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LimeLite LLC Business Plan
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Executive Summary

LimeLite LLC is a newly formed limited liability corporation located in the state of Maryland that offers promotional services largely to beer and liquor suppliers and/or distributors in the Baltimore Metro area. As a promotional marketing agency, we specialize in the planning and execution of regional promotional endeavors in order to fulfill our client's objectives.

In order to offer the most value to our clients, we will develop our promotional plans designed to meet the client's specified objectives over a given region, ensuring brand appropriateness and targeted strategies to best serve the client. Our trained staff will understand the product and associated brand identity, promoting and sampling the product in a responsible manner to engage potential customers and provoke positive, focused attention to the product at hand. We will seek out beer and liquor suppliers and regional distributors in the state of Maryland as potential clients, looking to develop trial contracts that will optimally lead to longer term relationships with clients.

The national legislation regarding alcohol sales and distribution has served to create a system of regional distribution companies that handle the distribution of beverages for its suppliers to regional on- and off-premise¹ locations. The standard for regional promotions lies in the distributors who typically subcontract the direct promotion and sampling of its products to independent agencies or sub-agencies. Industry trends point to the effectiveness of product sampling as a legitimate means of product promotion, in garnering consumer interest and repeat trial of the product.

Our competition's main weakness is that they function in a transactional manner, in that they are approached to provide a basic, undifferentiated service. Rather than being a mindless

¹ On-premise sales refer to the sales of alcohol at bars, restaurants, taverns, nightclubs, etc., while off-premise refers to the sale of alcohol in stores (liquor, grocery, wholesale, etc.).

supplier of models, LimeLite LLC tout a staff of knowledgeable, competent, and attractive personnel to promote products in a responsibly. Our staff is trained in the brand identity and features of the specified product, ensuring the client that the product will be promoted and sampled in an effective, efficient manner. We also take the burden of planning and developing a promotional strategy out of the hands of the supplier/distributor, by formulating a full promotional plan centered on the stated objectives of the supplier.

LimeLite LLC offers value-added services to the client and will rely heavily on networking, current contacts, our differentiable features, and word-of-mouth to support the growth of the agency. We will price our services competitively as a means of gaining entry into the market, and will focus on our differentiable assets to create our market niche.

Our company will be an LLC in order to ensure limited liability among the owners, to give both direct owners and investors a share in profits, and to allow taxation as a partnership. Some legal considerations include the necessity of all employees in securing a solicitor's permit to be kept in possession at all times during promotions relating to alcoholic beverages. As promoters, we must register events related to the sale/distribution of alcoholic beverages by the 20th of the previous month for following month.

Our management philosophy is based on accountability and respect. Our employees will be held to standards of performance and will be expected to approach the job professionally. The team will include six employees to start and two of the owners will work as managers. The remaining owners will act as an investor but will not actually work in the company.

All staff will be hired directly and based on rigid standards, with most initial hires being experienced in the field. Promotional staff will be paid at a base hourly wage of \$22 per hour. They will be provided with outfits or tops to be worn as specified by the client. Staff will be

monitored at events on a frequent basis, with one of the managers attending events as often as possible and at times unannounced.

Through financial projections, we expect to earn back the initial investment of \$20,434.60 in the first year, with a net profit after taxes of \$27,445.22. We projected a total revenue for the year of \$99,909.77 and operating expenses of about \$66,440.00. A break-even point of sales necessary in year one amounts to about \$9,463.12 using a rather high contribution margin of 63.4%.

Based on the size of the company, we expect to spend about \$2,000 per year on insurance. We will acquire state-mandated worker's compensation insurance as well as additional business liability insurance.

Key risks to the business involve industry changes, economic shifts, innovations in marketing, shifts in consumer tastes, employee control, and legal suits. We will address each risk separately, but will attempt to anticipate the probable risks, counter manageable risks, and seek counsel to address how we can safeguard against legal liabilities.

General Company Description

Mission Statement

Our foremost priority is to develop effective, all-encompassing promotional plans for our clients through a refined combination of knowledge and unparalleled execution capabilities. Our promotions are refreshing and professional, implemented in alignment with the client values and associated brand images, to ensure eternal confidence in our agency from our clients.

Goals/Objectives

- To establish trusted and continual relationships with our suppliers and distributors based on mutual respect and vested confidence in our operations.
- To market and promote products with integrity and responsibility.
- To abide by appropriate state and federal guidelines when carrying out key promotions and sampling endeavors.
- To educate and develop qualified, personable, and knowledgeable staff that will be vital in the execution of our campaigns.
- To grow our business in three years to a staff of 15-20.
- To exceed a profit of \$100,000 by year 4.

Business Philosophy

A promotional campaign is only as effective as the individuals and planning that goes into it. When the promotion is executed by individuals who simply join the party rather than engaging the target market and educating others about the product, there is little chance of

developing consumer trials and repeat purchases as the focus is put on the promoter rather than the product/promotion. LimeLite LLC is a start-up promotional marketing company that is the brainchild of Nicole Gardner and her associate, Caitlin Heidemann. Through organization, defined standards, and careful planning, we realized that we could effectively redefine the way that promotional companies function and are perceived.

In order to offer the most value to our clients, we develop our own tailored campaigns designed to meet the client's specified objectives over a given region, with the intent of bringing a brand/product to life. We do more than simply distribute product samples; we create a consumer-focused experience around the brand to cement the client's product in target consumer minds. Our staff will understand the product and associated brand identity, promoting and sampling the product in a responsible manner to engaging potential customers and provoking positive, focused attention to the product at hand. Our staff will be focused and professional, while maintaining an appropriate image and affable persona to engage and attract patrons to the promotion.

We will seek out suppliers and regional distributors in the state of Maryland to target our services towards, looking to develop trial contracts that will optimally lead to longer term relationships with clients.

Business Environment

Industry Background

The beer/liquor distribution system in the United States is radically different from the sale and distribution of any other consumer good product; therefore, it is vital to understand how the system works before embarking on a venture within the industry.

Following the repeal of Prohibition in 1933, the federal government sought ways to restrict the flow of alcohol through the country, namely by restricting brewers, distillers, and wineries from direct ownership of retail outlets or bars. The government formulated a tiered system between the alcohol suppliers and the outlets of distribution in order to temper the distribution and consumption of alcoholic beverages.²

The system of distribution of alcohol has become less strict over time, but typically it works in the same way. Suppliers will sell the beverages to designated distributors (both national and regional), who then sell the product to retailers and customers. This methodology has created a patchwork quilt of distributing companies.³

A great deal of power in regulations lies in the individual state governments, as designated by Section 2 in the 21st Amendment.⁴ All fifty states have their own rules and regulations regarding the sale and taxation of alcoholic beverages. Some states only allow alcohol to be sold through certain, designated channels, but the sale at on-premise or special events are mostly standard across the country. For this plan, we will focus on the rules/regulation pertaining to the state of Maryland.

² Maryland Wineries Association, (2007), *Three Tier System*, Retrieved on November 15, 2007.
<http://www.marylandwine.com/mwa/laws/threetiers.shtml>.

³ Interview with Scott Whitley, November 22, 2007.

⁴ "The Constitution of the United States," Amendment 21, Section 2.

Due to this regional distribution system that varies across states, many alcohol companies leave it to their distributors to control regional marketing promotions. These types of plans cannot efficiently be developed on a national scale due to the wide variation in laws and specifications. As regional suppliers and their distributors got more control over regional sales and marketing efforts, they hired out individual agencies or promotional models to staff their events and promotions. Some distributors may have their own regional marketing branch or separate entities with whom they are tied. Most will hire out private agencies to fulfill their needs for promotional girls.

Current State of Industry

Despite shifts in the overall economy, the alcoholic beverage industry is continually profitable and will likely experience steady growth as time goes on. This incredibly profitable industry has always faced controversy socially and politically, yet sales have not faltered over the years. Despite its social implications, people consume alcohol in a commodity-like fashion. Even when times are tough, alcohol sales still remain relatively strong in relation to other disposable spending industries. While people may go out to bars and restaurants less, they still flock to the liquor stores.

Notable market trends involve the decline in sales of beer and a rise in premium liquors, especially premium vodkas. This is based on many factors, including an overall migration to premium products, increased acceptance of liquor, and rigorous marketing efforts.⁵ An overall wealthier society points towards incredible growth potential in the premium segment as well. The cocktail culture in America is also going strong, as drink innovations are a growing trend

⁵ <http://www.discus.org/pdf/2006Review-Brief.pdf>

among the more upscale bar and club scenes.⁶ People are still going out and spending their money on fun and status elevation. There is also a steady increase in wine's total market share, possibly posing a threat to the ever-steady beer market.

On a local level, the Baltimore Metro Region is an often overlooked yet immensely profitable metropolitan area, ranked as 19th in the nation for population of metropolitan areas in 2004, with over \$2.6 million residents in the region.⁷ With a growth rate only slightly below the national average of 1%, the Baltimore Metro region experienced a 0.8% growth rate from 2000 to 2004.⁸ Likewise, financially the region ranked 23rd nationally for per capita income compared to national metropolitan areas, reflecting the strength of the local economy and relative wealth of its inhabitants.⁹ When taking into account the proximity to Washington, DC, the Washington-Baltimore metro region typically ranks in the top five population-wise in the nation, pointing to the substantial promise of business and promotional effectiveness in this region.

In Maryland, the total economic contribution from the alcohol industry amounts to an estimated \$2.2 billion, through the creation of over 26,552 jobs stemming from the industry. With 32 distributors and 27 brewers, there is a bountiful client base for a promotional company to target and the over 7,000 retail establishments related to the sales of alcohol illustrate the number of venues available to hold promotions.¹⁰

⁶ Distilled Spirits Council of the United States, "Spirits Trends," 2 Dec 2007.

<http://www.discus.org/media/trends.asp>

⁷ Bureau of the Census, 2005.

⁸ The Greater Baltimore State of the Region Report, 2005.

<http://www.gbc.org/reports/SOR%202005/2005%20SOR-071806%20update.pdf>

⁹ Ibid.

¹⁰ Data comes from Beer Serves America organization. www.beerservesamerica.org.

Future of Product Sampling Based Promotions

Our promotional operatives center on the element of product trial, under the premise that getting people to not only hear about and see your brand, but also try it, will encourage future purchases. As people are bombarded with advertisements and media choices, they become more and more hardened against advertising and marketing efforts, making traditional media advertising increasingly futile. While not new or innovative by any means, getting people to try a product and forcing live interaction and discussion can impact the individual consumers more so than impersonal media marketing. Companies are increasingly adopting a long-standing method of “advertrying” that has always been present in the alcohol marketing industry. This term, “advertrying,” describes the means of getting target customers to experience the product in a more measurable, effective way.¹¹ This method of marketing is not going away, and companies like ours will benefit by reshaping and adding value to the method of trial-based promotions. The following are some interesting trends and statistics in support of this method of promotion:

- In a consumer-package goods marketer survey, nine out of ten consumers say “they would purchase a good or service if they experienced it and were satisfied.”¹²
- Six out of ten said “If a brand wanted to convince me to buy its product or service, experiencing it first hand would be the most effective way to get me to purchase.”¹³

As new methods of reaching consumers become increasingly important, the practice of product sampling will be developed into an “experience” more than a simple taste test, in order to develop and enhance not only the product but the brand itself.

¹¹ Martin, Brian F. “Give It a Try: Put Brands in Consumers’ Hands (Literally),” *Advertising Age* (Midwest), Chicago: Oct 22, 2007. Vol. 78, Iss, 42: 1.

¹² Ibid. Survey was attributed to the Product Sampling Council of the Promotion Marketing Association.

¹³ Ibid.

Company Strengths/Core Competencies

LimeLite LLC will stand out in the industry by distancing ourselves from the competition and emphasizing innovation in our company strategies. We will market our own company to effectively differentiate ourselves from the transactional firms in the industry at this point, to capture initial client interest and later prove ourselves through our deliverable results.

We will keep ahead of the competition by targeting potential opportunities for our services, monitoring new product launches, industry developments, key mergers, and sales trends to determine which products and brands may seek revitalization. This will aid us in approaching potential clients, pointing out their needs and showing them how we can deliver through our promotional services. For example, noting the recent announcement of a merger between Miller and Coors, we may seek opportunities to target Coors and potential marketing strategies that they may be planning as a means of garnering east coast interest in Coors brands, as they are generally more popular in the Midwest and West.

By taking on the logistics and planning, LimeLite LLC can orchestrate original, focused, and engaging plans that not only get the product into the market, but build an entire experience around the brand. Our knowledgeable, reliable staff will focus on the core audiences while reflecting the nature of the product in a positive light. We do more for the client than simply providing models to hand out samples; we create a memorable consumer experience.

Products and Services

Description

LimeLite LLC will offer promotional services to beer and liquor suppliers and/or distributors in the state of Maryland, mostly focused on the Baltimore metro area. We will take a supplier's problem (i.e. how to promote the launch of a new product) and develop and execute a full-service promotional plan directed at the regional goals for the brand or campaign. Our all-encompassing plans will include point-of-purchase displays and promotion, interactive sampling, model placement, and miscellaneous promotional techniques customized for the campaign at hand.

We add value to the promotion by supplying ideas and results through our plan development and the differentiable employees that we use to staff the promotions. Our employees are guaranteed to understand and be aware of the product attributes and brand identity of the product promoted, assured through mandatory employee training for all new promotional endeavors. Our staff is knowledgeable about the products, responsible, accountable, articulate, attractive, and impeccably trained to responsibly promote the product, doing more than just hand out samples and smile; our staff is able to talk about a product, encourage trials, and answer questions, clearly emphasizing the product features and attributes in order to produce effective results. This ensures the satisfaction of not only the client, but also the owners of the establishments, building lasting relationships on all sides of the operations.

We will also suggest alternative ways to utilize our services, such as to boost a client's corporate responsibility image. For example, Miller could hire us to promote their "Live Responsibly" campaign by sending representatives to campuses, sporting events, or other venues

to promote moderation and responsible lifestyles through the Miller brand name. This can act as a means of enhancing Miller's image and create some positive PR in their name.

We solicit business or accept requests largely from either regional beer and liquor distribution companies or, in some cases, directly from beer/liquor suppliers. Initially we may be limited to piecemeal relationships with distributors, where we would be hired on an as-needed basis by the distributor. Ideally, we will work towards building relationships with distributors and/or suppliers to establish more of a partnership relationship, in which we would act as a "go-to" agency for the supplier or distributor. In this case, a supplier would hire us on a more long-term basis (a year or more), with a contract that would specify that we would be paid a stated amount to perform a number of activities over a certain period of time.

Location of Business

LimeLite LLC will be home-based business, in order to keep costs low and to avoid unnecessary expenditures on rental spaces. Due to the nature of the business, a commercial location would be unnecessary and rarely used, so we will operate out of the home address of the owner for the time being.

Summary of Services

- Promotional Planning
 - The client will provide guidelines of what they wish to accomplish through the promotion (i.e. increase brand awareness for established brand, initiate a new product in alignment with a launch, revitalize an existing brand, etc.). Other information we will request will include:
 - Expected budget and promotional reach.
 - Branded merchandise to be included in promotion (how many items, how will we receive them, how they want them distributed).
 - Specific needs for promotional event.
 - The plan will include an overview, history, and analysis of the brand identity and desired image.
 - We will consider the client's stated target audience and mold the plan to best target and reach this audience in particular.
 - We will identify the most effective dates, times, number of events, promotional budget, product distribution budget by location, number of staff members per event.
- Promotional Staff
 - Our defined education and employee training will enable our staff to exhibit mastery of the products and associated brand identity that they will promote.
 - Staff will be required to study the brand and be trained in the brand features and image, as well as how to target the promotion of the brand and what to focus on when in the field.

- They will be given guidelines for each event based on the plan and analysis, including how to identify the target audience (age, lifestyle, gender, etc.), how many people to reach, promotional style, and duration of promotion.
- Staff will be expected to be reliable and responsible, understand laws and associated code of conduct. Staff will also be required to abide by and sign stated guidelines and code of conduct upon assignment to a promotion.
- Staff will be hired based on a combination of the following desirable traits: accountable, attractive, appealing, personable, engaging, clear speech, put-together.
- Staff will wear outfits or branded clothing as designated and/or provided by the client. The staff will align their clothing and appearance with the image of the brand, and management will monitor the outfit designation to ensure that our staff is comfortable and appropriate for all venues.
- Locations
 - On-premise beer & liquor modeling: bars, restaurants, taverns, etc.
 - Venue marketing—concerts, shows, sporting events, etc.
 - Off-premise: liquor stores.

Competitive Advantage

Our key source of competitive advantage lies in the benefits that we offer to our clients that are distinguished from the rather generic offerings of the competitors. Rather than being a supplier of models and pretty faces to hand out products, we tout a staff of knowledgeable, competent, and attractive personnel to promote products in a responsible, targeted manner. Our staff is trained in the brand identity and features of the specified product, ensuring the client that the product will be promoted and sampled in an effective, efficient manner. The focus will be on execution and results, as we will be able to relay the key facets of the product or brand without putting the image of the product or company at risk. The client will be able to trust in the execution of the promotion by the accountability and responsible actions of the staff.

Likewise, we will also reach a competitive advantage by taking a great deal of the burden to plan and develop a promotional strategy out of the hands of the supplier/distributor, by constructing a full promotional plan and executing a regional or one-time event based on the needs and goals of the supplier.

Our weaknesses will lie in the fact that we are a new company and have limited connections to the industry. It may be hard at first to capture the attention of distributors and suppliers, but our targeted marketing strategy focused on our differentiable aspects will help to spark interest in the company. Other weaknesses may lie in the perception of our differentiable qualities to the potential client and the possible misinterpretation of how we are different. Clients may not understand the extent of services we offer and the added value it will bring them. It will also be difficult to get hired by suppliers directly, since they may be less open to direct contact with regional promotion agencies (as it is typically left to the distributors to deal with).

We will face many opportunities, namely by capitalizing on our competitor weaknesses and approaching the problem of promoting alcoholic beverages from a new angle, by taking on the task of organizing and developing promotional strategies on a regional basis. This offers relief to the distributors who will be happy to be rid of the annoyance of planning and developing the regional promotion plan. Also, the fact that the competition in the industry is typically viewed in a transactional, commodity-like fashion should give us an edge and ease the entry of our new company into the market. Many distributors seek a supply of “models” or “pretty faces,” so the fact that we can cover that basic desire will place us on a comparable level with others.

Threats will stem from our currently established competition and the inability of our clients to differentiate us from the competition. As we enter the market, competitors may begin to extend their services and revamp their operations to compete with us more effectively. Another threat to the business is tied to industry threats, especially alcohol-related controversy and legislation. Anti-drinking movements are always present, and there is increased focus on the restriction of alcohol-related advertising and promotion, especially in the event that it includes exposure of alcoholic beverages to underage individuals. The company could be threatened by the restriction of promotions (which could affect our promotions in restaurants or at events where underage persons may be present). We also need to be wary of the presence of underage individuals in our venues and ensure that our products and paraphernalia are not distributed to these individuals. Other liabilities are also threats to the business, such as the occurrence of employee harassments or alcohol-related incidents, that will be addressed through our legal counsel and ideally controlled through insurance and business precautions.

Opportunities for Growth

After focusing the first two to four years on establishing the business, securing a stable client base, building our reputation, and netting a profit, we will begin to look into other opportunities for expanding the business. Potential raw ideas for expansion, aside from the planned increase in staff capacity and number of promotions, may include the following:

- Integrating a virtual element into the product offerings, where designated staff may execute online promotions through social networking sites like MySpace and FaceBook, creating a brand presence in virtual worlds through a similar real-world model, and other brand promotions through social media (YouTube, Flickr, etc.). This would require more skilled staff and a large investment, but could give us a further competitive advantage if we offer these services through established contacts.
- Expanding our services to include promotion of cosmetics, fragrances, non-alcoholic beverages, and other products that will benefit from trial and brand strengthening (chewing gum, hygiene products, etc.).
- Integration of new media forms into our promotions, such as the use of wireless media and online promotions to factor into live promotions. Possibilities include the use of text messaging to enter contests, participate in bar events or trivia competitions, etc.

Marketing Plan

Products/Services

We provide a range of marketing promotional services molded to the client's brand, product, or challenge using a skilled and trained staff of affable personnel to engage customers and create product appeal to the target market.

Features

- Educated, mature staff of attractive, outgoing, reliable young women.
- Required training prior to promotion of staff geared around product and brand.
- Full promotional planning—takes your promotional goals/problem and turns it into a regional promotion plan.
- Promote brand/product through focused interaction with target markets.

Benefits

- Confidence that your brand image will be enhanced, rather than tarnished. With our company, the client will not have to fear that their brand will be connected to unprofessional staff or liabilities, since our staff will be thoroughly trained and bound to high standards of performance.
- Takes the burden off the hands of the client to determine events/schedule promotions.
- Get more effective results out of promotional spending, ensuring that the focus of the promotion is on the product and how to reach the target markets. Since our staff is professional and focused on the product, they will not be distracted and

lose sight of the job, as our competition at times has a problem with staff getting out of hand or focused more on the party rather than the job.

Customers

Our primary customers will be regional beer and liquor suppliers and distributors in Maryland, focused in the Baltimore metropolitan region. Some of the distributors or suppliers that we will contact initially are:

- Republic National Distributing
- Reliable Churchill (liquor & wine, Baltimore)
- The Winner Distribution Company (Anheuser-Busch, Baltimore)
- Katcef Brothers Inc. (Anheuser-Busch, Annapolis)
- Wantz Distributors (Anheuser-Busch, Frederick)
- Buck Distributing Company (Miller, Upper Marlboro)
- Frederick Brewing Company (Frederick)
- AC Beverage (Brewer, Edgewater)
- AMBEC, Inc. (Brewer, Owing Mills)
- Hedwin Corp (Brewer, Baltimore)
- Legends Limited (Brewer, Baltimore)
- Tuchenhausen North America, Inc. (Brewer, Columbia)

Competitor Analysis

Our competition's main weakness is that they function as a type of commodity to the distributors and suppliers, as they are largely undifferentiated from one another and can be easily substituted. They act in a largely transactional manner, in that they are approached to provide a

simple service, in basic terms simply supplying pretty faces to the promotional endeavor. Some of the local competitors are:

- Lava Promotions
- Team Enterprises
- Encore Nationwide
- Premium Promotions
- Steel Agency

Due to the relatively undifferentiated nature of the competition and the lack of information on the small agencies, we operated under the assumption that their strengths and weaknesses are rather uniform.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Established contacts with clients, may have developed meaningful relationships. • Experience in the business, knowledge of the inner workings and operations of the transactions between agency and distributor. 	<ul style="list-style-type: none"> • Lack of sufficient training of models—sent on promotions where they are not equipped to answer readily more than a few questions. • Staff control—may lack common sense or take part in the party. Some do not treat the promotions as a job, more a fun night out. • Poor planning—coordinate promotions with bars on nights where there is little traffic (ex. Only 15 people in a good-sized bar on a Tuesday night is inefficient and wastes time/money) • Lack of communication—between staff and venues. Last minute scheduling, confused bar owners, tabs not set up in advance, failure to notify managers of venues are all characteristics of this. • Failure to satisfy employees—last minute scheduling, late

	payments, unsafe venues, and inappropriate uniforms.
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Niche

We will differentiate our agency in the market by offering value-added services to the client, through the development of our own marketing solutions to the client's problems and client confidence in the professional, tailored execution of our promotions by our educated, reliable staff of attractive and personable young women and possibly men.

Strategy

We will rely heavily on networking, our differentiable features, and word-of-mouth to support the growth of the agency. Initial promotions to support the launch of the agency will include but not be limited to:

- Direct mail notices of our product services, including a key “story” of our business.
- Cold calls to potential clients—distributors and suppliers.
- Visits to regional distribution offices to meet with advertising units.
- Focus on contacts within the industry, through employees and others.

The agency's individual promotional budget will be very low, limited to around \$1,200. Due to the nature of the agency and the fact that our clients are businesses, we would not conduct mass advertising or extensive marketing efforts on behalf of our agency. However, the start-up promotional strategy will mostly take time and networking in order to support the launch.

Sales Forecast

Despite the fact that we are a start-up business, since the alcohol industry is so profitable and stable, we can expect that there is still a high demand for promotional agencies. We will

emphasize our differentiable aspects, but we should be able to command a reasonable amount of business in the first year simply through the fact that there is a demand by alcohol distributors and suppliers for regional promotional staff.

Our Sales Forecast is detailed in our financial statements, but in summary, we have forecasted a projected revenue of just under \$100,000 for year one. This was determined through the approximation that we will perform about 200 promotions in the first year (a very conservative estimate). This translated into 360 work hours per year, for 6 employees, with a markup on selling price that amounted to \$46.25 per work hour. This allowed us to project out our cash flows to just under \$8,500 per month. This approximation is on the conservative side, which may make up for a slower start than expected and can be compensated for by more business near the end of year one. With a small employee base and only part-time staff, we did not want to overextend our reach in the first year, instead focusing more on the quality of promotions and the establishment of relationships and credibility with clients.

Pricing Structure

While initially entering the market with a new business, we will start by pricing our services competitively, but high enough to produce a profit. As we secure our reputation in the market and build relationships with clients, we will be able to clarify our differentiable assets and demand a higher fee as business increases and our higher value of business becomes more apparent to the industry.

We determined our pricing structure based on a worksheet to determine overhead costs, then using this result to calculate an appropriate markup on selling price in order to reach a profit in our operations. As seen in the Appendix, our base employee rate is \$22.00 per hour. By

calculating the billable hours and estimated number of promotions, we came up with an estimate of employee wages for the year. Using our estimated expenses, we could calculated an estimated annual overhead percentage of 19.8%. This came to a direct labor cost of \$26.37 per hour. Using this overhead value, we divided by one minus the markup percentage of 43%, giving us a markup on selling price of \$46.25, which will be our base selling price to our clients (See Appendix for detailed calculations). While this markup may sound like a high percentage, we anticipate our costs to be fairly low and efficient, so our selling price will likely be lower than competitors initially. We may consider rounding up to \$50.00 per hour when negotiating contracts, but underestimating the markup will produce more conservative estimates and could give us an edge in entering the market.

LimeLite LLC

Management and Organization

The management/ownership of the company includes Nicole Gardner and Caitlin Heidemann. Caitlin is familiar with the industry itself and has a sense of how the promotions will be run after almost two years working as a promotional staff member. She is also going to law school, and will be able to offer legal services and advice to the company. She will be beneficial in running promotions, handling employees, and monitoring our legal actions. Initial lower level employee structure would be limited, with part-time employees who could eventually turn full time as work picks up. We will begin with a staff of about six part-time employees.

Our management philosophy is based on accountability and respect. Our employees will be held to standards of performance and will be expected to approach the job professionally. The team will include six employees to start and two of the owners will work as managers. The remaining owners will act as an investor but will not actually work in the company.

Personnel

Initial hiring of staff will involve the recruitment of friends and experienced “promotional models” already in the workforce but who may be unsatisfied with current employers. A key attraction of staff to our agency, besides a comparable pay rate, will include flexible scheduling, graduated benefits/bonuses, and consistent payment schedules. We will directly hire all our staff members rather than subcontract people for promotions, in order to ensure high standards of quality and performance in our services.

Promotional staff will be paid at a base hourly wage of \$22 per hour. In most cases, they will not be reimbursed for mileage or miscellaneous expenses, but it may change based on promotional location, hours worked, or type of event. They will be provided with outfits or tops

to be worn as specified by the client. As a manager, I will be monitoring and screening the outfit choices in order to ensure that the staff will stand out but not appear offensive, especially when the environment they will be working in is more conservative (i.e. restaurants, pubic venues). We do not want the staff to ever feel exploited by the company, so we will ensure that they will be comfortable in what they are asked to wear.

Employee Standards

As a key facet of the differentiation strategy and overall business operation, we will hold our staff to rigid standards and will be selective in our hiring process. An important part of our initial contacts with potential clients will be the statement of our employee standards as a means of expressing the added value offered by our agency.

Staff will be monitored at events on a frequent basis, with one of the managers attending events as often as possible and at times unannounced. We will also occasional monitor their professionalism through the use of reliable personnel and volunteers, likely friends or family members that will attend promotions on our behalf.

Using young women (and possibly men) and placing them in “party” atmospheres is a temptation for them to also party and forget professionalism. While we do encourage them to have fun with their job and create attention around the product, we do not want their actions to hinder the reflection of the product/brand being promoted. Responsible promotion is key to our business operations, and management will not tolerate threats to our company image and standings. Employees will be evaluated on a monthly basis and will be placed on probation if they do not show up for events, act in an unprofessional manner, or break company policy.

Financial Data

The table below shows the estimated start-up costs for the business, using estimates for office and prepaid expenses that align with research and strategies. Operating as a home business, we have little start-up costs associated with the business, but have budgeted conservatively for any supplies that may be needed for purchase. The working capital is projected for three months, shown through the calculation of one month, and then projected for three months. This indicates our total start-up costs will amount to \$20,434.60.

Table 1. Start Up Costs

Start-Up Costs		
Furniture		\$ 800.00
Supplies		\$ 150.00
Prepaid Expenses		
Insurance	\$ 1,200.00	
Initial Advertising	\$ 1,000.00	
Solicitor Permits (\$50 per employee)	\$ 400.00	
LLC Filing Fees	\$ 150.00	
Total prepaid expense		\$ 2,750.00
Working Capital		
	One month	Three Months
Employee Wages	\$ 4,620.00	\$ 13,860.00
Employee Taxes	\$ 508.20	\$ 1,524.60
Supplies	\$ 100.00	\$ 300.00
Telephone	\$ 50.00	\$ 150.00
Auto/Travel Expenses	\$ 200.00	\$ 600.00
Miscellaneous	\$ 100.00	\$ 300.00
Total Working Capital (3 months)		\$ 16,734.60
Total Start-Up Costs		\$ 20,434.60

The next data set indicates the opening day balance sheet, feature a total assets of \$20,434.60, which is equal to our start-up expenses shown above. In order to fund the business launch, we will seek investors for the business. We estimate that between the two owners, we will cover about \$14,000 of the original investment and will seek a third owner to enter into the

LLC and fund the additional \$7,000. We will likely target parents and relatives initially to ensure trust and accountability in the investment.

Table 2. Opening Day Balance Sheet

Opening Day Balance Sheet		
Assets		
Current Assets		
Cash (working capital)	\$ 16,734.60	
Supplies	\$ 150.00	
Prepaid Expenses	\$ 2,750.00	
Total Current Assets		\$ 19,634.60
Fixed Assets		
Furniture	\$ 800.00	
Total fixed assets		\$ 800.00
Total Assets		\$ 20,434.60
Liabilities		
Total Liabilities		\$ -
Equity		
		\$ 20,434.60
Total Liabilities and Equity		\$ 20,434.60

Shown next is the projected income statement for year one, starting with the projected revenue, calculated from the values in Table 4 below. The operating expenses shown are estimates based on the relatively low costs associated with this type of business, especially incorporating the utilization of relatives and friends as consultants to the business. After the estimated operating expenses, we project a before tax net profit of \$33,469.77, which would recover the initial investment plus produce a profit. Using the estimated tax assumption of 18%

(based off of the taxable income percent required for another LLC in Maryland), we project an after tax net profit of \$27,445.22. Subtracting the initial investment of \$20,434.60, this indicates a gain of just about \$7,000 for the first year.

The overhead predictions and percentages used to calculate the revenues and forecasts are shown in Appendix B.

Table 3. Projected Income Statement for year one

Projected Income Statement for Year One			
Revenue		\$	99,909.77
Operating Expenses:			
Employee Wages	\$ 55,440.00		
Legal	\$ 1,200.00		
Advertising	\$ 1,500.00		
Supplies	\$ 1,200.00		
Telephone	\$ 600.00		
Travel	\$ 2,800.00		
Taxes	\$ 300.00	*	
Insurance	\$ 2,000.00		
Miscellaneous	\$ 1,000.00		
Solicitor Permits	\$ 400.00		
Total Operating Expenses		\$	66,440.00
Net Profit		\$	33,469.77
Less: Income Taxes (18%)		\$	6,024.56
Net Profit After Taxes		\$	27,445.22

* \$300 filing fee for Personal Property Return

Tax Assumption: 18%

Table 4. Revenue Projection (used in Table 3)

Revenue Projections	
	4 nights per week
	52 weeks per year
	208 (some nights do more than 1)
	200 adjusted value
	360 work hours per year
	6 employees
\$	46.25 markup on selling price
\$	99,909.77 Projected Revenue
\$	8,325.81 Monthly Revenue

The table below features the calculations of contribution margin and break-even point, in order to analyze the feasibility of the business if our projections are not accurate. With a contribution margin of 63.4%, we could find that the minimum revenue required for the business to break-even would amount to \$9,463.12, indicating a reasonably low amount of sales that we require to break-even for year one. The high contribution may indicate that we are charging too high of a mark-up on the selling price, but in the alcohol industry high mark-ups are fairly standard across the board so we can demand a higher markup considering our cost-effective operations relating to operating expenses.

Table 5. Break-Even Calculations

<i>Break-Even Calculations</i>		
Operating Expenses	Fixed	Variable
Employee Wages		\$ 55,440.00
Legal	\$ 1,200.00	
Advertising	\$ 1,500.00	
Supplies		\$ 1,200.00
Telephone	\$ 600.00	
Travel		\$ 2,800.00
Taxes	\$ 300.00	
Insurance	\$ 2,000.00	
Miscellaneous		\$ 1,000.00
Solicitor Permits	\$ 400.00	
Total	\$ 6,000.00	\$ 60,440.00

Contribution Margin	
Projected Sales for year one	\$ 99,909.77
Projected CGS	\$ -
Variable Expenses	\$ 60,440.00
Divide Variable by Sales	60.5%
Reverse CM	36.6%
Contribution Margin	63.4%

Break-Even Point	
Total Fixed Expenses	\$ 6,000.00
Contribution Margin	63.4%
B-E Point	\$ 9,463.12

On the next page is our Cash Flows Statement for Year One, including appropriate estimates as to the spending distributions for the year. It also uses an average monthly income and wages for simplicity.



Legal Environment

Organizational Form

The organizational form that we will operate under will be a limited liability company or LLC. This will ensure that the members of the LLC will have limited liability and should be more favorable tax-wise, since it offers the limited liability of a corporation but taxed like a partnership.

In order to establish the LLC, we will file articles of organization and an operating agreement at a cost of \$150. In order to file our Articles of Organization, we will either hire legal counsel (estimated fees average \$1,500) or get advice from relatives who have done it in the past on how to draft them ourselves. In the Articles of Organization, you must submit at least three possible names. A check on the state records website for Maryland indicates that there is no LLC or other entity with the name LimeLite LLC, which is why we have chosen this. Other options to list as secondary possibilities are LimeLite Promotions LLC, Siren LLC, and Explosion Promotions LLC.

For a small size business, we found that the estimated tax on income is around 18%, based on information gathered from other small business LLC's in the area.¹⁴

Applicable Laws

We will obtain legal advice and conduct further research on any hidden laws and regulations, but we have gathered a significant mass of information that pertains to LimeLite LLC. Aside from the basic national laws concerning legal drinking ages and restrictions on

¹⁴ Information courtesy of Gardner Homes LLC.

distribution, the legal factors that we will deal with will largely be based on state and local legislation, as the US gives great power to individual states regarding alcohol legislation.

The state of Maryland does not have statewide beverage control, it leaves it up to the counties to determine this restriction. The only state in MD with very different laws is Montgomery County, who does exercise beverage control.¹⁵ Only Garrett County (in western Maryland) restricts sales on Sundays. The state BAC level across Maryland is 0.08. There is mandatory licensing for all alcoholic beverage sales in the state of Maryland (which is pretty standard across the country).¹⁶ We will not be operating in Montgomery County for the time being, because of the unique case of countywide beverage control.¹⁷

*Sales of Alcohol*¹⁸

The minimum employee ages (subject to county) are listed below. As a company policy, we will never hire any individual under 21 to be employed, no matter the position.

- 18 to sell beer/light wine; 21 for Class D licenses
- 18 to pour/mix for beer/wine licensees; 21 for beer/wine/liquor licensees
- 18 to serve for beer/wine licensees; 21 to serve for beer/wine/liquor licensees

¹⁵ Alcohol beverage control states are those in which there is a state-wide monopoly over the wholesale and distribution of some or all alcoholic beverages within the state. An beverage control state reaps profit from the sales of alcohol and controls taxes and regulations. Montgomery county is one of the only individual counties with this level of control. Wikipedia.com <http://www.nabca.org/index.php>

¹⁶ ([<http://alcoholpolicy.niaaa.nih.gov/maps> National Institute of Health's Alcohol Policy Information System])

¹⁷ Montgomery County Beverage Control: the county conducts the wholesale distribution of alcohol, handled by Dept of Liquor Control. Profits from alcohol sales are contributed to a general fund for use in paying other citizen services. Retail stores. Sell beverage alcohol directly to 900-license holders through stock and special orders. License holders may not offer free merchandise to encourage the sale of alcoholic beverages; alcoholic beverages may not be given away.

<http://www.montgomerycountymd.gov/content/dlc/liquor/LRE/pdf/files/regsfinal72006.pdf>

¹⁸ http://www.restaurant.org/pdfs/legal/state_alc.doc

There are several state happy hour laws, but they are fairly standard across the board. Serving hours are subject to local legislation for both on and off-premise sales. In Baltimore, the latest that alcohol can be served is at most 2 a.m., but it varies based on the classification of the locale.¹⁹ The sales of beer, liquor, and wine are allowed on national holidays.

Solicitor Restrictions

In order to conduct promotions in MD, all employees must secure a solicitor permit by law, to be kept in their possession at all times while selling or offering alcoholic beverages.²⁰ A “solicitor” is defined by the state of MD as “any person employed as a representative or salesperson who contacts a licensed wholesaler or licensed retail dealer within this State for the purpose of selling, promoting, or offering for sale alcoholic beverages.”²¹ Anyone who acts as a salesperson or representative for a “Maryland licensed wholesaler” or a “manufacturer, nonresident dealer, or nonresident winery” must apply for and receive a permit from the Alcohol and Tobacco Tax Bureau before representing these distributors or companies.²² Promoters must register events related to the sale/distribution of alcoholic beverages by the 20th of the previous month for following month. Employees may only distribute one beverage per person per night, and may not distribute alcohol to anyone who is clearly intoxicated. Most venues should also require proof of ID for entrance, but in the case they do not, staff will be required to card all individuals before distributing the sample or merchandise.

¹⁹ <http://www.ci.baltimore.md.us/government/liquor/index.php>

²⁰ (4) Solicitors' permits shall be kept in possession at all times while engaged in the business of selling or offering for sale alcoholic beverages, and shall be exhibited upon demand by any licensee or authorized employee of the Alcohol and Tobacco Tax Bureau.

²¹ <http://www.dsd.state.md.us/comar/03/03.02.01.11.htm>

²² <http://www.dsd.state.md.us/comar/03/03.02.01.11.htm>

We will also note several regulations stated in the Advertising and Marketing Code for members of the Beer Institute, in the event that our clients are active members in the organization. One statute regards to distribution of branded promotional products, restricting the distribution of those items of “licensed retail establishments or where distribution is limited to those over the legal drinking age, and otherwise conforms to applicable laws and institutional policies.”²³ A second clause relating to product samplings of alcoholic beverages states that tasting events, as they are called in this case, should only occur “at licensed retail establishments or where distribution is limited to those over the legal drinking age, or otherwise conforms to applicable laws and institutional policies.”²⁴ While these codes are fairly common sense and align with local and national laws, it is beneficial to note and abide by them in any situation.

²³ Beer Institute, Advertising and Marketing Code, Jan 2006 edition, Sec 10.a.

<http://www.beerinstitute.org/BeerInstitute/files/ccLibraryFiles/Filename/000000000384/2006ADCODE.pdf>

²⁴ Ibid.

Insurance Requirements

Based on the size of the company, we expect to spend about \$2,000 per year on insurance. We will not have any property, but we will need to obtain liability related insurance. With only part-time workers, we may not have to obtain significant worker's compensation insurance, but our estimates have been based on sample small business rates and adjusted slightly lower so that we can ensure that we expense for enough coverage.

A typical rate for required worker's compensation and general liability insurance in the state of Maryland for full time office employees is around 2% of the company payroll. It generally increases based on the risk associated with the employee job function (for example, a construction worker may have rates as high as 12%). Since our employees are only part-time, it is likely that 2% is a reasonable, possibly high estimated rate, but it is appropriate to use as a base. Along with our estimated payroll for year one, this led to a figure of \$1,108.00 for worker's compensation coverage for year one of our firm.

We would also seek to acquire other general business and liability insurance, possibly employee liabilities or surety bonds to cover other risks in the business. This is where the remainder of the \$2,000 insurance estimate would be spent, but we may adjust the number at a later date after consulting in depth with our insurance agent.

Risks

There are many uncontrollable risks involved in the operation of LimeLite LLC, but many can be controlled to some degree. A few general business risks involve the dependency on the local and national economy as it pertains to the alcohol industry. In times of hardship or recession, people have less money to spend and tend to go out less. However, as pointed out before, alcohol is a vice commodity with consistent demand, making it less elastic and vulnerable to a much lesser degree. The industry is so hugely profitable, but if there were economic hardships, businesses will spend less on their marketing and will likely cut out live promotions. In this case, we would alter our focus from on-premise locations (bars, restaurants, etc.) to off-premise (liquor stores), where people will shift their alcohol purchases towards.

Weather is another uncontrollable risk, especially if weather conditions or traffic causes staff delays or no-shows. While this is always a risk in business, for our agency it is of great concern, due to our limited staff and the reliance on the staff presence at promotions. The winter months will likely be slower overall as far as promotions are concerned, but we will need to offer clients an assurance that if a promotion will be cancelled or not executed, it will be rescheduled or not billed to the client. If it the fault of the staff member or we are not notified of the absence, it will become a human resources issue that will be dealt with appropriately, based on past performance and evaluation of employee excuse.

New technology can serve as a threat if it is ignored by the company. The changing focus of consumers and marketers towards the internet and new media as means of reaching potential customers could impact our business if seen as growing obsolete. It will be important

for our business to emphasize the need for personal interaction with the consumer in order to differentiate and personalize the client brands in a crowded, overly saturated marketplace. We will also focus as time passes on ways of integrating technology into our promotions.

Shifts in consumer tastes will be monitored consistently to identify potential clients and new attitudes of customers. It will be important to be able to identify shifting tastes of those we are promoting towards, especially if the products we are promoting are in a flagging segment. For example, in recent years consumers have increased interest in wine and premium vodkas and other hard liquors, pointing towards increased sophistication in consumer tastes and heightened concern with status. This is important to monitor so that we can anticipate consumer attitudes prior to the launch of our promotions so that we can adjust tactics accordingly.

Employee control is a major risk in the business, one that we have devoted significant effort towards controlling. By satisfying employees, promoting responsibility and high standards, and hiring models selectively, we will diminish some of the threats of employee irresponsibility. We will use managers to monitor staff behavior and professionalism at promotions, and request feedback from venue managers as well as to the performance of the staff and overall execution of our promotions. Not only will this help us evaluate our employees, it could also provide us with suggestions for improvement and testimonials to our performance (which may be used in our marketing efforts to potential clients). We need to ensure that they abide by applicable laws and reflect the brand professionally but in a fun way as well. As managers, we will establish amicable relationships with our staff and encourage them to have fun, but will remind them of their responsibilities and standards. Employees will face consequences of inappropriate behaviors, and will be aware of the results of their actions.

Other risks in the business are the issue of liability and lawsuits associated with circumstances around the promotion or controversy around clients. In such a sensitive and socially controversial industry, it is inevitable that there will be some form of backlash, whether it is an overall industry attack on alcohol marketing (which is ever present), a specific promotion for a controversial client, an incident occurring at a venue where a promotion is held, or harassment of staff members. Many of these risks must be dealt with on individual bases, but the reality is that many risks are out of our control (a key reason for our insurance coverage and the establishment of an LLC). Our employee safety is one of our primary concerns, and we will monitor the venues at which we promote and reserve the right at any time to use management judgment or the consensus of staff members to pull out of a promotional venue in the case that it poses a risk to the staff, the company, and/or the client.

Appendix A: Sample Promotions

Case 1: Miller Chill

Dates: Memorial Day—Labor Day; Wednesday-Saturdays

Distributor: Buck Distributing Company, Inc. (Upper Marlboro, MD)

Objective: To encourage trial and awareness surrounding the launch of the new chelada-style beer from Miller during its key summer season when the drink will be most desirable.

Parameters:

- 2-4 girls per venue per night, may have 2 teams in different venues on select Fri & Sat nights when traffic is highest.
- Distributor will supply prizes (beer cozies, branded merchandise) and outfits for staff.
- Staff will be encouraged to target their promotions and distribution to customers in the age range of 21-30, with a slight focus on Hispanics and females. A core focus can also be on the waterfront enthusiasts who are typically drawn to Corona (preppy, mid/upper class Caucasian, boaters).
- Emphasis will be placed on the unique taste of the beer, the low-calorie feature, and the chelada-style brew. It is positioned as an American take on a Mexican Chelada style beer (cold beer served with lime and salt). It is touted as a “surprisingly refreshing” style of light beer that will quench your thirst “when things get hot.” Inspired by Mexico, it will keep you cool when the heat is on.
- Staff will be educated on the product prior to the launch of the promotion, with product sampling, brand explanation, explanation of the brewing process, product features/benefits, and its comparison to the main competition. Selling points and the



target audience will be emphasized, as well as the intended nature of the promotion.

Staff will be knowledgeable enough to answer questions beyond the standard ones centered on alcohol content and calories.

- Staff will be provided with lime-green dresses, wraps, and/or tank tops branded with the Miller Chill label. They will hand out beer cozies, keychains, or any other branded product provided by the distributor.
- Typical Budget per venue: \$100 with 20% tip (may be left to discretion of staff or present management if attendance is too low to meet budget).
- Management will set up the tab with each venue in advance and staff will deal directly with bar manager, paying with a company credit card.

Venues:

- Baltimore-Metro Region: Baltimore City (Inner Harbor, Fells Point, Canton, Camden, Powerplant, Towson, Federal Hill); Annapolis; Columbia; Ellicott City; Eastern Shore.
- A focus on outdoor bars/restaurants, Mexican-style bar/restaurants, sports-themed restaurants, and waterfront locations. We will also promote the product at popular bars and restaurants throughout the region (excluding nightclubs and upscale lounges).

Key Elements of Promotion:

- Distinguishing the new beer from competitors while attracting their audience to our product.
- Encouraging trial, creating attention around the product, and educating people about what it is, how it is made, and its key features.
- Staff will listen to feedback about the product and report back to management once a week with comments.

Case 2: Stoli Cranberri
Ring in the holidays with a premium flavored vodka

Distributor: Republic National Distributing

Dates: October through end-Dec; Thur-Sat

Holidays→Wed before Thanksgiving, Halloween, week before Christmas, New Year's Eve



Objective: To enhance the image and increase brand awareness through a seasonally themed promotion centered on the trial of one of its flavored premium vodkas.

Parameters:

- Target Audience: ages 21-35, fast-paced, focused on status, put-together, quality-driven, disposable incomes, “status drinkers,” young professionals.”
- 2-3 girls per location per night, may have 2 promotions a night
- Staff will be knowledgeable on the brief history and origin of Stoli (distilled from Russia's oldest distillery using pure glacier waters), brand features, innate flavors (herbal & pine bouquet), and recipes for the Cranberri flavored vodka.
- Focus on premium quality and how Cranberri can make your holiday season more festive.
- Typical Budget per venue: \$80-100 with 25% tip (may be left to discretion of staff or present management if attendance is too low to meet budget).
- Management will set up the tab with each venue in advance and staff will deal directly with bar manager, paying with a company credit card.

Venues:

- Bars, clubs, lounges, and restaurants that attract slightly well-off, fast-paced people concerned with quality and status.

- Baltimore (Canton, Federal Hill, Inner Harbor); Annapolis
- Holiday parties, festivals,

Key Elements

- Focus on the “premium” aspects of the vodka, emphasis on quality, status, and taste associated with the drink.
- Encourage trial and curiosity to foster brand awareness and provoke brand loyalties.
- Garner attention towards the product and encourage further use of flavored vodkas, with suggestions for drinks to order and make at home.



Appendix B: Overhead Percentage Calculations

Worksheet to Calculate Overhead Percentage and Markup

Average Direct Labor Wage per Hour
\$ 22.00

Total Work days available

Calendar Days	365
Less nonwork Days	
Three Days/week	156
Holidays	7
Vacation	10
Misc	12
Total Work Days	<hr/> 180

Billable DL hours in the work year per employee

Total Work Days	144
Average duration of promotion	2.5
Work hours available	<hr/> 360
Billable DL hours	360

Estimated billable DL dollars for the work year

6 part time employees x 359 hours per yr	2160
2 owners x 180 hours* per year	360
Total direct labor hours	<hr/> 2520
Average DL wage	22
Billable Direct Labor Hours	\$ 55,440.00

*billable hours for owners are estimated at half the employee rate

Estimated Total Business Expenses

Total Operating Expenses	\$ 66,440.00
Less billable direct labor dollars	<hr/> \$ 55,440.00
Total Business Expense	\$ 11,000.00

Annual overhead percentage

$$\frac{\text{Annual Business Expense}}{\text{Annual Direct Labor}} = \text{Annual Overhead \%}$$

$$\frac{\$ 11,000.00}{\$ 55,440.00} = 19.8\%$$

Real Cost of Direct Labor

Average Direct Labor Wage	\$ 22.00
Overhead @ 20%	<hr/> \$ 4.37
Direct Labor Cost	\$ 26.37

Charge per labor hour

$$\frac{\text{Markup on Selling Price}}{0.57} = \$ 46.25$$

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