Old Style Havana Rum: Start Up Plan

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Old Style Havana Rum is a rum business in the making that is looking to be successful in this competitive market. Marketing Trends and Strategic Planning are included in this Startup Plan.
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Executive Summary
**Mission Statement**

Old Style Havana Rum is a rum company based in Twinsburg, OH. We are here to provide consumers with an authentic Cuban Style tasting Rum, an experience few have had since the embargo. We are revitalizing old home style recipes in an attempt to recreate an authentic experience that has been eluding consumers in the adult beverage industry.

**Vision Statement**

As a local start up liquor business we are dedicated to the pursuit of organic growth within our geographic area of Northeast Ohio. As a provider of Rum spirits we are aiming to become a staple in local bars and stores spread across the region. Success within the region is a priority with national market aspirations for the future.

**Keys to Success**

1. Unique differentiated flavored rum
2. Full functioning facility
3. Grassroots marketing efforts
4. Successful logistics program/distribution efforts
5. Successful B2B sales effort

**Company Summary**
Company Ownership

The ownership of this company is divided equally between John and Stephen Midlik. Each party will be sharing 50% of the corporation.

Company Locations and Facilities

Old Style Havana Rum currently has facilities at 10283 Sandalwood Lane in Twinsburg, Ohio. This location is currently John Midlik’s home and will serve as a temporary headquarters to manage paper work and store product.

Product and Services

Product Service and Description

Old Style Havana Rum is in the business of producing and distributing delicious sweet tasting rum. We are not in the business of distilling. Once the flavors have been added we take our delicious product and sell and distribute it to local liquor stores and bars so that legal age consumers can purchase and enjoy it. Current flavors include a sweet vanilla and chocolate style rum. These are two flavors that are not currently saturating the market and allow room for product success.

Sales Literature

Example of Literature for Liquor Stores
With addition of Old Style Havana Rum into portfolio your store will be offering your patrons the rum experience they have been craving. Havana Rum not only offers a unique new twist on rum, but with its beautiful labeling and artwork will draw the consumers attention straight for the bottle and increase purchasing, thus increasing your stores profits. The success of this mutual partnership between your store and our company is of utmost importance to us and we will do everything in our power to guarantee success.

**Sourcing and Fulfillment**

For the success of the brand it is essential that we have the correct suppliers to create Old Style Havana Rum. These suppliers will include a flavorer, a distiller, a label maker, and a bottler. All four of these businesses are necessary to bring our rum to the market. We source our flavoring syrup from Flavor Systems International Inc. located in Cincinnati, Ohio. They are an instate company that does large quantity alcohol flavoring. The labeling, bottling, and rum distiller all fall under one company known as Artesian Distillers located in Grand Rapids, Michigan. This company will initially be a major part of Old Style Havana Rum and we will utilize their Private Label Packages and distribution network to initially get the organization off the ground. The sourcing cost for each bottle of rum is estimated to be between $4.25 - $5.25. This the cost Artesian charges per bottle of any rum that is being produced by their organization.

The established distributor network will be critical in initially selling our product. Our initial alliance with Flavor Systems International Inc. will also be crucial as a partnership. Recreating the flavoring syrup that is currently used to produce small batch Old Style Havana Rum on a large scale is the most important aspect of the start-up. The recipe must be exact and kept as a
trade secret to ensure the protection of our product. The flavor must be consistent across all batches and bottles of Old Style, and therefore we will need to work closely with Flavor Systems International.²

**Future Product and Services**

As of now Old Style Havana Rum is focused on creating a one-of-a-kind tasting rum that highlights the features of old school Cuban traditional rum. Moving forward we hope to expand our product line into new flavors and potentially merchandise. Our services will initially consist of sourcing our rum from suppliers, bottling the product, and shipping and restocking distributors of Old Style Havana Rum. We hope in the future to own our own flavoring center to shorten our supply chain and to have a standing fleet of freight trucks to better service our future customers. This vertical integration will allow Old Style to keep initial cost low and allow the small company to better manage its assets, rather than networking its supply base and increasing the amount of accounts and assets to manage.

**Market Analysis Summary**

**Market Segmentation**

Rum makes up 7.3% of the global spirit industry and the Americas account for 30.3% of the global spirits market as of 2012.³ When looking at the rum market there are a few distinct segments of types of rum drinkers that arise. These segments include Premium Rum drinkers,
usually older males with higher income. Naïve Rum drinkers, which include mainly younger females, and dark/spiced rum drinkers who are mainly male.

Premium Rum drinkers are those that are drawn to top shelf liquor and have the financial means for it. This older male demographic tends to be nearing the end of their careers or entering retirement. This segment of rum drinkers enjoy spiced rum over silver, also known as clear, rum. The naïve rum drinker segment consists of younger usually female adults. Naïve drinkers usually enjoy clear rums, because of the ease of mixing the product into flavorful cocktails. However, as will be discussed further into the plan these naïve drinkers have also begun to try new flavored spirits. The final segment consists of dark/spiced rum drinkers. This usually male demographic varies significantly in age range, but the one consistent aspect of this segment is the tendency to enjoy the rum as is, or unmixed.

**Target Market Segment Strategy**

The target market for Old Style Havana Rum can best be defined as a mix between the naïve rum drinkers segment and the dark/spiced rum drinkers. This consumer target market was decided upon for a variety of reasons. Old Style Havana Rum was given to a wide range of close friends and family to try the product. The overwhelming response was that this was something that they would be interested in purchasing and drinking. This sample varied from 21 year old male college students, to 25 year old female working professionals, to 45 year old baby boomer parents, and even more.
Rather than directing our marketing efforts on to one of the consumer segments, by hybridizing the naïve segment with the spiced segment Old Style will be able to encompass all the consumers who have claimed to enjoy the product.

**Market Trends and Growth**

A major need in the rum industry is that of a premium front runner and opportunities for investors to profit. “Diageo’s global brand director was also quoted in the Just-Drinks/IWSR report last year on the rum market as saying that, when the super-premium rum category starts to take off, it will be pretty quick and dramatic”. With rum beginning to lose its party drink image the market is going to need a premium high quality brand to take the torch of industry leader. The rum industry is also looking for more areas in which investors can profit. This is due to many of the premium brands being privately held.

It is now widely accepted by man experts in the liquor industry that rum is becoming the next big thing. “The Decade of Rum report compiled by the West Indies Rum and Spirits Producers' Association (WIRSPA) even indicates that super-premium rum volume will jump 50% in the next three years alone, partially on the mounting strength of spiced varieties. Spiced rums, which have shown excellent traction amongst younger demographics, have posted double digit sales volume growth over the last decade according to the WIRSPA report and they now make up around 8% of the overall rum market.” This expected growth in the spiced rum industry bodes well for Old Style Havana Rum as we operate solely in the spiced rum industry.⁴

In the spirits industry within the U.S. is growing at a very promising rate. In 2012 spirit sales volume increased by 3.6% marking 10 years of growth. Rum was the second most consumed
spirit next to vodka with a 13.1% share of the market, which was a 2.15% growth in share from 2011. One very promising trend that we are seeing for Old Style Havana Rum is a 14% growth in flavored spirits. This statistic bodes well for Havana Rum as we consider ourselves flavored rum. According to the study the growth in each category of spirits is being driven by smaller craft brands.\(^5\) With the recent lift of the Cuban embargo there will be more authentic rum flowing into the U.S. However, these companies will have a difficult time gaining access to the U.S. market due to lack of resources and contacts. This should give Old Style a decent window to grow and become successful.

**Industry Analysis**

Currently the rum industry is dominated by some of the larger names in business. As stated earlier Captain Morgan, Bacardi, and Malibu combined make up 75% of the rum market\(^1\). As of 2014 rum has become the sixth largest spirit by volume globally.\(^6\) According to The OTC Investor, rum is experiencing a major resurgence in markets like Britain and the U.S., and spice rum has become particularly popular especially in the college age demographic. Premium Rums have been seeing the best growth in the industry. So fruitful has the growth been that Bacardi was the second largest advertiser during the 2014 World Cup. The general consensus is that there seems to be nothing but upside potential for the rum industry as a whole.

As of 2012 the rum industry is still being dominated by Bacardi, which sold 19.56 million cases. The industry itself still remains very segmented in terms of regionalism in the production of rum. Tanduay Distillers, which is second to Bacardi in the industry, is located and stays concentrated in The Philippines. Third in the industry is United Spirit’s McDowell’s No.1 Celebration, which is located in India. They sold 15.63 million cases, but operate as a local and domestic company
in India. Captain Morgan, which is owned by Diageo, is the fourth most successful brand with 9.2 million cases sold. Finally fifth in the industry was Havana Club, who is owned by Pernod Ricard and based in Paris, France. They sold 3.4 million cases and like Bacardi and Captain Morgan is an International Brand.  

In terms of distilleries competing in the local Ohio area there are only 3 that are distilling rum. These are Candella micro-distillery llc in Boardman, OH, S and G Artisan Distillery in Yellow Springs, OH, and Woodstone Creek in Cincinnati, OH. Old Style Havana Rum will not be directly competing against these distilleries, as we will not be distilling our rum, but rather sourcing it from a third party vendor and adding the flavors. However we will face their competition in the retail sector.

**Main Competitors**

There is significant competition in the rum market within the U.S. Captain Morgan, Bacardi, and Malibu make up the largest share of the market holding 75% of the market, while the other rum companies hold the remaining share. What this indicates is that penetrating the market will be more difficult than initially anticipated and may require a grassroots effort to build regional support of Old Style Havana Rum.

The main competitors that will be faced when initial distribution begins are unfortunately these large well established rum brands. These brands being Captain Morgan, The Kraken, Cruzan 9, Sailor Jerry, and Bacardi Oakheart. These brands currently dominate the spiced rum market. Old Style must also look locally at the competitive market.
Portside Distillery located in Cleveland, OH will also be a part of the local competitive rum scene. Portside is known for their old-style techniques. This distillery has a strong local presence and utilizes Giant Eagle liquor stores and other liquor stores to sell their product. Portside’s products that would be in direct competition with Old Style Havana Rum include a Vanilla Maple Rum, a classic Spiced Rum, and a Christmas Spirit Rum. They also produce classic sliver rum, which is un-spiced, but this product is not in direct competition with our product.

What the presence and success of Portside Distillery proves is that there is a market for flavored infused rums in North East Ohio. However, their presence also adversely affects the beginning of a new flavored rum being brought to market. There is the possibility of saturation, but the rums being offered by Portside lack a consistent image across flavors. The brand identity seems weak and their prices range from $23 to $30 a bottle. For the success of Old Style in the local competitive landscape it will have to established a well-loved brand identity and compete at a lower price point to drive consumers away from the already established brand.

**Strategy and Implementation Summary**

**Value Proposition**

Why should customers buy our rum and not a competitor's brand? Old Style Havana Rum represents more than just a high quality rum, it represents a lifestyle that has been forgotten by the large rum companies; A lifestyle that realizes the benefits of being able to relax and enjoy the
small things in life. Old Style is a rum that will not only satisfy a customer's need to relax, but will also provide them with the quality spirits they crave. We will satisfy the customers’ need to enjoy a smooth delicious tasting new rum option.

The value that will exist for Old Style Havana Rum is derived not from the rum itself. Though it is delicious, rum can be considered somewhat a commodity because of the low cost to actually produce. To be successful in this type of market value must be derived from the brand name and what it articulates to the consumer. Old Style will be a brand that when consumers here the name visions of relaxing on the beach and having a good time come to mind. We do not need to sell consumers rum, we need to sell them an experience.

Our brand image coupled with the delicious taste will be the competitive edge we leverage in the industry. Old Style Havana Rum brings to the industry a new unique taste that has never been seen before. With our secret blend of ingredients and high quality spiced rum, Old Style has a smooth and sweet taste that will remind consumers of the warm Caribbean islands. With this flavor of rum we will outperform other rum brands in the taste category.

**Marketing Strategy**

Old Style Havana Rum’s marketing strategy will need to be a grassroots effort consisting of social media interactions to build initial awareness, and word of mouth efforts to build local awareness of our new brand. Along with these consumer efforts there will need to be business to business marketing efforts to outside wholesalers in order to have the products in liquor stores. These efforts remain on the non-expensive end as all cash is going to be funnelling into the
product and difficult to come by. We will now break each of these strategies down to further examine the strategy.

Beginning with the business to business marketing efforts, Old Style Havana Rum needs to connect with local and regional wholesalers in order to make sure the product can make it into liquor stores. Luckily in the strategic partnership with Artesian Distillery, we are gaining access to their distributors and wholesalers thus getting our product to liquor store shelves early on in production. Their support and access to distributors in 15 states greatly decreases our need to market Old Style to wholesalers, and thus allows us to focus efforts on consumer awareness.

Another business to business route that could result in successful for Old Style is the old fashioned word of mouth strategy. We will need to go bar to bar to in efforts to build direct customer relationships with bar owners. These owners not only offer us a direct sales channel to consumers, but also a free source of market research to gain consumer feedback. "It's very grassroots. One customer at a time. But then the potential is that person buys one bottle every two weeks for the rest of their life." Establishing a secondary network with bar owners eases the pressure to have successful connections with the whole sale distributors.

One of the best ways at reaching liquor consumers can be with the use of social media. Old Style Havan Rum will begin developing consumer interest in its brand through the creation and use of social media accounts on Facebook, Twitter, and YouTube. These accounts will be used to attract local attention to the brand. Facebook offers access to 58% of the adult population of The United States. Having a Twitter account would allow Old Style access to 23% of adult internet users online, with a large portion of that audience being under the age of 50. Finally utilizing an
Instagram account would give Old Style Havana Rum access to 53% of adults ages 18-29 who use the internet. Building consumer awareness of the brand will be the most important function of these social media sites.

The question remains then, on these social media networks with such large potential markets, how does Old Style intend to establish its brand and attract followers on these sites? There need to be multiple promotional events to give Old Style Havana Rum the initial kickoff it needs to gain prominence in the rum market. One way we plan to do this is through the use of tasting events in local bars and event center. At these events it will be important for us to ensure that local food and beverage critics attend. Getting these experts to launching events will help Old Style gain credible traction in the market. It is also critical at these events to get the attendees to follow the social accounts of Old Style Havana Rum. One of the best ways to do this would be to have a follow and tweet sweepstakes for a chance to take home a free bottle of rum. A contest as simple as give us a follow and tweet with the hashtag #YumYumRum could be used to draw initial followers in an organic way.

Other promotional strategies include building the brand identity via social media. We have already established that having a strong brand image and identity is crucial for success in the liquor industry. Old Style Havana Rum cannot just be another rum brand. It is our intent to create a fake yet vivid backstory as to how the rum finally came to creation. As our story goes, the Old Style Havana recipe was found in an old glass bottle among the ruins of a decaying 17th century merchant ship in the Caribbean waters. This rum style and recipe was long forgotten, but now with the hard work of John and Stephen Midlik has been brought back from its watery grave to be enjoyed by consumers once again.
This story, though fake, is going to be created on social media through the use of our bottle label artwork and sharing/ tweeting stories that match our brand identity of relaxation, fun, and good times. Understanding that it is in the summer months where peak rum consumption occurs, we have created a tentative social media schedule for what interacting on social media could look like during a year. For Facebook the best days to post are on Thursday and Friday with post getting the most shares at 1 p.m. and the most clicks 3 p.m. For Twitter, the best days to tweet for Business to Consumer interactions occur from Wednesday through Sunday, with engagement for brands being 17% higher on the weekend. These tweets should come at 12 p.m. and 6 p.m. For Instagram the best day to post is on Monday within the 3p.m.-4p.m. time slot. The darker colors indicate months where interaction needs to be higher.

The following chart is a mockup of what a weekly schedule might look like during the peak summer months. Once again the darker shades indicate higher interaction rates.

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\begin{array}{|c|c|c|c|c|c|c|c|c|c|}
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Instagram & & & & & & & & & & & & \\
Facebook & & & & & & & & & & & & \\
Twitter & & & & & & & & & & & & \\
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\end{array}
\]

Staying active on social media will truly help in developing Old Style’s brand image.

**Position Strategy**

Old Style Havana Rum will be positioned as mid-level liquor brand, above well grade, but not premium. The Old Style brand wants to establish itself as a mid-level competitor that will be on
par with brands similar to Captain Morgan. We are going to be a great premium tasting rum, but in all essence will function as a mid-level liquor.

**Pricing Strategy**

In order to be competitive in the rum industry we must be able to price our rum similarly to our main competitors of Captain Morgan, Sailor Jerry, and The Kraken. These three brands, at the 750mL size, are all priced within the $20-30 dollar range.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Captain Morgan Original Spiced</td>
<td>$23.99</td>
</tr>
<tr>
<td>Kraken</td>
<td>$21.99</td>
</tr>
<tr>
<td>Sailor Jerry</td>
<td>$24.99</td>
</tr>
<tr>
<td>Portside</td>
<td>$23-30</td>
</tr>
</tbody>
</table>

Seeing that this is where these brands are we have chosen to price Old Style Havana Rum at a retail of $23.99. This price on par with Captain Morgan and Portside Distillery, but affordable enough so that the average consumer can purchase without having to overspend for a premium brand. This $23.99 per 750mL bottle also gives us enough financial room to turn a profit on the bottles sold and keeps our product in the same class as our direct competitors. This positions us in the consumer mind to be of the same high quality standards as these other established brands.

**Distribution Patterns**

The distribution of Old Style will be handled through our partnership with Artesian Distillers. Using their private label packages we gain access to a simple and well established distribution network that spans 15 states. This ease of access to their distributor network is critical to have as this is one of the most critical steps in bringing a new liquor to the market. Having a legitimate
distributor gives us access to sales in liquor stores and bars. Though Artesian Distillers is a Michigan based distiller their connections with Ohio distributors like Buckeye Brewing and State Rd. Beverage and liquor agency offer us distribution to the local market in North East Ohio.

Sales Strategy

The sales strategy that will be utilized is third party retail strategy and not a direct to consumer strategy. There are many reasons this strategy was chosen over a direct approach. Being a startup company it will be initially more cost friendly to outsource the majority of our operations. This frees up cash flows and cuts down on sunk and fixed cost of establishing a major internal sales department. By utilizing already established retail sources and distribution routes Old Style is saving significant cost that would otherwise be associated with creating a sales network from scratch. By not establishing a storefront operation or restaurant brick and mortar style business we avoid massive sunk cost that are associated with these businesses.

The third party retail strategy will also be accompanied with a direct to bar door to door tactic. This tactic is one of the few ways to guarantee local market penetration. John and Steve will need to approach local bar owners and attempt to convince these men that Old Style Havana Rum can become a staple in these establishments.

Old Style will begin its sales process in January. Although this is one of the slowest months for liquor sales it is in this time period that connections to gatekeepers and decision makers can begin to form. We will begin our first year with a total of 6000 bottles of Old Style Havana Rum. Throughout the months of January to March the benched mark goal will be the sale of 750
bottles via local efforts and Artesian’s Distribution network. This is a bench mark of 250 bottles a month. This slow start strategy should give the sales force time to build connections. As the seasons move into some of the heavier liquor consumption months May through June the sales benchmark number will be to sell 2000 bottles. This is breaks down into 667 bottles a month. Though this is a little over 2.5 times the previous months goals, the distribution networks and inner working of the company should be up to full functioning capacity, thus making this goal for the direct bar and distribution network sales achievable. In the third quarter we can anticipate similar sales from quarter 2 of around 2000 bottles. This is due to two summer months falling in this quarter, both of which are high liquor consumption months. In the fourth quarter we are anticipating a slight dip in sales because our brand image portrays one of summer qualities, but can still anticipate sales of 1250 bottles, thus cleaning out the inventory.

This slow start strategy in the slower months gives Old Style Havana Rum the best chance of success. By setting lower sales goals in the first quarter the company can focus on its marketing efforts, with the tasting events and building its online presence. This slow start strategy also builds in room for failures in the early months without the fear of going under. After this slow start there is a sales blitz in the summer months, a time period in which the most rum is consumed. This push is a necessity because after the first quarter there is a significant amount of inventory sitting on the selves.
Sales Forecast

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Forecast (total)</td>
<td>$3,000.00</td>
<td>$3,000.00</td>
<td>$3,000.00</td>
<td>$3,004.00</td>
<td>$8,004.00</td>
<td>$8,004.00</td>
<td>$8,004.00</td>
<td>$8,004.00</td>
<td>$8,000.00</td>
<td>$4,980.00</td>
<td>$4,980.00</td>
<td>$4,980.00</td>
<td>$71,964.00</td>
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<tr>
<td>Cash Sales</td>
<td>$2,250.00</td>
<td>$2,250.00</td>
<td>$2,250.00</td>
<td>$2,003.00</td>
<td>$6,003.00</td>
<td>$6,003.00</td>
<td>$6,003.00</td>
<td>$6,003.00</td>
<td>$6,003.00</td>
<td>$5,735.00</td>
<td>$3,735.00</td>
<td>$3,735.00</td>
<td>$53,973.00</td>
</tr>
<tr>
<td>Credit sales, 30 Days</td>
<td>$600.00</td>
<td>$600.00</td>
<td>$600.00</td>
<td>$1,600.80</td>
<td>$1,600.80</td>
<td>$1,600.80</td>
<td>$1,600.80</td>
<td>$1,600.80</td>
<td>$1,600.80</td>
<td>$996.00</td>
<td>$996.00</td>
<td>$996.00</td>
<td>$14,392.80</td>
</tr>
<tr>
<td>Credit sales, 60 Days</td>
<td>$150.00</td>
<td>$150.00</td>
<td>$150.00</td>
<td>$400.20</td>
<td>$400.20</td>
<td>$400.20</td>
<td>$400.20</td>
<td>$400.20</td>
<td>$400.20</td>
<td>$249.00</td>
<td>$249.00</td>
<td>$249.00</td>
<td>$3,998.20</td>
</tr>
<tr>
<td>Credit sales, 90 Days</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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With the sales program we know we will be selling bottles to liquor stores and distributors at around 50% of the retail price because of mark-up liquor stores and distributors need to profit, therefore the price will be $12.00 to bars and distributors. We anticipate cash sales to represent 75% of the total monthly sales, 30 day credit sales 20%, and 60 day credit sales 5%.

Sales Program

The sales program that Old Style Havana Rum will be utilizing is a part of the Artesian Distillers Private Labels Packages Program. We have established that this program offers the best chance to be initially successful. The specific program that we have chosen to pursue is known as the Budget Starter Package. This package includes 500 cases of product. Each case holds 12 750mL bottles. This package also includes the caps, bottling, labels, and boxes to transport; all at a cost of $4.25-$5.25 per bottle. This sales package also includes support to sell to with their distributors in 15 states. This sales program is not overly complicated and that is the way we want it. This simplified sales program offers us the best chance to succeed as a startup brand because it does not overly complicate the sales process and gives us access to a well-established distribution network.\(^2\)
Obviously Artesian Distillers is making a decent profit off of this venture together, but this partnership helps us avoid the hassle and cost of becoming a licensed distiller. Using this sales program we believe that we are giving ourselves the best opportunity to succeed now, and leaving ourselves options to expand upon this program later.

Management Summary

Organization Structure

Old Style Havana Rum will have a classic business organization structure. However, being that this is a small initial startup company there will be slight variations to account for the size. As a small privately held company the organization will have a small management team that will handle the daily operation of the business. It will initially consist of a CEO and a COO. These two positions will be the groundwork for future growth of the board and additional personnel.

Management Team

Chief Executive Officer: Mr. John Midlik

Chief Operating Officer: Mr. Stephen Midlik
Management Team Gaps

Due to the small size of the company there are multiple management team gaps that will need to be filled as the company becomes prosperous and grows. Management team positions that will need to be filled include,

Chief Financial Officer:

This position will be responsible for addressing reinvestment strategies and effectively manage all things financial within the organization. With neither John or Steve having a financial degree or experience working in a finance position, having this positon filled will be critical to the success of Old Style in the long run.

Chief Marketing Officer:

The CMO will be responsible for the marketing and sales strategy. They must know the ins and outs of the industry and who your company’s precise competitors are. The CMO will handle running the sales force as the company grow and developed brand strategies that will keep Old Style relevant within the consumers mind.

Chief Technology Officer:

The CTO will be responsible for finding the latest useful technology and integrating it into the business. The tracking of ingredients in the rum industry will merit the use of technology and help the company maintain deadlines and fulfill orders on time. This officer

Chief Accounting Officer

The CAO will be responsible for handling the multiple monetary accounts of Old Style Havana Rum. They will keep meticulous financial records and assure the fact that all expenses can be paid and accounted for. Their accounting expertise will be needed to
effectively allocate our resources in a Managerial accounting style in order to help the business run smoother.

Filling these positions in the future will become critical as the company grows, but in the short term John and Stephen will be wearing multiple hats. It is in the hopes of the company that by year three operation all management positions will be filled.

### Personnel Plan

<table>
<thead>
<tr>
<th>Personnel Plan</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages Fixed</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Commissions of Current Sales</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Total Wages Expenses</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Being a startup Old Style will not initially be paying fixed wages or commissions, as it will be just John and Steve Midlik operating the entirety of the business.

### Financial Plan

<table>
<thead>
<tr>
<th>Purchases</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Inventory</td>
<td>$30,187.50</td>
<td>$28,875.00</td>
<td>$27,562.50</td>
<td>$24,060.75</td>
<td>$20,559.00</td>
<td>$17,057.25</td>
<td>$13,555.50</td>
<td>$10,053.75</td>
<td>$6,552.00</td>
<td>$4,373.25</td>
<td>$2,194.50</td>
<td>$1,75.75</td>
<td>$0.00</td>
</tr>
<tr>
<td>(+)COGS</td>
<td>$1,312.50</td>
<td>$1,312.50</td>
<td>$1,312.50</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
<td>$1,301.75</td>
</tr>
<tr>
<td>(-)Total needed</td>
<td>$31,500.00</td>
<td>$30,187.50</td>
<td>$28,875.00</td>
<td>$27,562.50</td>
<td>$24,060.75</td>
<td>$20,559.00</td>
<td>$17,057.25</td>
<td>$13,555.50</td>
<td>$10,053.75</td>
<td>$6,552.00</td>
<td>$4,373.25</td>
<td>$2,194.50</td>
<td>$1,75.75</td>
</tr>
<tr>
<td>(-)Beginning Inventory</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>(+)Purchases</td>
<td>$31,500.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

The total cost of the goods, estimating the high cost of $5.25 per bottle on the Artesian Distillers program results in an initial program cost of $31,500.00
The following expenses will be incurred throughout the first year. The marketing cost must remain semi-low initially until larger profits and batches of rum can be produced. The months with the larger marketing budgets show when possible events may occur. An initial loan of $50,000.00 will be needed. This will be done through John Midlik and Huntington national bank. John has a proven track record with them and previous history of entrepreneurial success. The payments for a 60 month loan at 12.99% interest rate result in the $1,142.25 a month expense.

### Old Style Havana Rum Year 1 Income statement

| Gross Sales | $71,964.00 |
| COGS | $31,500.00 |
| Gross Profit | $40,464.00 |

### Operating expenses

| Flavoring | $1,000.00 |
| Marketing | $7,500.00 |
| Loan Repayment | $13,707.00 |
| Total operating expenses | $22,207.00 |

| Operating Income | $18,257.00 |
| Taxes | $11,079.34 |
Ohio has a $9.32 per gallon liquor tax. Based off of the amount we will have that is where the $11,079.34 comes from.

References


