acquisition (CAC) - \$35
 - Popular search terms
 - "Gifts for girlfriend"- 8.10k local monthly searches - \$1.38/click (spyfu.com)
 - "Gifts for boyfriend"- 18.1k local monthly searches - \$1.51/click (spyfu.com)

- Social Media
 - 36% of Americans will consult social media content to inform around 30% of their holiday purchases (Braffton)
 - Facebook Ads - Expected CAC - \$30
 - Targeted during holidays
- 38% of Facebook users purchase products or services after first engaging with them on the site (Braffton)
 - User Accounts
 - Twitter, Facebook, Youtube, and Pinterest accounts updated daily with all Givalo related information.
- Word of Mouth
 - Guerilla marketing
 - Viral video campaigns
 - Blog Articles
 - In 2013, 43% of marketers will earn customers with their blog content (Braffton)
- Direct Marketing - Focus on generating repeat business
 - Targeted E-mails

We have a targeted marketing strategy, focused on advertising primarily in the coming months and weeks before the biggest gift-giving holidays of the year. The following are the average amount a person spends on the top gift-giving occasions:

- Winter Holidays - \$786/person
- Valentine's Day - \$150/person
- Father's Day - \$117/person
- Mothers Day - \$158/person

We will begin intense marketing efforts via social media and Google Adwords in the 4-8 weeks prior to these occasions. In all other times we will have a minimized marketing campaign however it will remain visible for steady revenue streams throughout the year for other common gift giving occasions such as birthdays and anniversaries (\$125/person).

After consulting comparable firms, we have estimated an annually decreasing average cost of customer acquisition of the following:

Year 1: \$35
 Year 2: \$33
 Year 3: \$33
 Year 4: \$32
 Year 5: \$32

The CAC is decreasing slightly because we are targeting the innovators and early adopting, not the late majority or laggards.

Estimated Lifetime Value: \$250

- This is the long term LTV, after the company switches to an inventory-carrying model with higher margins of \$50 per transaction, times 5 transactions over the lifetime of the customer.

Business Model:

Givalo's business model will be retail as a service. Givalo will follow the proven successful model of bridging the brick-and-mortar and online shopping experiences into the \$125 billion gift giving market. Like TrunkClub has done successfully with clothes (\$40M Revenue in 2013), Givalo will allow a customer to have the touch and feel aspect of "trying out" a gift before purchase, combined with the convenience of shopping online.

Givalo's business model is centered on our uncompromising customer satisfaction. It begins from the second our customer first sees our professional and inviting webpage which convinces him to let us expertly take care of his gift giving needs. We constantly create value for the customer throughout the entire process. Value creation points include:

- Givalo's *Personality Profile* and *Proprietary Algorithm* which quickly and easily select great gifts thus saving our customers time, energy, frustration, and worry.
- Givalo's inclusion of craftily designed and admirable gift wrapping.
- Givalo's 100% satisfaction guarantee where we do not charge the customer until after they are perfectly satisfied with our service. Any dissatisfaction results in free return shipping with the customer not having to pay a single cent.
- And resting assured that Givalo always has your back simply making gift giving a pleasure.

This business model was designed specifically in response to the failures of the current gift giving status quo where choosing the right gift is not only difficult, but also quite time intensive and exhausting. However, with Givalo's focus on delivering absolute ease and unmatched satisfaction, the consumer's pain and hassle is now put in our hands while they are left carefree so they can now enjoy giving gifts.

Givalo will make money by buying at wholesale price and selling at premium retail price. Anticipated average price per gift will be \$150 (steadily increasing over time), while costs of goods sold will begin at \$120 with an affiliate marketing model, and decrease to approximately \$85 with an inventory carrying model (once the business model has been proven). Therefore expected profit margins are 15% and 50% in the short term and long term respectively.

Industry:

Givalo is entering the ever-growing e-commerce gift giving industry. The current US e-commerce industry was a \$240B industry in 2013 and is growing at a rate of 10% per year. This equates to over 189 million customers making purchases online in 2013, and expected to be over 200 million by 2015. Gift giving represents an estimated 5-8% of the e-commerce industry, equating to over \$13 billion.

The number of online shoppers is growing with the number of internet users who are getting more and more confident in making their purchases online. This intensifies competition between online retailers in

which Givalo has found a niche. Macys, which currently operates both brick and mortar and e-commerce retail options for consumers, recently released a statement by their CEO, Terry Lundgren, in which he states that there is currently a critical “gap” between the brick and mortar shopping experience and e-commerce retail businesses. Customers like the convenience of shopping online as it saves time (73% of consumers say they shop online to save time, #1 out of 8 reasons), however they also like the tangible aspect of being able to touch, feel, and try on items in brick and mortar stores before purchase. Givalo is filling this gap by offering an e-commerce service that will allow a customer to make their purchase online, however before actually paying for the item, will have the opportunity to feel, touch, and be given a tangible aspect to their product before actually making the final purchase.

Competitors:

Direct

- Gifts.com
- Red Envelope
- TheGift.com

Indirect

- Macys
- Nordstrom
- Neiman Marcus

Givalo’s competitors include a combination of brick and mortar retailers that also have an online presence, and e-commerce gift giving sites that do not operate any physical stores. The Brick and mortar stores, such as Macy’s, Nordstrom, and Neiman Marcus, are not intended solely for gift giving. They are rather large retail stores that stock many popular gift items. What customers value about these types of stores is the ability to touch, feel, and sometimes try-on the products before they chose to buy them. They can also walk into any store and get “expert” advice on products from an employee almost instantly. Although the tangible and personal aspect of these stores is great, they can be rather inconvenient, especially to people who have little time in their daily lives to guy to the store. This is what makes e-commerce gift giving sites, such as gifts.com and Red Envelope, so great. Anyone can go online, pick out a gift, and have it shipped within a few minutes. These sites also try to recreate the benefits of having a store employee to talk to by offering gift suggestions based on age, gender, and even personality. Although this sounds like a great compromise, the overall gift selections that these sites recommend to the buyer are too broad in the type of person that they would satisfy and too numerous in the way that they recommend hundreds of gifts.

Givalo combines the best of both worlds. By combining the tangible and personal aspects of brick and mortar stores and the convenient and intelligent aspects of e-commerce stores, Givalo is able to provide the ultimate gift giving experience to the customer. Customers are able to physically see and touch our products before they chose to purchase them, which will ease their mind about buying them over the internet. They are also provided with a much narrower gift recommendations than e-commerce stores, which solves the initial problem of the giver not knowing what product to chose. Although there is no face to face interaction with a store employee, our algorithm offers all of the knowledge of store employees, with added effectiveness due to the science and research behind it. On top of the gift selections, complimentary gift wrap and stationery is included in each order, ensuring that the customer

will have everything he needs to “give it right” when the box is delivered to his door step. Overall, Givalo customers are saving time, purchasing better gifts, and paying no more money than they would at any other store, whether it is brick and mortar or e-commerce.

Competitive Advantage:

Our competitive advantages are:

1. Proprietary algorithm developed by a team of domain experts, including specialist in consumer buyer behavior, personality psychology, and marketing. This makes our algorithm more accurate and successful than the competition
2. “The Experience” is exceptional and complete (on-time delivery, exquisite packaging, perfect personalized gift)
3. The retail as a service model that combines brick and mortar shopping with online shopping into the gift giving industry is brand new to the market
3. The robustness of our algorithm allows us to offer a 100% satisfaction guarantee without incurring significant losses due to returns

Team Members:

Ross Kroll, General Manager

Ross was born in Atlanta, GA, raised in Scottsdale, AZ, and is currently a senior studying finance and entrepreneurship. Ross is a very high achieving, driven individual who prides himself on being a leader. Coming from a business minded family; Ross has always had an entrepreneurial mindset and ever since he can remember has known he wanted to start his own company. Ross has held numerous diversified internships in his college career in which he has gained skills in financial analysis, sales, procurement, logistics, and account management. In addition, he has held various leadership roles in his fraternity and has always taken the responsibility as manager in all academic group work. As general manager, his roles include overseeing overall strategy and direction of the venture, managing group tasks, and direct communication with projects mentors and group affiliates.

Hunter Kroll, Finance Manager

Hunter Kroll is a senior finance and entrepreneurship student, and serves as the venture’s financial manager. Since profiting from his first business on the elementary school playground, Hunter’s passion for innovation and niche markets has been fueled by a desire to make meaningful differences. The son of entrepreneurs, Hunter has participated in and learned from the growth of manufacturing, import, and investment businesses from start-up to middle market and exit. Paired with strong performance in academia and professional internships, Hunter has experience in manufacturing, importing, banking, and real estate. Leadership roles include being elected President of his Fraternity, and serving on the executive boards for investment and philanthropic clubs. Hunter attended Wayzata High School and is a Minneapolis, MN native.

Alec Nickell, Marketing Manager

Alec Nickell was born and raised in Des Moines, Iowa. As a senior with a visual communications major

and business administration minor, Alec has a passion for both design and business. This unique combination and his desire to start his own company after graduation led him to pursue a certificate of entrepreneurship. In his college career, Alec has held multiple creative internships with the University of Arizona and an award-winning design firm in Tucson. This experience has helped him develop a wide-variety of skills in the areas of branding, advertising, and project management. Alec has also held multiple roles in his fraternity, including Vice President of Membership, which demonstrate his strong work ethic and great ability to lead. As marketing manager, his roles include overall strategic and creative direction, brand promotion, sales development, and ensuring that the core ideals and values of the venture are communicated effectively.

Juan Diego Veintimilla, Operations Manager

Juan Diego Veintimilla was born in Quito, Ecuador giving him a unique and worldly perspective from which he views all opportunities presented to him. Having such a strong passion for countless career paths, Juan Diego has sought to open as many doors as possible during his 4 years at the University of Arizona. This led him to accomplish a difficult triple major in Business Economics, Business Management, and Entrepreneurship while also in the Honors College so that his professional skill set would give him the freedom to pursue any career he desires while ultimately planning to start up his own set of businesses in the future. Having moved with his family to Denver, Colorado as a child, Juan Diego loves everything outdoors from camping, to snowboarding, to hiking 14'ers. This passion for the outdoors led him to become President of *Elevation Ski and Snowboard Club* at the U of A which is one of the biggest clubs on campus at over 350 members strong. This year his club took an impressive 186 members 12 hours away to Telluride, Colorado for their annual 5-day ski trip, which was an excellent opportunity for him to practice his business skills and solidify his ability as a leader. As operations manager, Juan Diego relies on his Economics degree for business strategy, profit maximization, and data analysis.

* As of 4/3/14 Ross Kroll, Hunter Kroll, Alec Nickell, and Juan Diego Veintimilla control 25% equity ownership per person, totaling 100% equity ownership.

Advisors:

Dr. Merrie Brucks, Ph.D, Marketing

- Buyer Behavior
- Psychology of Consumer Decision Making
- Product Learning
- Marketing Communications

Dr. Matthias Mehl, Ph.D, Psychology

- Personality Psychology
- Social Psychology

Dr. Anita Bhappu, Ph.D, Management

- Consumer Behavior
- Retail Sciences
- Consumer adoption of technology

- Effectiveness of work teams

Payam Bahreyni, 2014 MBA Candidate

- Algorithm Consultant
- Business Analysis
- Data Analytics
- Predictive Analytics
- Big Data Analytics

Patents, IP, Proprietary Technology:

We are in the process of applying for a trademark for our company name “*Givalo*” and our company tagline “*Give it Right*”. Additionally, our IP consists of the proprietary algorithm that we utilize for all gift selections. This algorithm will be protected through a method patent.

Financials:

Financial Assumptions:

- Givalo will assume a Year 1 operation validation phase, where we will launch in Arizona to prove our business model with as little funds as possible. Growth in revenue from year 1 to year 2 is attributed to a successful Year 1 period thus leading to a full scale countrywide launch in year 2 in which sales and marketing costs will increase exponentially.
- Receivables Cycle: 10 days
- Inventory Cycle: 60 days
- Payables Cycle: 10 days
- Average sales cycle - 1 month
- Churn Rate: 15%
- Returns – 10%

Served Available Market details:

- Year 1: Males over the age of 18 currently in a relationship, and currently residing in the Phoenix, Arizona and Tucson, Arizona metropolitan areas.
- Year 2: Males in a relationship residing anywhere in the United States that have an individual income exceeding \$50,000 per year. We will specifically target the 2.5% that are considered “innovators”.
- Year 3: males and females with an individual income level exceeding \$50,000 in the United States. As in year 2, we will continue to plan on targeting the innovating 2.5% of this target market.
- Year 4-5: males & females residing in the U.S with an individual income level exceeding \$50,000. Expand to reach the 13.5% of “early adopters”.

*See *Target Market* for more information

	Year 1	Year 2	Year 3	Year 4	Year 5
Number of Monetized Users	150	11,719	23,438	46,875	93,750
Quantity Sold	150	11,719	23,438	46,875	93,750
Revenue per unit	\$ 150	\$ 150	\$ 150	\$ 160	\$ 160
Material cost per unit	\$ 121	\$ 111	\$ 81	\$ 77	\$ 72
Labor cost per unit	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Other costs per unit (shipping)	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
Total costs per unit	\$ 130	\$ 120	\$ 90	\$ 85	\$ 80

P&L 5-year Financial Projections:

<u>Financials</u>	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$22,500	\$1,750,000	\$3,510,000	\$7,500,000	\$15,000,000
Expenses	\$72,500	\$1,890,000	\$3,355,000	\$6,660,490	\$13,495,000
Net Profit	\$(50,000)	\$(140,000)	\$155,000	\$839,510	\$1,505,000

Note to Financials Projections:

- Losses incurred in year 1 primarily to prove the business model and generate accurate sales funnel metrics.
- Losses incurred in year 2 primarily to rapidly scale the user base while also developing relationships with suppliers and manufacturers to decrease COGS

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Profit %	13%	20%	40%	47%	50%
Net Profit %	-222%	-8%	4%	11%	10%

Expenses:

	Year 1	Year 2	Year 3	Year 4	Year 5
Non-payroll R&D Expenses	\$ 50,000	\$ 75,000	\$ 450,000	\$ 720,000	\$ 1,680,000
% of Revenue	267%	7%	14%	11%	12%
Non-payroll G&A Expenses	\$ 2,250	\$ 30,000	\$ 225,000	\$ 360,000	\$ 840,000
% of Revenue	10%	3%	7%	6%	6%
Non-payroll Marketing Expenses	\$ 39,430	\$ 367,696	\$ 411,475	\$ 746,875	\$ 1,668,750
% of Revenue	175%	22%	14%	12%	14%

Investment Opportunity / Use of Funds:

Givalo has a pre money valuation totaling **\$200,000** and will seek an initial seed funding of **\$50,000**. This funding will be used for the following investment activities:

Use of Funds	Specific Activity	Funds Req.	Deliverable	Delivery By
R&D + Algorithm Development	Hire developer	40,000	Algorithm validation with 20,000 survey respondents	Dec-14
Validate customer willingness to pay	Customer acquisition	\$10,000	150 new paying customers; Operational Validation	Dec-14
Total Initial Capital Needs		\$50,000		

Pre-money Valuation	\$200,000
Exit Value (Year 5)	\$15,000,000

Exit value based on comparable value of industry firms at time of sale as well as the above financial assumptions and projections

	Investment	ROI	IRR
Seed Investment	\$50,000	44.4	114%
Series A Investment	\$250,000	11.1	83%
Series B Investment	\$300,000	3.7	55%



Honors Leadership Self-Assessment

As supplementary to the Business Plan section of all Entrepreneurship Majors, this leadership self-assessment satisfies, in full, all requirements for graduating with Honors in Entrepreneurship.

Core Self-Evaluation Scale

When I took the “Core Self- Evaluation Scale” Test on page 50 of Art Padilla’s *Leadership with Cases* book, I scored a 4.5. In the description for this test, it states that “the average score is around a 3.8 to 3.9, with higher scores signifying more effective performance, lower levels of stress, and greater satisfaction at work”.

Overall, I completely agree with this score because it very accurately describes my personality. For one, it is almost impossible for me to get stressed about anything. This is most likely because I have an overarching belief that almost nothing matters much in the long-run because I am extremely adaptable at conquering adversity. In other words, I believe that if I somehow fail at something now, it does not matter much because I have proven to myself that I can almost always easily make it up in the future, so why stress about it?

Additionally, every aspect in my life that is worth stressing over is already correlated with me trying to go above and beyond. I am graduating with a rare triple major in the same time it has taken my peers to only get one or two majors. I am also graduating with Honors and with several extra graduation cords marking excellence in different areas of my life. So in my eyes, why should I stress about not getting one of these factors when failing to achieve it still

cannot place me at “average”. In other words, I have already proven to myself that I am far above average by my accomplishments so it would be foolish to stress about technicalities that cannot possibly even affect my successes.

I also completely agree with my score of 4.5 signifying that I, on average, have a more effective level of performance than most people. One way I know this is because of all the testing I have been submitted to throughout my schooling in which I have always been far above average. This includes scoring in the 99th percentile for the SAT, from which my score was high enough to earn me a full-ride, \$100,000 scholarship to the University of Arizona.

Additionally, I scored 42 out of 50 on the Wonderlic assessment where a score of 20 signifies the average. This is significant because systems analysts and chemistry related professions require the highest score at a 32 and I easily clear this mark, almost signifying that I am capable of succeeding at any profession if I should choose to try it. Even more significant, executives and senior management of most companies score above average at a 28. Since I plan to be senior management at some point, it is comforting to know that my 42 dominates the average of 28. In total, when I am competing with a level playing field, I have never faced a situation where I am consistently out-performed.

As for having a “greater satisfaction at work”, I would also have to agree with my high score, despite not fully understanding the statement. I am unsure whether my greater satisfaction at work is because I have a much more positive outlook on things and therefore rate this as more satisfying, or because I actively seek to place myself in situations where I know I will be most satisfied. Regardless, I agree with the statement in general.

Tolerance for Ambiguity

I scored a 35 for the “Tolerance for Ambiguity Scale” while the average is supposed to be around 40 and 44. Higher scores signify a *lower* tolerance for ambiguity, meaning the higher the score the more uncomfortable you feel with vagueness and uncertainty. Therefore, since I scored lower than average, this means that I have a higher tolerance for ambiguity which I completely agree with.

I have always loved exploring the unfamiliar and have always been more spontaneous than predictable. An experience that I love which absolutely epitomizes this behavior is traveling to foreign countries. In fact, I love traveling so much that I backpacked across Europe for three months with no plan and no comforts other than what fit in an average-sized backpack. I had an amazing time. Even when I found myself stranded at a train station in the middle of the night trying to decide which country I would explore next, I still enjoyed myself. The freedom and uncertainty of it all was liberating and I only needed to think about the next few hours because I could not possibly predict what would unfold in beyond that. This is definition of tolerating ambiguity and uncertainty.

Furthermore, I embody this tolerance in my academics as well. One of my majors is Entrepreneurship which is possibly the most ambiguous major in existence. No one thinks that becoming an entrepreneur is clearly defined or predictable. In fact, almost nothing is for certain in entrepreneurship and the entire process is ambiguous and vague. The whole process is a great experimentation based on assumptions and hypothesis which are impossible to prove until you actually put the business in motion, at which point it is in late enough of a stage that

you can expect significant losses. Nonetheless, I find the excitement of it all and dependence on innovative thinking to be utterly fascinating. On the other hand, this is exactly why I could never be an accountant...

10 Frequently Cited Skills of Effective Leaders

	The 10 Frequently Cited Skills of Effective Leaders	Self-Rating
1.	Communication, including listening and making formal presentations	Outstanding
2.	Time and stress management	Good
3.	Decisiveness: Managing and making timely decisions	Good
4.	Organizational/technical competence: Recognizing and solving problems	Outstanding
5.	Motivating and influencing others	Outstanding
6.	Managing People: Delegation/fairness/patience/respect/tolerance	Outstanding
7.	Setting goals/ articulating a vision	Outstanding
8.	Self-Awareness	Outstanding
9.	Team-building/ team spirit	Good
10.	Managing conflict	Good

External Evaluation of My Leadership Qualities

In order to evaluate and understand my leadership abilities at a more unbiased level, I asked all three members of my entrepreneurial venture team to frankly and honestly tell me what my great strength is as a leader as well as my greatest weakness. As a whole, I agree with their evaluations to a very large extent.

For my greatest weakness as a leader, my teammates agreed that I have a weird sense of time management which could do wonders if improved. They stated that my time management was very poor because I left things to the last second, however they also clarified

after coming to learn how I work that I absolutely never missed a deadline which is in itself a great quality.

Furthermore, they explored the issue in-depth taking into consideration that if I really did have poor time management, then there is absolutely no way that I could have successfully achieved a triple major in the Honors program while also being incredibly involved in so many clubs and organizations. Nonetheless, it was undeniable that I always waited until the very last possible second—albeit I never missed any deadlines and the quality of my work was always more than exceptional. Additionally, my procrastination was proven by how many times I would be forced to stay up all night to get my work done which was completely unnecessary if I had started it in a timely manner.

Nonetheless, my group members concluded that despite this being my weakest quality by far, it did not hurt my overall leadership much at all because the end product was always on time and above average quality which is all they ever required of me. This assessment is quite accurate and comes in no surprise to me because I have always struggled with procrastination. However, hearing others complain so frankly about it has given me enough encouragement to focus on improving this weakness in the near future.

As for my greatest leadership strength, my teammates summarized it as being, “you are someone I can really stand behind”. They went further to explain that I am always so rational and levelheaded that they never have to question my judgment. Also, they have come to understand my ability at reading situations and people with such an in-tune intuition that they often ask for my opinion in particular for certain decisions. Finally, they said that I was a very

charismatic communicator and that I could structure my thoughts and expressions so fluently that it was easy to trust my judgment. Because of these qualities in particular, they felt that I was a leader they confidently *wanted* to stand behind.

To take this external evaluation even further, I asked the same question to my family. Compared to my teammates, the specific traits they chose were different but I still agree with their choices and reasons nonetheless.

For my greatest leadership weakness, my family said that I do not delegate as much as I should and instead do too much of the work myself. They said that in all the time they have seen me deal with group projects for school or other organization that I end up doing far more than my fair share of the work. They went investigated further wondering if this was because I wanted more control, perhaps in order to guarantee a good grade. Or maybe it was because I just was not forceful enough to get others to get their parts done so I would have to pick up the slack. Either way, they chose my ability to delegate as my greatest leadership weakness.

For my greatest leadership strength, my family decided on my clear-sighted decision making. Over the years they have come to see that I can take every factor and variable into consideration with appropriate weights distributed and make the best overall decision possible. They explained further that my ability to break situations down into a thorough cost/benefit analysis accurately considered every negative outcome in my decision making as well as the successful possibilities.

As a whole, all of these evaluations are considerably accurate and I have for the most part known about them myself. I have a strong self-awareness so I knew I would not be

surprised by the outcomes of this assessment. However, it is much more meaningful hearing some constructive criticisms come from someone else than just merely acknowledging them myself. Moving forward, I found this exercise to be beneficial and I definitely see myself repeating this in the future after I have fixed these weaknesses until I receive feedback of no considerable weaknesses.

Areas for Improvement over the Next 24 Months

In order to continue becoming a stronger leader, I plan to further seek out opportunities to step forward into a leadership position. By doing this, I will have the opportunity to practice and further develop my skills as I actively pay close attention to certain aspects of my leadership style which may need strengthening.

Additionally over the next 24 months, I will pay close attention to finding a mentor who I admire as a leader. This will enable me to see another leader in action and to study traits and behaviors they exemplify to see if I can incorporate them into my own leadership skill set as well. This mentor will be a resource of knowledge, advice, and real-time learning opportunities as I can watch how he or she handles certain difficult situations. In all reality, I believe having a strong mentor leading by example to be one of the greatest ways to improve one's own leadership, followed closely with practicing these learned skills in leadership situations of your own.

However, barriers may exist which can stall improvements in my leadership abilities. For example, if I do not find anyone worthy of being a great leadership mentor, my progress will be

much slower and much less rewarding. However, there are always ways to overcome such barriers and any situation can be taken as an opportunity for learning.

For example, if a leadership mentor fails to materialize in the next 24 months, I can simply find the exact polar opposite of a mentor and practice as a contrast to him. Perhaps my future boss is the worst leader/manager I could possibly imagine and is notorious for reacting the wrong way every time. If I study this failed leader carefully, I will be able to learn a significant amount of what not to do and why it does not work. Furthermore, I can practice by thinking about what I would do differently if I were in his position and why I believe it would be the best option.

Overall, my point is that anything can be a great learning experience and that most barriers might simply be obstacles that you can learn to overcome. I am confident moving forward that if I encounter any barriers, I will find a way to turn my situation into an opportunity to improve my leadership.

Self Reflective Essay: Desire to Lead

I have always been more of a natural leader than a follower. No, this does not mean that I am incapable of following. It just means that when I am in a group of individuals where there is no pre-set leader, I typically find myself chosen by the group to set everything in motion and direct the team. This almost elective-like nomination for me to be the leader in my groups has always caught my attention and I have found that it must be for a reason. Because of this, I have stopped simply waiting around to be nominated but have instead started

stepping forward on my own to lead. Now, I desire to be the leader whenever I know it can benefit the group for the better.

But what does it mean to be a leader? For me, being a leader is not the same as *leading*. In other words, the person who is leading may not actually be a leader and a person in the group can actually be a leader while still following. Therefore, being a leader is qualified by traits instead of by position. These traits are wide ranging but include aspects such as thinking outside the box, inspiring others to trust and follow you, remaining calm and focused, coming up with great and innovative ideas, focusing on the macro picture and not micro-managing, and staying in-tune with everything that is going on around you and with others.

These are all traits I have naturally acquired over time exactly because I never purposefully sought out leadership when but was still pulled into leadership roles regardless. This state of being elected leader despite not actively seeking it has been a defining factor of my leadership style because I was first a great follower who understood the intricacies at lower levels and then naturally advanced higher. Because of this, I have escaped the more pretentious flavor of leadership where someone demands to lead despite never having proven themselves. After all, why should someone be inspired to follow you if you have never shown your worth or proven that you deserve to be in a position to lead?

Two years ago, I challenged myself to become a real leader. I had been a member of *Elevation Ski and Snowboard Club*, which was the second largest club on campus at the time, and I absolutely loved what the club stood for—sharing a passion for snow sports while creating exceptionally great friendships. Because of my love for snowboarding and how great of an

impression the club had imparted on me, I applied to be part of the club's leadership team and Executive Board. After several stressful interviews, I successfully made the team and was now one of ten E-Board members responsible for leading our more than 180 members for the year.

This is when I truly began to understand what it meant to be a leader. At the time, I was only a general assistant whose responsibility was to help around wherever and whenever another exec needed the extra assistance. Strangely enough however, no one ever requested my help despite the existence of extensive work. Therefore I took the initiative and began asking everyone for anything I could help with but everyone was so absorbed in their micro-managed tasks that they could not see the bigger picture or even understand what I could help with because it would be out of their control.

Sure enough, the club suffered as a whole because of this "silo"ing of tasks and *Elevation Ski and Snowboard Club* had its weakest and most damaging year to date. Membership was down, excitement had disappeared, no new members were interested, and the club was quickly dying before our eyes. This is when I knew that *Elevation* was doomed unless something was done and the club was given what it needed—great leadership.

After finishing up the year as club assistant, I ran for President. Since no one had asked me to help or really gave me any work, I was quite sure my candidacy would be brushed off to the side for lack of involvement. Curiously enough however, I was unanimously elected as the new President of *Elevation Ski and Snowboard Club* and I knew this was the first big test of how I handled a true position of leadership.

The first thing I did as President was hold an executive board meeting and define where I wanted the club to be headed and how we were going to get there. I had a vision where ESS was the largest club on campus and I knew what we needed to do to get to that point. Our strength relied on passionate and interested members so we were going to focus on unmatched member satisfaction.

This meant spending more of their membership dues on items that would go back to directly benefit each paying member. Whether it was more club shirts, money spent on social mixers and parties, or better and more items for raffle giveaways, our members absolutely loved how the club was changing and all it took was for me to set a clearly defined goal and how to reach that goal.

Learning from this first success, I realized I could accomplish an exponentially greater amount of good for the club by looking ahead and planning while I respectfully delegated the groundwork. The club needed a visionary to steer it while also possessing a knack for strategy. Since I am an economics major, I view my role as handling the macro strategy without micro-managing. For example, in warfare it is not the general's job to help each soldier swing his sword but rather to make sure all his soldiers are at the enemy's weakest strategic vulnerability. Because I trusted my execs to do great work after I delegated goals instead of tasks, everything was accomplished terrifically and almost everything was finished beyond my expectations.

My time as president of this club is why I desire to lead in my future. I now know that if I am given the chance, I can make a difference wherever I go. During my time as president I took the club from rapidly declining memberships and built it to be the largest club on campus.

Additionally, our members have never felt like they belonged to such a strong community before which is one of my prouder accomplishments. I also made it a goal of mine to build such a strong foundation that the club would successfully survive for many years to come. As evidence of all these successes, this year we had more members apply to be part of the executive board than ever before because they were so touched by the club that they wanted to play a much more active leadership role within it. This is what I call leadership—inspiring others to believe that they too can lead.