SCHULICH SCHOOL OF BUSINESS

MA |TB| BORIS F. |
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MKTG 6550S – Brand Management

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OPPORTUNITY IDENTIFICATION

MARKET

AcuteRed competes in the Canadian retail furniture market, specifically focusing on the mid-priced, contemporary furniture in the Greater Toronto Area ("GTA"). The Canadian furniture and floor coverings market is expected to grow at 4% per annum to $12.5 billion by 2017 (Canada - Furniture & Floor Coverings, 2014). Based on Porter's Five Forces analysis in Appendix A, the industry is quite attractive with moderate rivalry, ease of entry and exit, and low threat of substitutes. Key success factors in the retail furniture market include keeping up with changing customer tastes, design, inventory management, and effective marketing.

COMPETITIVE LANDSCAPE

There are over 6,600 furniture companies in Canada and the industry is highly fragmented with 97% of firms having fewer than 100 workers (Industry Canada, 2014). Moreover, in 2014, the top players only penetrated approximately 5.1% of the total market. (Ruiz, 2014) The Canadian retail furniture market is divided between large furniture-focused chain stores (Leon's, Brick, Ikea), department stores and discount retailers (Bay, Sears, Costco, Walmart), and smaller, niche stores (Urban Barn, Structube, EQ3, West Elm, etc.) As illustrated on the competitive map in Appendix B, most of the contemporary style furniture manufacturers are perceived to have lower quality products, although this trend is changing.

MARKET HEALTH & FUTURE TRENDS

During the past decade, furniture imports from China and other lower-wage countries have increased significantly, driving cost-focused, domestic manufacturers out of the market (Industry Canada, 2014). On the other hand, companies with a focus on specific segments of the market, differentiated products (stylish, locally-made, environmentally-friendly, strong branding, etc.) have prospered. For example, Urban Barn, a small furniture store that began in BC in 1990 has over 40 locations across Canada today (Urban Barn, 2014). Key trends in today's market include (About Home, 2014):

Smaller pieces and multi-functional furniture: The average size of all condo units to be built in Toronto is 735 square feet with the smallest being only 278 square feet (Hildebrand, 2014). Condominiums continue to gain popularity and represented 43% of all Canadian building permits in early 2014. This trend is the result of young people not being able to afford houses and Baby Boomers having difficulty maintaining them (Canada, 2014). Smaller spaces have been driving demand for furniture with a reduced profile that can serve various functions (i.e., murphy beds), as well as more contemporary pieces which are often less bulky.

Reduced demand for very expensive furniture: Furniture that comes in kits (cheaper and easier to transport) has increased in popularity with professionals – approximately 42% of kit-purchasers in 2013 had white collar jobs and the vast majority were homeowners (Print Measurement Bureau, 2014). Moreover, the demand for expensive furniture is declining. When DeBoers, an iconic high-end furniture store in Toronto closed in 2011, John DeBoer commented, "People tend to buy furniture for practical use rather than a long-term investment…in the old days, a couple might buy a mahogany bedroom set to last a lifetime and then pass it down the family as an heirloom." (Lu, 2011).

Other emerging trends include technology-driven furniture, vintage pieces, global design influence, and customization (colours, finishes, hardware, etc). Furniture market growth is driven by the increase in the housing market which continues to do well in Canada. While the lower and higher ends of the market have been hurt in recent years due to cheap imports and changing customer tastes, **mid-priced, differentiated retailers are expected to grow.**

COMPETITOR ANALYSIS

A summary of the positioning of two of the largest players in the Canadian, retail furniture market, Leon's and Ikea, is included in Appendix C. Leon's is a well-known chain in the Canadian furniture market and it offers customers reasonable quality pieces for the whole home, including bedrooms, dining rooms, etc., as well as appliances and electronics. While typically catering to mature tastes, they launched an "Urban Living Collection" in 2007 to attract younger customers living in condos or smaller dwellings (Leon's Canada, 2014).

Their products are priced mid-range and are typically more expensive than, small mom-and-pop, unbranded, furniture stores. Furniture can be purchased online or in large, big-box stores usually located in suburban neighborhoods. Stores are well lit and spacious with high ceilings and furniture is arranged in sections – Dining, Living, Appliances, Electronics, etc. The stores and furniture have a pretty, traditional aesthetic. Leon's promotional model is marketing intensive and uses all distribution channels including mailed flyers, emails, television, radio, etc. (Leon's Canada, 2014) The company often has special sales and promotions (i.e., no tax event) and offers customers payment plans and free delivery (based on a minimum purchase amount). Customer service is very important at Leon's and customers receive one-on-one attention from staff as soon as they enter a location. Leon's utilizes commissions to encourage staff to drive sales. Their salespeople are typically middle-aged, from various cultural backgrounds, and professionally dressed.

Ikea is a Swedish company with locations in more than 26 countries and it focuses on a younger customer base (Ikea, 2014). They offer a more extensive range of furniture for all areas of the home and outdoors, but also offer accessories, kitchen cabinets, appliances, closet organizers, etc. Ikea's product selection is broad enough to include anything required to set-up or maintain a home (a one-stop shop). Where possible, furniture is packaged in flat-packs that require extensive assembly when opened, but allow for cheap and easy transportation. Pieces are also often customizable – offered in various colours and finishes that cater to different customer tastes. Many of their products designs are modern and fun with bold prints, bright colours, and creatively designed. Ikea offers low and no-frills pricing that does not include delivery, assembly, and transportation from the warehouse. The company's stores are very large, and are generally located close to suburban highways. Stores are designed as a one-way layout leading customers through furnishing, accents, and a self-serve warehouse where they pick up their goods. Stores also include restaurants, cafes and children's play areas to ensure customers are comfortable shopping for extended periods of time. Ikea's promotes their brand through TV, radio, billboard, and magazine advertising, as well as email campaigns and direct mail with weekly specials. The company purposely puts a reduced emphasis on customer service. While young, casually dressed customer service employees are available at the stores, there are not enough to serve each customer, and they promote a "self-serve" concept. This is marketed to customers as a way to keep prices low and affordable.

ENVIRONMENTAL FACTORS INFLUENCING FUTURE MARKET HEALTH

Economic: The Canadian housing market continues to be strong - it is forecasted to reach 467,800 housing starts in 2015 with sales staying in line with the 10-year average for the eight year in a row (The Canadian Real Estate Association, 2014) (See Appendix G). Personal disposable income in Canada in the first quarter of 2014 reached a record high of $1,103 billion, making it the ninth consecutive quarter of increase in disposable personal income since first quarter of 2012 (Trading Economics) (see Appendix I). The Canadian furniture market has benefited greatly from strong home sales and increasing personal disposable income in recent years. Demand for residential furniture is driven by population growth, especially in large urban centers. Expenditures on household furniture generally increase with household size and income and are higher for homeowners than for renters (Industry Canada, 2014).

Social: Generation Y (also called the "millennials") consists of 7.6 million Canadians who are now between the ages of 16 and 31 and represent almost one quarter of the population (Aaarts, 2011). The generation that grew up in an environment of affluence, widespread consumerism, technological advances, and media convergence is finally moving out. The average age of first-time homebuyers in Canada is now 30 (a 20-year low) and these purchasers prefer urban residences, especially condos and townhouses. Today, people between the ages of 25 to 34 spend more than the Baby Boomers in categories such as household furnishings and home electronics, and they are comfortable spending significant amounts on "statement pieces" which are considered an "expression of their identity" (Aaarts, 2011). Young consumers are influenced by newer trends, want fewer choices and their products faster (Globaltrade.net, 2009). The increased influence of Millennials will lead to greater demand for high-quality, trend-setting furniture that functions well in smaller living spaces.

Technological: Technology has advanced rapidly in recent years and become a larger part of people's daily lives (e.g., smartphones, tablets, etc.) This has led to a trend of "dematerialization", the act of downsizing of the material world (Himelfarb, 2014). This will impact the furniture market - for example, the replacement of books with a tablet would reduce the demand for bookcases - and lead designers to take a more minimalist approach to furniture styles. Moreover, manufacturers have begun to integrate technology into furniture, such as slots for mobile phones and tablets in the fabric of the headboard, allowing the elimination of a bedside table.

Environment: Green furniture has become important to many consumers now. Environmental concerns, such as awareness of how deforestation impacts climate change and the effects of toxic finishes on the air inside homes, have led furniture buyers to demand green furniture (Abbas). Furniture that is made from reusable material or "upcycled" from another piece, or is simply a refurbished vintage piece is becoming more popular. Although furniture imports have increased in the last decade, concerns regarding carbon footprint are driving a gradual shift towards locally manufactured furniture (Abbas).

Political/Legal: Canadian furniture manufacturers must adhere to numerous regulations including those with regards to surface coating, cribs, corded window coverings, etc. All furniture must also meet the requirements of the newly-formed Hazardous Products Act (HPA) before it can be sold in Canada (Health Canada) to ensure customers a minimum level of safety. If regulations governing furniture production continue becoming stricter, the cost advantage of overseas production would decline, benefiting local manufactures. Intellectual property theft is another legal matter impacting furniture manufacturers (especially as a result of offshoring). While furniture designs can be protected using copyrights, patents and trademark, the scope of protection is quite limited and often not implemented due time and cost implications (Fine Woodworking, 2010).

SEGMENTATION MODEL FOR CANADIAN MID-PRICED, CONTEMPORARY, URBAN FURNITURE

Basic client needs in this market include furniture that fits their unique space, modern styling that is minimalist with clean lines, superior functionality, contemporary colors (white, black, and bright) and offer decent quality (lasts for > 5 years). However, clients have been segmented into nine unique groups based on their specific furniture needs and individual characteristics on the following page. This segmentation model is summarized in Appendix D and the requirements of each type of customer ranked from one to five, with five being the highest or most important.

Product-Market Nickname	Need Dimensions (benefits sought)	Customer-related Characteristics
RICHIES	▪ Higher-priced ▪ Well-designed ▪ Customizable pieces (colour, shape, etc.) ▪ Very unique (not mass-market) ▪ Recognized brand name/associated prestige	▪ Students from affluent families ▪ Likely renting a place or living in a home purchased by their parents ▪ Used to having nice things ▪ Less concerned about price
RE-SINGLES	▪ Very unique (not mass-market) ▪ Recognized brand name/associated prestige ▪ Comfortable	▪ Older, financially-stable singles (35 to 65) ▪ Not concerned about price ▪ Experienced in furniture buying
YUPPIES	▪ Well-designed ▪ Furniture can serve more than one function (i.e., bed with storage) ▪ Smaller furniture pieces ▪ Comfortable ▪ Easy to assemble/transport ▪ Green and locally made	▪ Young, single professionals ▪ Just moved into the city (first place); likely small ▪ Looking for something nice at a decent price ▪ Want to show off their new place to friends
DINKS (DUAL-INCOME; NO KIDS)	▪ Well-designed ▪ Very unique (not mass-market) ▪ Recognized brand name/associated prestige ▪ Comfortable, green, locally made	▪ Young couple with no kids ▪ Financially comfortable ▪ Want nice things; willing to spend
YOUNG FAMILY	▪ More price-sensitive ▪ Furniture can serve more than one function (i.e., bed with storage) ▪ Longer-lasting furniture (little wear and tear) ▪ Smaller furniture pieces ▪ Comfortable ▪ Easy to assemble/transport	▪ Young parents with kids ▪ More focused on needs of children ▪ Likely to be more financially strained
BRADY BUNCH	▪ Longer-lasting (little wear and tear) ▪ Customizable pieces (colour, shape, etc.) ▪ Very unique (not mass-market) ▪ Comfortable	▪ Established family ▪ Parents are older; want nice things
EMPTY NESTERS	▪ More price sensitive ▪ Smaller furniture pieces ▪ Comfortable ▪ Easy to assemble/transport	▪ Might be on fixed income ▪ Recently downsized
SMALL BUSINESSES	▪ Furniture can serve more than one function (i.e., bed with storage) ▪ Longer-lasting (little wear and tear) ▪ Customizable pieces (colour, shape, etc.)	▪ Smaller businesses (partnership or sole proprietor) ▪ Less than 50 staff ▪ Located in the city
HIPSTERS	▪ Well-designed; customizable (colour, etc.) ▪ Longer-lasting (little wear and tear) ▪ Very unique (not mass-market) ▪ Easy to assemble/transport ▪ Green, locally made	▪ Very much green and environmentally conscious

ACUTERED'S BRAND PLATFORM

BRAND PURPOSE	Give urbanites the power of expression through furniture
TARGET SEGMENTATION	AcuteRed will target yuppies, dinks, and hipsters as their needs are most align with our brand (Appendix D)
BRAND ESSENCE	**Intensity:** The name itself implies passion and intensity. Acute is defined as a sharp or severe in effect, intense, having or showing a perceptive understanding or insight: shrewd. (Dictionary, Meaning , 2014) **Red:** It is commonly associated to fire, passion, and rubies. (Dictionary, Meaning, 2014)
FUNDAMENTAL HUMAN VALUE	Impacting Society
BRAND POSITIONING STATEMENT	To the style-conscious, young individual living in ever smaller spaces **[target]**, AcuteRed household goods and furniture systems **[frame of reference]** offer an easily assembled, customizable, sustainable and higher quality alternative to existing offerings **[point of difference].** Empowers our customer with the freedom to select and simply connect different modules to suit their individual style and living space needs [**reason to believe].**
CORE IDENTITY	**Young** – Designed by young people for young people. **Elegant** – All products will have a simple and easily applicable/adaptable aesthetic. (Google, 2014) 1. Pleasingly graceful and stylish in appearance and manner 2. (Of a scientific theory or solution to a problem) pleasingly ingenious and simple **Passionate** – The passion to change society's perceptions of flat pack furniture
EXTENDED IDENTITY	**Creative / Individual Expression –** Allow customers the ability to customize the look and feel of their environment by offering them the ability to design their personal space. **Fun –** The brand / organization / product offering all have a certain degree of humility and light-heartedness. **Balanced –** AcuteRed proves that cost, quality and style do not need to be mutually exclusive.
VALUE PROPOSITION	**Functional Benefit –** An alternative to existing products in the marketplace offered with a sense of passion and style not commonly offered in this category. The product can be repeatedly assembled and disassembled without any loss in performance or structural integrity. Because this can be done without screws, assembly is completed in a fraction of the time it would take to assemble conventional furniture. **Emotional Benefit** – offer customers the ability to showcase their individualistic style by owning furniture that is uncommon and different from the standardized systems offered by Ikea and other mass retailers. Additionally, the product offers customers a sense of pride that comes with owning a unique piece of furniture that they designed and assembled. **Self-Expressive Benefit** - offer customers the benefit to customize their environment to be more representative of their own personality, a true place to call their own.
BRAND RELATIONSHIP	A creative friend who wants to help you design your personal space and improve your interior style.

SLOGAN	*Improving life through design*

BRAND PLAN EXECUTION

OBJECTIVES

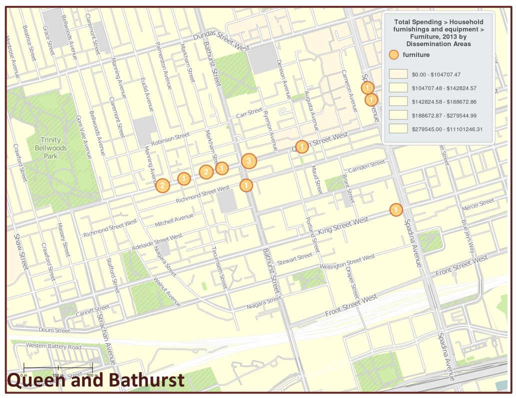
AcuteRed's mission is to give urbanites the power of expression through furniture. The brand's long-term big, hairy, audacious goal ("BHAG") is to become the first furniture brand people think of when they buy an urban home. In order to achieve this BHAG, AcuteRed has the following short-term objectives that relate to the brand, customers, and operations.

- **Brand awareness**: Significantly increase recognition of the AcuteRed brand in target, urban markets through promotional efforts (billboards, flyers, radio advertising, social media, etc.) Goal is that one in ten people between the ages of 18 and 35 in these markets recognize AcuteRed and its core associations within five years post-launch.
- **Distribution:** Open 10 retail locations in urban Canadian markets (Toronto, Vancouver, Montreal, and Calgary) within five years of launch, beginning with three in the Toronto market this year, two in Calgary next year, and five in Vancouver and Montreal over the next three years.
- **Sales:** Achieve annual sales of $1 million in the first year and $10 million per annum by the fifth year through new locations, higher volume of customers, and increased share of wallet
- **Customer acquisition:** Increase same-store number of customers by 20% each year through targeted promotional campaigns
- **Expansion of the product line over time:** Start with shelving, tables, and accessories in the first two years; add beds in the third year; and sofas in the fifth year
- **Share of wallet:** Through customer satisfaction and expansion of product line into new categories

5 P'S AND OTHER STRATEGIES

Product: AcuteRed distinguishes itself from its competitors with its revolutionary screw-less connector system for furniture (shelving, beds, tables, and sofas). A sketch-up of the coupler can be found in Appendix K. The product offers adaptability and customization - incredible features that are not currently available in the marketplace. Think in terms of the famous bricks for kids, LEGO; where children can use their imagination to create whatever they please. Similarly, AcuteRed's products have been designed to be modular so clients can customize and adapt their furniture depending on their style and home. For instance, a customer can purchase a base unit for an entertainment center and separately purchase shelving units, colored drawers, or DVD cabinets that attach to the base unit. These sets will have all the required pieces for a shelving unit with additional items being sold for customization (i.e. extra shelf). The product also offers simplicity in assembly, a big differentiator from its competitors as furniture can be assembled and disassembled with no loss in performance or structural integrity. Moreover, they will possess high quality, attractive aesthetics and be environmentally friendly. Furniture will be presented to the customer in flat-packed box kits and made available in three natural options: pine and bamboo – each with three environmentally-friendly stains. Stores will also carry locally-made, artisanal accessories for sale in bright colors (vases, pots, frames, etc.)

Place: AcuteRed will have its own retail locations. The first three stores will be opened in the Toronto market. The King East (King/Jarvis) location will be amongst popular and trendy furniture stores to attract young professionals due to its relative proximity to the financial district.



The Queen West (Queen/Spadina) location will appeal to the second client segmentation – the hipster crowd. The third location at Yonge and Eglinton will attract uptown "dinks" (dual income; no kids) and young families; it will also offer parking for customers that live north of the city. Within five years, AcuteRed will open a total of ten retail stores in cities across Canada. The stores will be 2000 square feet with lots of natural light (preferably a loft). They will have bamboo floors and bare concrete walls. AcuteRed stores will have many plants and bright accessories on display. The open layout will have different pieces of furniture set-up to resemble two complete condo spaces. They will also have an instructional area with an Ipad (and app) that helps customers design unique furniture pieces and teaches them how to assemble the furniture. A three-dimensional rendering of the store is shown in Appendix J.

Price: AcuteRed is a premium product, and wants to be recognized by all clientele as a functional, customizable, locally made, unique brand. Based on our target-customer AcuteRed is going to price products between cheap, low-end, disposable furniture such as IKEA and higher-end pieces such as Nell Vetrina from

Italy. AcuteRed will be environmentally friendly and therefore the company's objective is to have low production costs that ultimately benefit our customers. Specifically, shelving will be priced between $100 and $2,000, beds between $600 and $1,000, tables between $700 and $2,000, and sofas between $1,500 and $3,000.

Promotion: AcuteRed relies on visual advertising since its revolutionary concept needs to be transmitted effectively to final consumers. Initially, AcuteRed's advertising efforts will focus on the downtown Toronto market where it can reach out to young professionals and hipsters most effectively. This will be done through the use of billboards (high-volume areas such as Dundas Square), as well as placing flyers in condo developers sales offices, reaching out to consulting, financial and law firms to offer employee discounts of 10% (through their "perks" programs), holding information sessions/demonstrations in new condo tower meeting rooms, and hosting local contests for unique furniture designs using AcuteRed pieces. The brand will also leverage social media with an active Facebook page where customers can post pictures of AcuteRed pieces in their homes, daily tweets regarding design and local events, an active Design in Toronto blog, and weekly emails to customers with featured products. In the longer-term AcuteRed is also planning to advertise in magazines (e.g., Style At Home) and local TV commercials (See Appendix F). Magazines will show pictures of its locally-made/designed pieces with short text explaining its main features such as simplicity, functionality and customization (how each piece can be transformed into a different function.

People: AcuteRed will select employees that are passionate and outside the box thinkers like the brand itself. The staff will be young and dressed in hip, but professional attire so that they are approachable to the target market of young professionals and hipsters. Ideally, they will be students (or former students) of the Ontario Academy of Arts and Design or other university arts programs. They will be trained to use their knowledge of art and design to assist customers understand the product options and what will fit best in their space. The staff will be called Design Assistants and will approach customers as they enter the store, educate them on the brand and products (environmentally-friendly, locally-made, customizable) and accompany them while they browse so that they can answer any questions and provide recommendations. Customer service is critical since the brand is new and many competing stores do not provide personalized service. Furthermore, staff will not be paid on commission.

MARKET RESEARCH PLAN POST LAUNCH

The metrics to be tracked post launch are designed keeping in mind that this is an entirely new concept, category and a new brand. The time horizon for the metrics measurement is 12-18 months which will be sufficient to allow the brand to make an impact and collect an appropriate amount of data to develop insights. The business objective for a new brand would be to create brand awareness, develop customer base and generate revenue. Though interrelated, the metrics to be tracked will be divided over 3 broad categories - brand, customer, operations.

BRAND RELATED METRICS

For a new brand, it is important to get the brand out there, make it stick in the customer's mind and develop the desired key associations. The metrics tracked should be both quantitative and qualitative in nature. The brand reach, brand awareness, brand recall and emotional associations can be tracked through feedbacks and customer surveys. If coupons and other promotion were used to raise awareness, they surveys will also give a glimpse into the effectiveness of that campaign. These surveys would be conducted on semi-annual basis to track long-term trends.

CUSTOMER RELATED METRICS

Furniture is a new business it is crucial to get customers to buy this product. Customer acquisition cost is a metric that gives a glimpse into how much you are spending to acquire one customer and is calculated based on all the measures taken to acquire new customer e.g. marketing campaigns, ads, referrals etc. and divide it by the new customers generated over the measurement period. Tracking of these metrics on a quarterly basis will indicate whether the business is able to attract additional customers with same efforts or efforts need to be increased – indicating that the current campaigns are not effective. This will force the business to continually evaluate its campaign. Customer acquisition, customer retention and customer satisfaction will also need to be tracked on a semi-annual basis in order to understand how effective the product and customer service is. Given the product category, customer retention would need to be tracked over a longer period of time since AcuteRed will need to attract new customers while maintaining its customer base. Most customers may not buy new furniture very often. Customer satisfaction can be gauged using surveys and the number of returns and referrals generated. Lastly since the business will have retail locations, measure the weekly and monthly customer footfall; analyzing these trends will give an idea of the profitable periods of business, how relevant the brand is in customers' minds and if sufficient buzz is being generated to create traffic in the stores.

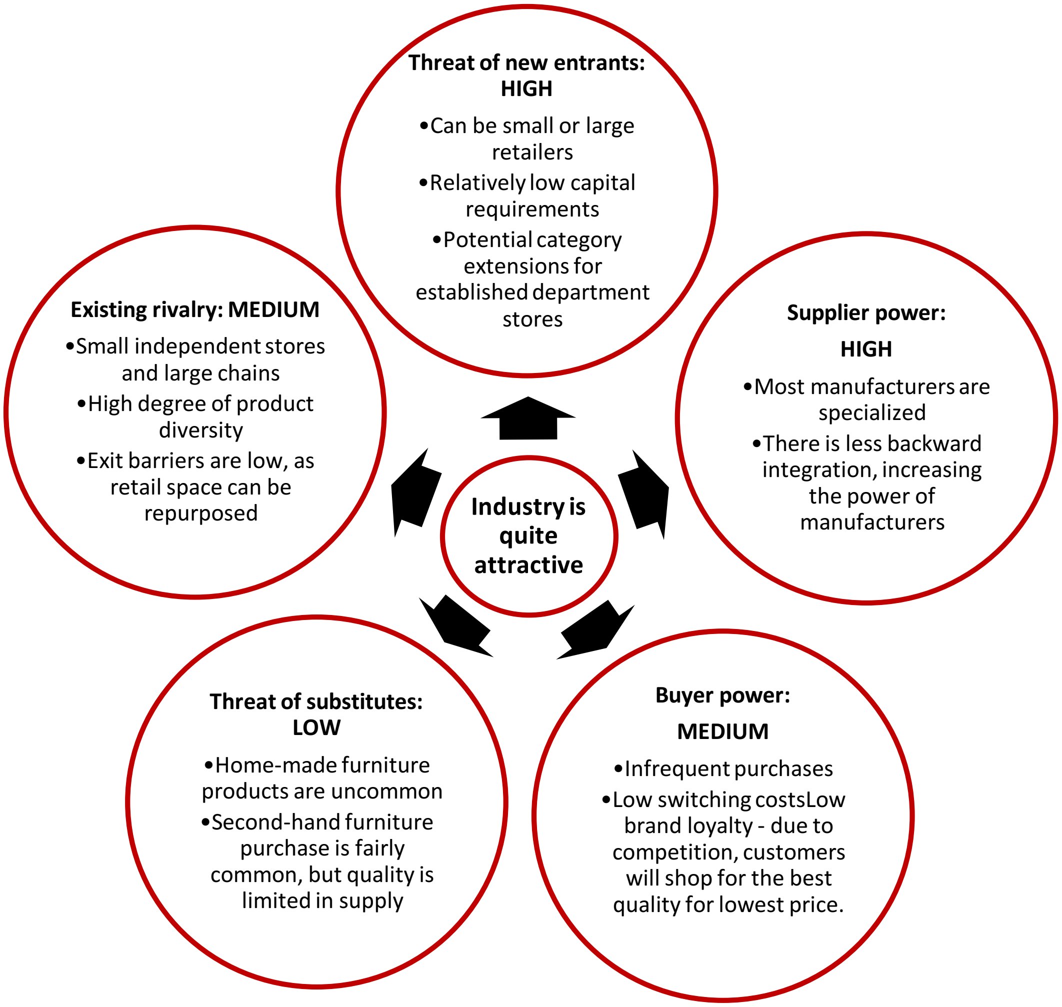
OPERATIONS RELATED METRICS

To ensure survival, AcuteRed must run effective and efficient operations. Some of the key metrics to assess operational efficiency include gross margins, cash burn rate, and employee metrics (satisfaction, productivity and attrition). The size and trend of gross margins will give key insights on campaign effectiveness and measure the seasonal effects on the business. The employee metrics can be determined using anonymous quarterly surveys and are very important AcuteRed's employees will be the face of the brand and thus very crucial to the creation of brand equity. Each month cash burn rate will give an idea of how much cash the business is using on a timely basis and how much time it has before it would need to raise cash again.

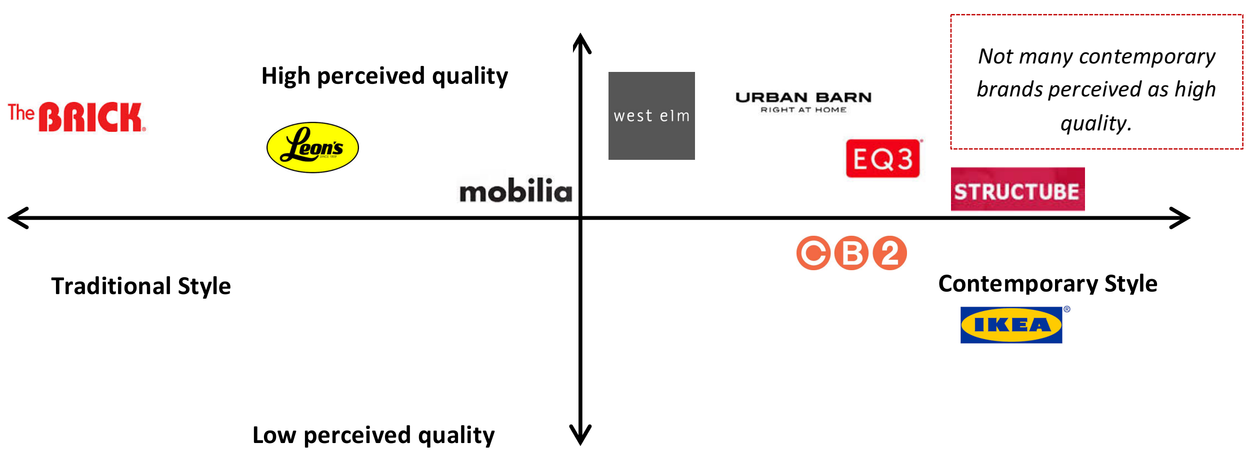
An important thing to keep in mind is that the metrics should not be treated in silos, each metric would have a correlation with the other and thus understanding the patterns between different trends will help generate key insights. The metrics will be tracked against the short term and long term objectives and the marketing and operations would need to be tweaked accordingly. Apart from the regular metrics, Acute Red will track the customer pulse by tracking the reaction of people in other channels like newspapers, social media , discussion forums and so on. These tools are a place for a free feedback which can be tied back to the performance of the brand.

APPENDICES

APPENDIX A: PORTER'S FIVE FORCES ANALYSIS OF THE CANADIAN RETAIL FURNITURE INDUSTRY



APPENDIX B: COMPETITIVE MAP OF THE CANADIAN MID-PRICED, RETAIL FURNITURE COMPANIES



APPENDIX C: ANALYSIS OF POSITIONING OF TWO COMPETITORS

	LEON'S	IKEA
Product	High quality brand name furniture, appliances and electronics at guaranteed low prices. In June 2007, Leon's launched their Urban Living Collection to attract customers living in condos or smaller dwellings.	Product includes wide range of furniture for children's room, kitchens, bedroom and living room, catered towards all furnishing needs.
Price	Products are priced at mid-to-high range relative to other furniture retail stores. Some items are sold at discount, while some stores contain high-end showrooms with higher-priced items available.	Ikea offers low prices/ no-frills pricing. Their prices are based on the value of product being provided. Additional services like delivery are provided at additional cost.
Placement	Leon's furniture can be purchased online or at store locations. Their stores can be found in urban and sub-urban areas and are big-box stores	Ikea stores are large, and are generally located out of town but close to highway. Many stores will include a restaurant.
Promotion	Most of the advertising is done through mail-in flyers, online flyers, website, and store displays. One of their biggest promotions includes payments plans for their customers (i.e. Buy now, pay later; etc.)	Ikea promotes their brand through TV advertising, sponsorship, radio advertising, and magazine advertising.
People	Staff is crucial to the company's success. It relies on the professionalism and support of their associates and considers them a great asset. Highly known for after sales service. Staff receives benefits such as profit sharing and comprehensive benefits for full-time staff.	Their business model is based on their strong relationship with customers and customer satisfaction. When shopping at an Ikea store, knowledgeable staff is available to assist with shopping choices.

APPENDIX D: SEGMENTATION MODEL FOR CANADIAN MID-PRICED, CONTEMPORARY, URBAN FURNITURE

	Evaluation (1= least important; 5=most important)										Score based on Acute Red's brand weighting								
Requirements	Rich students	Older, financially-established singles (35-65)	Young, single professionals	Young couples w/ no kids	Young family	Established family (driven by age of the parents	Thrifty empty nester couples	Small businesses	Hipsters	Acute Red Brand Characterisitics	Rich students	Older, financially-established singles (35-65)	Young, single professionals	Young couples w/ no kids	Young family	Established family (driven by age of the parents	Thrifty empty nester couples	Small businesses	Hipsters
Price	1	2	3	1	5	3	3	3	2	5%	0.1	0.1	0.2	0.1	0.3	0.2	0.2	0.2	0.1
Design	5	3	4	5	2	3	2	3	4	9%	0.5	0.3	0.4	0.5	0.2	0.3	0.2	0.3	0.4
Functionality	3	3	4	3	5	3	3	5	2	12%	0.4	0.4	0.5	0.4	0.6	0.4	0.4	0.6	0.2
Durability	1	3	3	2	4	4	2	5	4	7%	0.1	0.2	0.2	0.1	0.3	0.3	0.1	0.4	0.3
Size of furniture	2	2	4	2	4	2	4	3	3	2%	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1
Customizable (A to B)	4	3	3	3	2	4	3	5	4	11%	0.4	0.3	0.3	0.3	0.2	0.4	0.3	0.6	0.4
Uniqueness	5	4	3	5	2	4	2	3	5	9%	0.5	0.4	0.3	0.5	0.2	0.4	0.2	0.3	0.5
Brand name/prestige	5	4	3	5	3	3	2	1	2	10%	0.5	0.4	0.3	0.5	0.3	0.3	0.2	0.1	0.2
Comfort*/Ergonomic	3	4	4	4	4	5	4	3	3	8%	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.2	0.2
Easy to assemble/transport	1	2	4	1	4	3	4	2	4	8%	0.1	0.2	0.3	0.1	0.3	0.2	0.3	0.2	0.3
Green (VOCs, natural materials, recyclable)	1	3	4	4	3	2	1	1	5	6%	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.3
Locally-made	1	3	4	4	2	3	2	1	5	13%	0.1	0.4	0.5	0.5	0.3	0.4	0.3	0.1	0.7
										100%	**2.9**	**3.1**	**3.6**	**3.5**	**3.2**	**3.4**	**2.6**	**2.9**	**3.6**

*Does not apply to all pieces of furniture (i.e., shelves, tables)

The customer segmentation matrix depicted in Appendix D is based on two components: Requirements and Evaluation Criteria. Requirements assess all the spectrum of general needs that a potential customer is looking for when buying a piece of furniture; while evaluation criteria assesses the perception of value of those needs for each of the different customer segments within the furniture industry.

Regarding the evaluation criteria, we assessed customer segments individually and based on our research we assigned a number to each of the different requirements. Numbers range from 1 to 5, 1 meaning that the requirement is 'not important at all' to that particular customer segment while a 5 means 'very important' to that particular customer segment. For instance, for rich students (customer segment) price (requirement) is not important at all. However, uniqueness is very important.

In order to provide a meaning to the ranking, we weighted the requirements based on the importance of each of them to AcuteRed. In other words, how AcuteRed wants to be perceived by its customers. We did this exercise in a group discussion with the final objective to break the requirements list into 3 importance levels: High, Medium and Low. Those requirements perceived by AcuteRed of high importance were giving a weight above 11%, medium importance between 6% and 10% and low importance below 5%. So, the most important requirement to AcuteRed is 'locally-made' which is giving a weight of 13% while the less important requirement is 'size of furniture' which is giving a weight of 2%.

Finally we multiplied the weights times its correspondent ranking and added them up to have a final score for each customer segment. The top score is 3.6 for the customer segment 'Young, single professionals' while the lowest score is 2.6 for the customer segment 'Thrifty empty nester couples'. Therefore our target customers are: Young, single professionals, Young, couples w/ no kids and Hipsters.

APPENDIX E: FURNITURE AND RELATED PRODUCT MANUFACTURING IN CANADA

(millions of CDN $, employment in thousands)

Economic Indicators	2007	2008	2009	2010	2011	% change Nov-10	CAGR Nov-07
Gross Domestic Product	4,798.00	4,299.10	3,697.00	3,841.00	3,778.00	-1.60%	-5.80%
Shipments	13,192.00	12,349.20	10,427.70	10,713.80	10,591.70	-1.10%	-5.30%
Total Imports	5,443.00	5,635.00	4,824.00	5,304.00	5,398.00	1.80%	-0.20%
Domestic Exports	5,183.00	4,431.00	3,010.00	3,229.00	3,335.00	3.30%	-10.40%
Trade Balance	-260.0	-1,204.00	-1,814.00	-2,075.00	-2,063.00	-1.00%	-26.1%*
Apparent Domestic Market	13,452.0	13,553.20	12,241.70	12,788.80	12,654.70	-1.00%	-1.4%
Domestic Market Share	60.0%	58.00%	61.00%	59.00%	57.0%	-2.00%	-1.0%
Import Penetration	40.0%	42.0%	39.0%	40.2%	43.0%	2.80%	-0.9%
Export Orientation	39.0%	36.0%	29.0%	30.0%	31.0%	1.00%	-15.7%
Manufacturing Intensity Ratio	36.4%	34.80%	35.50%	35.90%	35.7%	-0.20%	-0.5%
Capital investment	196.7	208.9	102.6	130.7	158.3	21.10%	-5.30%
Business enterprise R&D	42	47	39	38	45	18.40%	1.70%
Employment	108.9	103.6	89	93.5	82.2	-12.10%	-6.80%

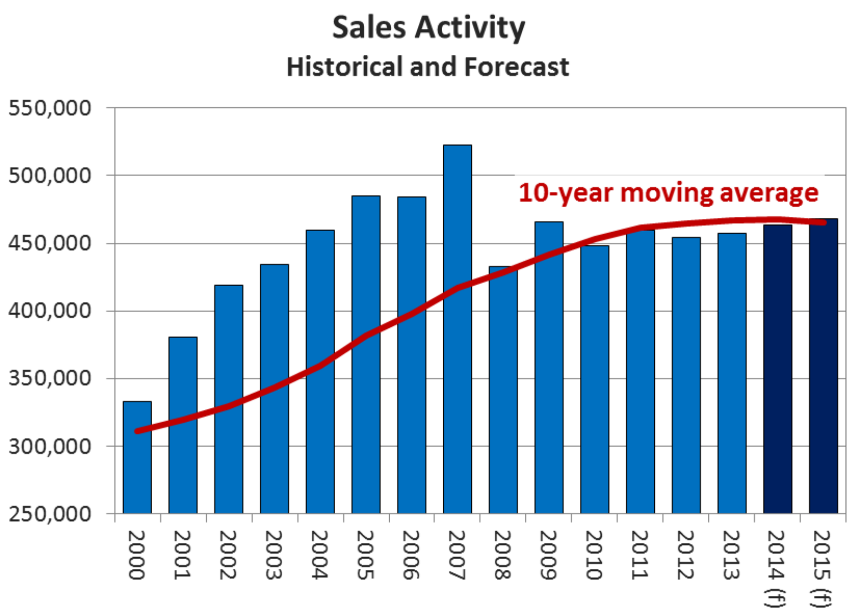
*CAGR calculated for the 2008-2011 period

Source: Statistics Canada, Trade Data Online

APPENDIX F: COMMERCIAL

Our TV commercial idea is to show a young child playing with LEGO and following simple rules to build a castle. When his father gets home, he has a new dining table in AcuteRed packaging. The commercial would show the analogy between the child playing and his father assembling the dining table. At the end, the father and his son would smile at their efforts with a closing line "Improving life through design."

APPENDIX G: HOUSING SALES ACTIVITY IN CANADA



Source: (The Canadian Real Estate Association, 2014)

APPENDIX H: SALES ACTIVITY FORECAST OF CANADIAN PROVINCES

Sales activity forecast	2013	2013 Annual percentage change	2014 Projected	2014 Annual percentage change	2015 Forecast	2015 Annual percentage change
Canada	457,764	0.7	463,400	1.2	467,800	0.9
British Columbia	72,936	7.8	79,000	8.3	78,700	-0.4
Alberta	66,080	9.5	68,600	3.8	69,300	1.0
Saskatchewan	13,535	-2.5	13,540	0.0	13,580	0.3
Manitoba	13,735	-1.3	13,780	0.3	13,960	1.3
Ontario	198,675	0.5	197,600	-0.5	199,000	0.7
Quebec	71,206	-8.0	70,000	-1.7	71,800	2.6
New Brunswick	6,282	-1.9	6,020	-4.2	6,160	2.3
Nova Scotia	9,151	-12.3	8,680	-5.1	9,100	4.8
Prince Edward Island	1,425	-11.7	1,450	1.8	1,450	0.0
Newfoundland	4,303	-7.5	4,190	-2.6	4,340	3.6

Source: (The Canadian Real Estate Association, 2014)

APPENDIX I: DISPOSABLE INCOME IN CANADA (IN MILLION CAD)

Source: (Trading Economics)

APPENDIX J: STORE RENDERINGS

Store - Checkout

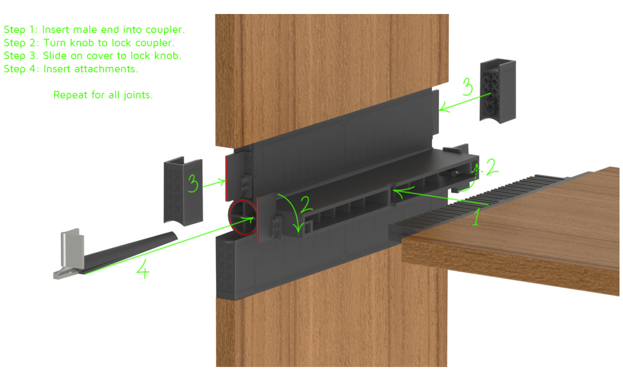
Store – Front Left

Store – Front Right

Store – Sleeping and Working

Store – Front

APPENDIX K: COUPLER



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