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PROPOSAL - RAUL VARELA, INC.

I. VISION STATEMENT

My vision as President of Raul Varela Furniture, (RVF), is foremost to build a high-end design furniture brand through the use of high-profile retail stores, channel partners, catalog and e-commerce sales. A savvy and compelling brand recognition campaign will be employed to jump start customer awareness through the various channels. The vision is to create a state-of-the-art organization around manufacturing methods, quality control, inventory systems, customer delight and efficient management hierarchies. Consistently high standards, a strong leadership role and the strength of the Varela name all play a key role in leveraging the brand into cursory growth opportunities.

II. STRATEGIC PLAN

In Raul Varela, the company has a top designer to create the furniture designs required to:

- Expand people's awareness of a new artistic form in furniture design
- Create a distinctive line of furniture based on Varela's unique contemporary style with period lines of the 20s, 30s and 40's
- Build a competitive advantage by leveraging Varela's designs and outstanding quality of product
- Establish a brand by building on each of the Varela channels and creating a powerful mainstream marketing campaign
- Redefine the retail furniture buying experience by creating a dynamic, stylish environment that drives customer loyalty

Under my leadership, RVF will strive to be more than just a company that sells furniture. The company's success will be based around high quality products at affordable prices, with an outstanding level of service.

RVF will initially develop two lines of furniture:

- A high-end studio line focused on a premium furniture brand associated with leading craftsmanship. This line will initially be available at company owned retail locations in New York, Los Angeles and Dallas. Further business development will create channel partners that extend the studio line into high-end furniture reseller galleries in markets without company owned stores.

- A mid-level consumer line will be geared to moderate high-end furniture brands associated with several successful retail catalogs such as Pottery Barn, Crate & Barrel, and Ethan Allen. This mid-level line also holds potential to be marketed to secondary retail outlets, creating vertical markets in boutique furniture stores in other major markets. Additionally, manufacture private label furniture and selling through established distributors, i.e: the Kirkland brand for Costco.

RVF has several milestones to achieve along the way. The first milestone is to establish a firm financial foundation on which to build a competitive strategy. That foundation will be achieved by the co-development of both the premium studio line along with the mid-level consumer line simultaneously. The table below provides a high level overview of milestones over the next 4 years.

MILESTONES			
1	2	3	4
2003	2004	2005	2006 onward
Executive team and addtl' hires	Open NYC Store	Open LA and Dallas Stores	BE PROFITABLE
Solidify Mfg and Inventory Operations / Processes	Expand channel partnerships for catalog business	Manufacture 3 rd party lines, private label	Expand our market and goods
Market, Product, Pricing Research	Launch E-commerce site	Establish relationships with boutique firms – Vertical Operations	Established brand recognition
Marketing/branding campaign	Establish customer quality controls		
Corp Offices and Structure	Grow support team		
Establish relationships for Distrib & Sales Channels			

Under the design leadership of Raul Varela, RVF will pilot new concepts, ideas and products in its high-end retail stores, testing them to determine customer reaction and then investing in the most profitable lines and promoting them via the mid-level catalogs and on the company's e-commerce site.

III. FINANCIAL MANAGEMENT

To do this, we need:

- Capable managers, willing to face facts and make hard decisions
- Excellent resources, including flexible and enterprising employees
- Financial resources to support initiatives for change, growth and improvement.

Successful companies seek to grow the business for shareholders, as well as to delight customers. Growing the business involves generating profits

through the turnover (value of sales) being substantially greater than the cost of sales (costs that go into achieving business turnover).

Provided RVF's products are sensibly priced, the profit margin achieved will be high when customers' needs are well met (resulting in a high turnover) and costs are well managed. Of course, the profit then needs to be channeled into growing the business and paying a dividend to shareholders.

It is my understanding that RVF is a low geared company deriving its primary capital from internal sources via other corporate ventures and its shareholders. This financial structure allows us to be more profitable, provides scope for expansion and yields high dividends to shareholders.

In addition, RVF will focus on making all its assets work profitably. Idle assets do not generate cash, so RVF will seek to maximize the profit potential of all assets. For example, it will embrace cutting edge website technology with the use of rich media content (*see marketing section for more info*). Customers can order online 7 days a week, 24 hours a day. This represents highly efficient use of key RVF fixed assets - its computer network system and distribution system, (*see distribution/manufacturing section for more info*).

Stock is another important business asset. Idle stock becomes obsolete, can get damaged and ties up capital that could be used more effectively elsewhere in the business. RVF will seek to optimize the stock carried across its business.

For example, by developing an integrated supply chain, RVF can increase the number of stock turns, so product can be delivered quickly to where and when it is needed, rather than holding unnecessary stock. Not to belabor the point but by providing the customer with products and pricing that delight, RVF ensures that stock is sold quickly and turned into cash, which can then be used to generate further profits.

In addition, the company will work closely with its suppliers to negotiate better buying terms and secure long term manufacturing rates.

Lastly, RVF should be open to exploring and creating joint venture in the US and Internationally for the sale of its furniture and eventually its brand.

IV. DISTRIBUTION / MANUFACTURING

Create a company-wide client/server computer network with a real-time information system that links the manufacturing facility to the distribution center, to the retail store, to the customer's door through a barcode tracking and inventory system. This system will:

- Increase productivity, efficiency and profits
- Provide better tracking and fulfillment
- Limit employee requirements at the shipping/receiving level
- Make operations more error proof and less labor intensive
- Offer a paperless alternative
- Supply better, faster customer service

With increased employee productivity, the ability to ship faster and all but eliminating inaccuracies, a high-tech data system will provide RVF a tremendous operational advantage. Case studies estimate increased productivity of 20% to 30% with the use of a barcode tracking and inventory system in the furniture business. Please review this case study for additional information.

<http://www.aimglobal.org/technologies/barcode/casestudies/compsee-hooker.htm>

A company-wide client/server computer network is a sound business decision and investment considering the multiple points of sale RVF will encounter. From its own company stores, to the e-commerce, to the catalog orders, to third party sales and distribution channels. It's obvious the organization and productivity provided by an RVF-based shipping and receiving system is a high-tech essential for speed, accuracy and bigger profits.

V. MARKETING AND BUILDING THE BRAND

Building on Raul Varela's personal notoriety, networking, and talent, RVF will layer a business structure that supports creating a Varela brand name. It starts with "Iconizing" the Varela name then leveraging each of the sales channels to drive products to the consumer.

Raul Varela is regularly involved in high profile projects. The media and publicity garnered from these "A" list projects will provide spill over marketing for the furniture venture and will continue to add to the overall establishment of the brand. Every effort should be made by the PR and advertising departments to play up these opportunities.

Branding builds value. It is a single, clear promise that a company makes and fulfills to its stakeholders. It's what builds customer loyalty. In the book "Building Brand Width," author Sergio Zyman states, "Now people realize that building value is the only way to create lasting valuation. Its value with the end-user first, and valuation set by the NASDAQ analysts later."

Also with Raul Varela's entertainment industry contacts and Production Design credits, a grassroots campaign is highly encouraged to put in play product placement of the RVF line when ever possible. An example would be to do the set on the Tonight Show entirely with the RVF line and possibly even get Raul on as a guest.

The RVF retail stores will redefine the term customer experience and work to establish the iconizing of the brand. Each retail location will be an attraction in and of itself, implement state-of-the-art projection systems, fine art and the essence of the designer himself.

The creation and marketing of a rich media e-commerce website designed to support the online sale of the high and midlevel lines, market the retail locations, custom orders and channel partners. The RVF site will be a direct extension of the retail environment providing a unique customer experience and providing a branding image online.

VI. MANAGEMENT STRUCTURE

The initial management structure for RVF will be made up of an executive branch with a President, Vice President of Operations, Vice President of Sales and Vice President of Branding and Marketing. A high level overview of the executive branch is outlined in the diagram below.

EXECUTIVE MANAGEMENT TIER			
President	Vice President Marketing/Branding	Vice President Operations	Vice President Sales
Channel Partner Relationships	Brand Development	Manufacturing	Channel Sales
Business Development	Marketing Research and Development	Distribution Center Mgt.	Company Store Sales
Business Planning	Advertising, Promotions and PR	Retail Location Mgt.	Channel Partner Satisfaction
Investor Relations	Competitive Research	Infrastructure/IT	
Vision Management	Customer Loyalty	Human Resources	
		Financial Management	
		System & Operation Setup	

The initial management structure for RVF will grow as demand for time and resources are expanded over the first 3 to 6 month. I can foresee personnel expanding by an additional 5 to 7 employees. For example, (Executive Assistant, Director of Manufacturing, Director of IT, Market Research Director, Marketing Communications Director, Distribution Center Manager, Director of Retail Stores, Office Administrator)

VII. SUMATION

My vision and business direction are clear regarding RVF and I believe that focus closely parallels Raul Varela’s own image of the company. As President, there is a lot of hard work and commitment ahead but it is a task I stand charged to make. In Raul Varela there is a talent, a marketable product, and an image waiting to be born. It is my strong desire to be a part of the shaping of that image, a part of growing this man’s company and a part of helping to realize the potential of Raul Varela Inc.