

Modern Macramé: Explanation of Financial Assumptions and Projections

Aside from being a presentation of growth strategy and goals for Modern Macramé, the business model is also meant as a tool. This allows a user to change various values throughout the model so as to see how the company would be expected to operate under different conditions. The following document explains in some detail the underlying logic used by the various calculators and shows that assumptions within the model are both conservative and defensible.

Throughout the Modern Macramé business model, certain colors are used for certain cells. The BLUE cells indicate a variable assumption. New values can be manually entered into the BLUE cells and those values will effect the outputs of all of the other pages. Cells highlighted GRAY indicate that a formula is being used and these cells should not be manipulated by the user. Similarly, cells highlighted YELLOW are generated by formulas but these are designated Key Performance Indicators and extra attention should be paid to these values. PINK cells do not necessarily feed into other parts of the model but are calculators that may be valuable or interesting to a user.

This model illustrates three full business years. We believe that attempting to project beyond that timeframe becomes less accurately predictive. After achieving three years of solid growth, the proof of concept can be considered confirmed, which provides an ideal moment to reassess, either to conduct a Series A funding raise or to scale back growth and begin paying larger dividends.

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1. Modern Macramé Revenue

This page is to show all of the various ways in which Modern Macramé will earn revenue. Each of these sections compiles the most important elements from each of the individual revenue streams, which are broken down and can be adjusted in each of their own pages. This page is primarily a summary, with only a single variable field.

I. International & Domestic Rope

a. Total Cost of 1/8" Rope

This is the total amount spent annually to buy the rope for direct wholesale, as well as the creation of products. From 3. Rope

b. Total Cost of 1/2" Rope

Same as above but for the thicker gauge. This includes two types of 1/2" rope, twisted and braided. From 3. Rope.

c. Footage of 1/8" Rope Sold

Amount in feet of 1/8" Rope that is sold as wholesale. From 3. Rope.

d. Total Annual Revenue of Rope Sales

Multiplies Rope Footage by price of rope. From 3. Rope.

e. Footage of 1/8" Rope for Internal Use

After subtracting sold footage of Rope, this is the amount left over to create Modern Macramé products, including roughly 10% that will be considered leftover or waste. From 3. Rope.

f. Footage of 1/2" Rope for Internal Use

Thicker gauge rope won't be sold wholesale. This is the amount available to create Modern Macramé products, including roughly 10% for waste. From 3. Rope.

II. Macramé Kits

a. Average Cost Per Kit

This is the averaged value of how much each kit costs to construct, including rope, instructions, packaging and accessories. From 4. Kits.

b. Annual Cost of All Kits

This is the annual amount of funds spent to create all Modern Macramé kits. From 4. Kits. This does not include labor, which is accounted for in 2. Expenses.

c. Annual Revenue of All Kits

This is the number of all kits minus those kept for internal use, multiplied by the average price per kit. This includes both wholesale and retail revenue. From 4. Kits.

d. Number of Kit Types

This is the number of different kit designs offered in the Modern Macramé assortment. This number is expected to increase from year to year. From 4. Kits.

e. Total Number of Kits

This is all the kits in all kit types that will be produced by within a year. From 4. Kits.

f. Footage of 1/8" Rope Remaining for Internal Use

This is the Footage of 1/8" Rope for Internal Use from 3. Rope, minus the amount of rope required to build Total Number of Kits. From 4. Kits.

g. Number of Kits Remaining for Internal Use

After subtracting the kits sold retail and wholesale, this is the number of kits remaining for other uses, primarily for classes.

III. Readymade Pieces and Accessories

a. Average Cost Per Unit

This is how much materials cost to create the average readymade product. From 5. Readymade. This does not include labor, which is accounted for in 2. Expenses.

b. Average Wholesale Price Per Readymade Unit

This the average wholesale price of all of the readymade segments, from lowest to highest price point. From 5. Readymade.

c. Average Retail Price Per Readymade Unit

This the average Retail price of all of the readymade segments, from lowest to highest price point. From 5. Readymade.

d. Average Revenue Across All Readymade Units

This the average Revenue of all of the readymade segments, from lowest to highest price point. Not all of the Readymade units are being sold, as some are being reserved for internal use in 7. Rentals. From 5. Readymade.

e. Total Revenue for Readymades & Accessories

This adds the annual revenue from across all the Readymade segments to the annual revenue from all of the Accessories segments, after a number of Readymade units have been put aside for Rental. From 5. Readymade

f. Footage of 1/8" Rope Remaining for Internal Use

Subtracts the total footage of 1/8" Rope across all Readymade segments from the Footage Remaining for Internal Use after Macramé Kits.

g. Footage 1/2" Rope Remaining for Internal Use

Subtracts the total footage of 1/2" Rope across all Readymade segments from the Footage Remaining for Internal Use after Rope Sales.

h. Number of Readymades Remaining for Internal Use

Subtracts the number of Readymades set aside from the total number of Readymades manufactured. The number of Readymades reserved for Rentals are determined in 7. Rentals and are only drawn from the Luxury Readymades segment.

IV. Custom Pieces

a. Average Cost Per Unit

Averages the cost of materials and packaging across all Custom segments. This does not include labor, which is accounted for in 2. Expenses. From 6. Custom.

b. Average Retail Price Per Unit

Averages the Retail Price across all Custom segments. From 6. Custom.

c. Average Revenue Per Unit

Averages the Revenue earned across all Custom segments. From 6. Custom.

d. Cost for All Custom Units

Adds together the Cost for materials and packaging of all Custom Units. This does not include labor, which is accounted for in 2. Expenses. From 6. Custom.

e. Total Revenue for All Custom Units

Adds together the Revenue earned across all Custom segments. From 6. Custom.

V. Macramé Rentals.

a. Average Daily Rental

This averages together the revenue of a daily Modern Macramé rental. This is the amount that an average customer would expect to pay per day for a single unit. This does not include Studio space rentals. From 7. Rentals.

b. Total Number of Units Available for Rent

This adds together the rental units across all segments, not including Studio space rentals. From 7. Rentals.

c. Total Number of Annual Rentals

This is the annual number of daily unit rentals across all rental segments, not including Studio space rentals. From 7. Rentals.

d. Total Rental Revenue

Adds together the Revenue earned across all rental segments, including the revenue raised via Studio space rentals. From 7. Rentals.

VI. Classes and Events

a. Total Number of Standard Classes

This is the annual number of standard Modern Macramé classes that will be held. This number is based on current, proven volumes. From 8. Classes.

b. Revenue Per Standard Class

This is the expected Revenue per standard class after subtracting costs for the event from admissions. This does not include instructor hours, which are accounted for in 2. Expenses. From 8. Classes.

c. Total Revenue for Standard Classes

Multiplies Total Number of Standard Classes by Revenue Per Standard Class. From 8. Classes.

d. Total Number of Corporate & Private Events

This is the expected annual number of Corporate & Private events. As this is a new segment to Modern Macramé, it is assumed that the first year will be slow in this segment and will grow over the next two years. From 8. Classes.

e. Revenue Per Corporate & Private Events

This is the expected Revenue per private class after subtracting costs for the event from admissions. This does not include instructor hours, which are accounted for in 2. Expenses. From 8. Classes.

f. Total Annual Revenue for Corporate & Private Events

Multiplies Total Number of Corporate & Private Events by Revenue Per Corporate & Private Events. From 8. Classes.

VII. Combined Revenue

a. Total Annual Revenue of All Segments

This adds together the annual revenue of all of the various revenue streams. This is the total amount of Revenue that will be earned by Modern Macramé in a single year.

b. Footage of 1/8" Rope Remaining

Subtracts all usages of rope (direct sales, kits, readymades, and custom pieces) from the total footage of 1/8" Rope purchased in 3. Rope

c. Percentage of 1/8" Remaining

From experience, our estimation is that 10% of the rope is left over as waste. While it should be a goal to cut down this waste as much as possible, this is a conservative and defensible estimation. If the remaining footage of rope drops much below 10%, it can be assumed that not enough rope has been purchased in 3. Rope.

d. Footage of 1/2" Rope Remaining

Subtracts all usages of thicker gauge rope from the total footage of 1/2" rope purchased in 3. Rope.

e. Percentage of 1/2" Remaining

Functions the same as c. Percentage of 1/8" Remaining. This value should be close to 10%.

VIII. Funds Raised

a. Annual Subscribed Funding

This is the amount of investment funding that will be subscribed in any given year. This is the only variable function within this page. It's possible to see what the business would look like with a different fundraising totals.

IX. Total Available Funds

a. Total Annual Funds Available for Operations

This is the total amount of money that can be used throughout the fiscal year.

2. Modern Macramé Expenses

This model follows a strategy common among startup and young companies, in which 100% of the available funds, including all annual revenue and raised capital, is directed back into the company, via expenditures. The goal of this strategy is to have no remaining funds, essentially an income of \$0.00, while achieving the maximum year-to-year growth rate possible. Aside from avoiding the expense of income taxes, this drives a higher valuation for the owners and investors.

In some expense categories, the percentage of available funds is entered, and the value of the expense is calculated. For example, for Legal Fees, the user enters that 2% of Total Available Funds is used and the monetary value is calculated. However, in other expense categories, the monetary value is entered and the Percentage of Total Available Funds is calculated in reverse. Regardless, every category has a monetary value and a percentage, as it's important to account for 100% of the available funds.

It should also be noted that costs of materials for each produced product has already been subtracted from revenue in each of the various revenue pages. While this decreases the total revenue reported, it also makes valuation and earnings multiple much more conservative.

I. Total Available Funds

a. Total Available Funds

This is the amount of money, including annual revenue and raised funding, that can be spent on company operations in a given fiscal year.

II. Payroll, Benefits, Payroll Taxes

Lines a – d outline the annual salaries of each of the core administrative team. These values are variable and may be manually adjusted.

e. Salary of Production Staff

This is the annual salary for a single, full-time member of the production staff. This value is variable and may be manually adjusted.

f. Number of Production Staff

This is the number of production staff, with a part-time worker shown as a fraction. So a staff member that works 20 hours a week would be listed as 0.5.

g. Total Cost for Production Staff

Multiplies Salary for Production Staff by Number of Production Staff. This does not include Head of Production, who's salary has already been accounted for.

h. Production Hours After 2 Weeks Off

If we assume that a full time staff member works 40 hours a week and, after two weeks of vacation, works 50 weeks a year, this is the number of hours of work we expect to be available given the number of production staff members.

i. Number of Production Hours Required

Every item produced by Modern Macramé accounts for the number of hours it takes to produce. Given the total number of units that will be produced in house, we can determine the number of hours that it will take to produce all inventory in a year. The number of required hours must be less than the number of available production hours or more employees need to be added. This number of hours does include hours from the Head of Production, who will also be helping to manufacture these units.

j. Cost of Payroll Before Benefits and Taxes

This adds together the preceding lines of payroll.

k. Benefits and Taxes Percentage (of Payroll)

This is a manually adjustable percentage that determines how much will be spent on Benefits and Taxes. Keep in mind that this is a percentage of the Payroll and not of Total Available Funds.

l. Cost of Benefits and Taxes

Multiplies Cost of Payroll Before Benefits and Taxes by Benefits and Taxes Percentage (of Payroll).

m. Cost of Payroll, Benefits, and Taxes

Adds Cost of Payroll to Cost of Benefits and Taxes. This is the entire budget for personnel.

n. Percentage of Total Available Funds

Divides the Cost of Payroll, Benefits, and Taxes by the Total Available Funds to arrive at the percentage that will be spent on Payroll.

III. Rope Orders

a. Total Cost of 1/8" Orders

This is the amount that will be spent each year to buy 1/8" rope. From 3. Rope.

b. Total Cost of 1/2" Orders

This is the amount that will be spent each year to buy 1/2" Rope. From 3. Rope.

c. Total Annual Cost of All Rope

Adds together the annual cost of ordering both gauges of rope.

d. Percentage of Total Available Funds

Divides the Annual Cost of All Rope by Total Available Funds to calculate the percentage that will be spent on rope in a given year.

IV. Physical Studio Space

a. Monthly Rental Cost Per Foot

This is the monthly cost per square foot of rental space. As Modern Macramé does not currently intend to offer direct physical retail, meaning that the location doesn't require the foot traffic of a brick and mortar retailer. However, the space still needs to be adequate for classes, rentals, and product shoots.

b. Number of Square Feet

The size of the space needed for production, classes, shoots, and storage.

c. Monthly Cost of Studio Rental

Multiplies Rental Cost Per Foot by Number Square Feet.

d. Annual Cost of Studio Rental

Multiplies Monthly Cost of Studio Rental by 12 months.

e. Percentage of Total Available Funds

Divides Annual Cost of Studio Rental by Total Available funds to determine total annual percentage spent on studio space.

V. Website Build and Maintenance

Lines a – d are manually adjustable variables for the parts of the website needed to conduct ecommerce in the targeted volumes. Currently, this model overestimates those needs as this aspect is seen as important to meeting direct retail targets.

e. Annual Cost of Website

Adds together the expenses of lines a-d.

f. Percentage of Total Available Funds

Divides Annual Cost of Website by Total Available Funds to arrive at percentage spent on this segment.

VI. Marketing Campaign

Each line for Marketing, Advertising, and PR, is a manually adjustable percentage of Total Available Funds. Each of these categories has a corresponding calculation of what the monetary value of that percentage would be.

g. Total Annual Cost of Marketing Campaign

Adds together lines b, d, and f.

h. Percentage of Total Available Funds

Divides Total Annual Cost of Marketing Campaign by Total Available Funds to arrive at the percentage that will be spent in this category.

VII – IX.

The expense categories for Travel & Entertainment, Accounting Fees, and Legal Fees, all ask for a percentage of Total Available spending and calculate the monetary value of that percentage.

X. Other Expenses

This functions similarly to the above categories. The purpose of this expense category is to cover unexpected costs. This percentage is expected to be higher in the first year, as new operations and personnel are added.

XI. Retained Earnings

This category is the remainder of the percentage of Total Available Funds not used on other expenses. This percentage has to be more than 0%, as this would indicate that more capital is being spent annually on expenses that is available. The monetary value is derived by multiplying the percentage by the Total Available Funds.

It should be noted that Retained Earnings does not mean Income or Profit. It's capital that isn't spent so as to buffer against seasonal fluctuations, ensuring that Modern Macramé's Monthly Balance never falls below a minimally safe level. This can be seen on the page 10. Monthly Cash Flow. Even if there is a remaining Monthly Balance, the goal is still to spend all available funds in a year. This can be done by ordering rope at the end of one fiscal year for the next or spending on upcoming operations in other ways, such as buying plane tickets for scheduled travel, paying contracts for upcoming advertising, and so on.

This percentage should always be high enough to keep a conservative balance on the books but should never be so high that an enormous amount of capital remains under utilized.

XII. Total Percentage Expenditure

This figure adds together all percentages of each expenditure and needs to read 100% as 100% of funds need to be accounted for.

XIII. Total Annual Expenses

a. Sum of All Expense Categories

Adds together all expenses.

b. Total Available Funds

The total amount of money available for operations in a given year.

c. Funds Remaining After Expenses

Subtracts Total Annual Expenses from Total Available Funds. Should be at or near \$0.00 as the goal is to reinvest all available funds into the growth of the company.

XIV. Necessary Outlay

This section does not feed into other parts of the model but is presented here as a helpful calculator for the user. The goal is to retain enough funding on the books at any one time to cover material costs for a certain number of months into the future. There is a variable field in which the user can determine the number of months of material costs considered prudent to hold in reserve. Keeping this on hand reducing the risk of Monthly Balance bottoming out and Necessary Monthly Balance Needed in Reserve can be compared to Monthly Balance on the page 10. Monthly Cash Flow.

3. Modern Macramé Rope

Rope constitutes the basic material used by Modern Macramé and, once purchased, it is used in every revenue stream within the company. It is only purchased once, on this page, both for the thicker and thinner gauges, and each following revenue stream page (4. Kits, 5. Readymade, etc.) tracks how much rope is used and how much remains for the following revenue streams. At the end of manufacturing for all internal operations, there should be around 10% leftover, accounted for as waste. This can be found in the section VII. Combined Revenue of page 1. Revenue.

1/8th Inch Twisted Gauge

a. Order Increment in Feet

This length can vary according to the source of the rope. But this is the length determined by the Chinese manufacturer currently.

b. Cost per Ordered Increment

This is the cost for a single order of rope. This includes shipping costs. It is assumed that, as the volume of orders increases, the price per order decreases somewhat.

c. Number of Orders

This is the number of orders placed annually. If the percentage of left over rope in VII. Combined Revenue of page is not close to 10%, either the amount of rope used in the various revenue streams needs to be reduced, or the number of orders needs to be increased.

d. Total Annual Cost of Orders

Multiplies Cost per Ordered Increment by Number of Orders.

e. Total Annual Footage of Rope

Multiplies Order Increment in Feet by Number of Orders. This is the amount of rope the company has to use in a given year.

f. Percentage Cut to 100ft Increments

The 1/8th Inch Twisted Gauge of rope, which is used most predominantly in Modern Macramé projects, can be cut by the producer into two lengths, 100 ft. Units and 1200 ft Units, which are used in different amounts and can be sold at different markups. This is the percentage, of all the rope footage, cut to 100 ft increments.

g. Percentage Cut to 1200 ft Increments

This is the Percentage Cut to 100 ft Increments subtracted from 100%.

I. 100 ft Units

a. Number of 100ft Units

Total Annual Footage of Rope, multiplied by Percentage Cut to 100 ft Increments, gives the amount of rope in this category. Dividing that by 100 ft, gives the number of units that are cut to that length.

b. Percentage Used Internally

This is the percentage of total footage in this category that will be used for creating Modern Macramé Products.

c. Percentage Sold Externally

This is the percentage that will be sold as wholesale to various retailers, such as craft shops.

d. Cost per 100 ft Unit

Dividing Cost per Ordered Increment by (Order Increment in Feet divided by 100 ft) gives us the Cost per 100 ft. Unit.

e. Markup Percentage

This is the percentage of markup over cost when the rope is sold as wholesale to retailers.

f. Selling Price to Vendors

Multiplies Cost per 100 ft Unit by Markup Percentage.

g. Revenue Per Unit

Subtracts Cost per 100 ft Unit from Selling Price to Vendors.

i. Sell-Through Percentage

This is the percentage of the rope in this category that is expected to be sold. This value should be quite high, if not 100%, as rope does not spoil and doesn't change styles, meaning it has a virtually unlimited shelf-life. If there is rope left over, the next order can be placed later.

j. Total Units Sold

Total Units for Sale multiplied by Sell-Through Percentage.

k. Total Footage of Sold Rope

This is the total footage used to sell this many 100 ft units.

l. Total Revenue of Sold Units

Multiplies Revenue Per Unit by Total Units Sold.

m. Total 100 ft Units Remaining for Internal Use

Multiplies Number of 100 ft Units by Percentage Used Internally

n. Total Number of Feet for Internal Use

Multiplies 100 ft Units Remaining for Internal Use by 100 ft.

II. 1200 ft Units

a. Number of 1200ft Units

Total Annual Footage of Rope, multiplied by Percentage Cut to 1200 ft Increments, gives the amount of rope in this category. Dividing that by 1200 ft, gives the number of units that are cut to that length.

b. Percentage Used Internally

This is the percentage of total footage in this category that will be used for creating Modern Macramé Products.

c. Percentage Sold Externally

This is the percentage that will be sold as wholesale to various retailers, such as craft shops.

d. Cost per 1200 ft Unit

Dividing Cost per Ordered Increment by (Order Increment in Feet divided by 1200 ft) gives us the Cost per 1200 ft. Unit.

e. Markup Percentage

This is the percentage of markup over cost when the rope is sold as wholesale to retailers.

f. Selling Price to Vendors

Multiplies Cost per 1200 ft Unit by Markup Percentage.

g. Revenue Per Unit

Subtracts Cost per 1200 ft Unit from Selling Price to Vendors.

i. Sell-Through Percentage

See i. of I. 100 ft Units. This value can be very high, if not 100%.

j. Total Units Sold

Total Units for Sale multiplied by Sell-Through Percentage.

k. Total Footage of Sold Rope

This is the total footage used to sell this many 1200 ft units.

l. Total Revenue of Sold Units

Multiplies Revenue Per Unit by Total Units Sold.

m. Total 1200 ft Units Remaining for Internal Use

Multiplies Number of 1200 ft Units by Percentage Used Internally

n. Total Number of Feet for Internal Use

Multiplies 1200 ft Units Remaining for Internal Use by 1200 ft.

III. Half Inch Gauge Twisted

There are two types of Half Inch Gauge rope. One is twisted, which is slightly more expensive, and the other is braided. The goal is to average these two types of 1/2" Rope together to have a single category for 1/2" Rope.

a. Cost per Foot

This is manually variable, but this is based on current market prices.

b. Cost per 100 Foot Bundles

Multiplies Cost per Foot by 100 feet.

c. Cost per 500 Foot Bundles

Multiplies Cost per 100 Foot Bundles by five.

d. Number of 500 foot Orders

This is a manually adjustable field and is the number of order placed for 500 ft. bundles in any given year.

e. Percentage Twisted

Of 100% of half-inch rope, this is the percentage of that rope that is Twisted. The rest of the half-inch rope will be counted as Braided.

f. Annual Cost of Orders

Cost per 500 Foot Bundles multiplied by Number of 500 Foot Orders.

g. Total Annual Footage

Multiplies Number of 500 Foot Orders by 500 feet.

IV. Half Inch Gauge Braided

a. Cost per Foot

This is manually variable, but this is based on current market prices.

b. Cost per 100 Foot Bundles

Multiplies Cost per Foot by 100 feet.

c. Cost per 500 Foot Bundles

Multiplies Cost per 100 Foot Bundles by five.

d. Number of 500 foot Orders

This is the (Number of 500 Foot Orders in Twisted divided by Percentage Twisted) multiplied by Percentage Twisted. This is how many orders of 500 foot braided will be placed given the values in Twisted.

e. Percentage Twisted

This is 100% minus Percentage Twisted.

f. Annual Cost of Orders

Cost per 500 Foot Bundles multiplied by Number of 500 Foot Orders.

g. Total Annual Footage

Multiplies Number of 500 Foot Orders by 500 feet.

V. Averaged Half Inch Bundles

a. Average Cost per Foot

(Cost per Foot Twisted times Percentage Twisted) plus (Cost per Foot Braided times Percentage Braided)

b. Average Cost per 100 Foot Bundles

(Cost per 100 Foot Bundles Twisted times Percentage Twisted) plus (Cost per 100 Foot Bundles Braided times Percentage Braided)

c. Cost Per 500 Foot Bundles

(Cost per 500 Foot Bundles Twisted times Percentage Twisted) plus (Cost per 500 Foot Bundles Braided times Percentage Braided)

d. Total Number of 500 Foot Orders

Adds together Twisted and Braided orders.

e. Total Cost of Combined 1/2 Inch Orders

Adds Together Annual Cost of Twisted and Braided Orders.

f. Total Annual 1/2 Inch Footage for Internal Use

Adds together total Twisted footage and total Braided footage.

VI. Combined Totals

a. Total Revenue of Rope Sales

Adds together revenue of externally sold ropes from 100 ft. Units and 1200 ft units. It should be noted that half-inch gauges are not sold externally in this model.

b. Total Cost of 1/8th Inch

Adds together the material cost of ordering all 1/8th Inch Rope.

c. Total Cost of 1/2 Inch

Adds together the material cost of ordering both types of 1/2 Inch Rope.

d. Total Number of Feet 1/8 Inch Sold

Adds together the footage of 1/8 Inch rope sold externally.

e. Number of 1/8 Inch Remaining for Internal Use

Subtracts the amount of externally sold 1/8th Inch Rope from Total Annual Footage of Rope.

f. Number of 1/2 Inch Remaining for Internal Use

Total Annual 1/2 Inch Footage for Internal Use

4. Modern Macramé Kits

Do It Yourself macramé kits is possibly the most scalable element of the company. In order to calculate the profile of an median kit, this page illustrates three different types of kits – Most Affordable, Mid Range, and High End. These different categories have different expenses and show different margins. These categories will also be rebalanced as a percentage of the total assortment over the first three years of expansion. Currently, there are two different kits ready to go to market but by year three, it is expected that 20 or more will be offered.

The mechanics of each of the three categories of macramé kit are identical, although the values for each of the fields vary. This document will describe each of the repeated values once, with the understanding that the number of units, material costs, packaging costs, footage of rope used, and so on, vary depending on the category of the kit.

Furthermore, a percentage of kits in the “Most Affordable” category will not be sold, but will be reserved for internal use in 8. Classes.

a. Cost for Materials

Manually adjustable variable based on market research and industry experience.

b. Cost of Packaging

Manually adjustable variable based on market research and industry experience.

c. Cost of Printed Instructions

Manually adjustable variable based on market research and industry experience.

d. Footage of Rope Used Per Unit

It is assumed that the more expensive units will use more rope than the more affordable units.

e. Total Unit Cost

Adds together the costs of assembling the unit but does not include the price of labor, which is included in 2. Expenses.

f. Wholesale Markup

The percentage over cost that units will be offered at wholesale.

g. Wholesale Price

Multiplies Total Unit Cost by Wholesale Markup percentage.

h. Revenue Per Wholesale Unit

Subtracts Total Unit Cost from Wholesale Price.

i. Retail Markup

The percentage over Wholesale Price that units will be offered at retail. Note, this percentage is not the percentage markup over cost.

j. MSRP

Multiplies Wholesale Price by percentage of Retail Markup.

k. Revenue Per Retail Unit

Subtracts Total Unit Cost from MSRP.

l. Weighted Percentage of Category

The percentage of the three categories of kits represented by this category. This is a manually adjustable variable but the total sum of the three categories must equal 100%.

m. Number of Types in Category

The manually adjustable variable of Total Number of Kit Types is entered at the bottom of this sheet. This field multiplies the Total Number of Kit Types by the Weighted Percentage of Category.

n. Number of Units Per Type

This is a manually adjustable variable. If there are two types (a wall-hanging kit and a flower-hanging kit), this value is the number of each that will be created annually.

o. Total Number of Units in Category

Multiplies Number of Types in Category by Number of Units Per Type.

p. Cost for Category

Multiplies Total Unit Cost by Total Number of Units in Category

q. Units Used For Classes

This value is imported from page 8. Classes and it is currently assumed that all of the kits used for these classes will come from I. Most Affordable Kits. If classes are introduced that utilize the more complicated patterns, these would need to be built into the mechanics of the model.

r. Units Remaining for Sale

Subtracts Units Used For Classes from Total Number of Units in Category.

s. Total Footage of Rope Used in Segment

Multiplies Footage of Rope Used Per Unit by Total Number of Units in Category.

t. Percentage Sold Wholesale

This is a manually adjustable variable and represents the percentage of the category that will be sold as wholesale.

u. Percentage Sold Retail

Subtracts Percentage Sold Wholesale from 100%.

v. Units Sold Wholesale

Multiplies Total Number of Units in Category by Percentage Sold Wholesale.

w. Units Sold Retail

Multiplies Total Number of Units in Category by Percentage Sold Wholesale.

x. Revenue from Wholesale Units

Revenue Per Wholesale Unit multiplied by Units Sold Wholesale.

y. Revenue from Retail Units

Revenue Per Retail Unit multiplied by Units Sold Retail.

z. Total Revenue for Segment

Adds Revenue from Wholesale Units to Revenue from Retail Units.

aa. Hours to Assemble Each Unit

Manually adjustable variable to determine the number of hours taken to assemble each kit within the category.

ab. Hours to Assemble All Kits in Segment

Multiplies Hours to Assemble Each Unit by Total Number of Units in Category.

IV. Combined Kits

This section combines together the values of the three categories of Modern Macramé kits to determine totals and averages.

a. Total Footage Used for All Kits

Adds together the Total Footage of Rope Used in Segment from each of the segments.

b. Rope Remaining After Kits

Subtracts the Total Footage Used for All Kits from Number of 1/8 Inch Remaining for Internal Use from 3. Rope.

c. Average Cost Per Unit

Adds together (the unit cost of each segment multiplied by the weighted percentage of category).

d. Total Annual Kit Cost

Sum of the total unit costs of all segments.

e. Total Annual Kit Revenue

Sum of the total revenue of all segments.

f. Total Number of Kit Types

This is a manually adjustable variable that represents the total number of types of kit patterns that will be produced each year.

g. Total Annual Kit Units

Adds together the number the number of kits from each segment.

h. Average Hours Needed Per Kit

Adds the (hours to Assemble All Kits in Segment multiplied by Weighted Percentage of Category) of all segments.

i. Total Hours to Assemble All Kits

Adds together the hours required for assembly of all units in all segments.

5. Modern Macramé Readymades

This page illustrates the revenue stream based on Readymade units, meaning pre-fabricated macramé pieces that can be sold as wholesale and retail. Similar to the Kits page, readymade units are split into various categories or segments; Most Accessible, Mid Range, High End, and Luxury. By creating accurate profiles of each of these segments and averaging together their metrics, we can arrive at the average readymade that will be offered each year by Modern Macramé. Also similar to Kits, some units from the Luxury category are set aside to be rented in 7. Rentals.

Lastly, other products readily offered include accessories. These can be wood, beads, and other accouterments incorporated into patterns. These are also divided into two categories, A and B, with one being more expensive and the other being less expensive. These also have different margins and are combined together to determine an average accessory profile.

a. Cost for Materials

This is a manually adjustable variable based on market research and experience.

b. Cost of Packaging

This is a manually adjustable variable based on market research and experience.

c. Footage of 1/8" Rope per Unit

This is the amount of 1/8" Rope used for the units in this segment.

d. Footage of 1/2" Gauge Rope per Unit

This is the amount of 1/2" Rope used for the units in this segment.

e. Hours to Produce

This is the number of hours required to manufacture each unit in this segment.

f. Total Cost Per Unit

Adds together the various expenses of creating each unit. This does not include the cost of labor, which is accounted for in 2. Expenses.

g. Percentage Wholesale

This manually adjustable variable represents the percentage of total units in the segment that will be sold wholesale.

h. Percentage Retail

Subtracts the Percentage Wholesale from 100%.

i. Wholesale Markup

Markup percentage over cost of unit.

j. Wholesale Price

Multiplies Total Cost Per Unit by Wholesale Markup.

k. Wholesale Revenue

Subtracts Total Cost Per Unit from Wholesale Price.

l. Retail Markup from Wholesale

Markup percentage over Wholesale Price. This is not the markup over cost.

m. Retail Price

Multiplies Wholesale Price by Retail Markup from Wholesale.

n. Retail Revenue

Subtracts Total Cost Per Unit from Retail Price.

o. Total Number of Units in Segment

This is a manually adjustable variable to determine the number of units to be manufactured within this segment.

p. Wholesale Revenue

Multiplies Total Number of Units in Segment by Percentage Wholesale, and then multiplies that sum by Wholesale Revenue per Unit.

q. Retail Revenue

Multiplies Total Number of Units in Segment by Percentage Retail, and then multiplies that sum by Retail Revenue per Unit.

r. Total Revenue for Segment

Adds together the revenue of each segment.

s. Footage of 1/8" Rope for Segment

Multiplies the Footage of 1/8" Rope per Unit by Total Number of Units in Segment.

t. Footage of 1/2" Gauge Rope Used for Segment

Multiplies the Footage of 1/2" Gauge Rope per Unit by Total Number of Units in Segment.

u. Hours of Labor for Segment

Multiplies Hours to Produce per unit by Total Number of Units in Segment.

v. Total Costs for Producing Segment

Multiplies Total Cost Per Unit by Total Number of Units in Segment

w. Percentage of Assortment Based on Units

Divides the Total Number of Units in this segment by the sum of all units in all segments to arrive at the percentage of assortment.

V. Accessories

a. Cost Accessories in Category

Manually adjustable variable based on research and experience.

b. Retail Price for Category

Manually adjustable variable.

c. Retail Revenue per Unit for Category

Subtracts Cost Accessories in Category from Retail Price for Category.

d. Annual Number of Category Retail Units Sold

This is a manually adjustable variable. It is a conservative goal based on experience in the business so far.

e. Annual Retail Revenue of Category

Multiplies Retail Revenue per Unit for Category by Annual Number of Category Retail Units Sold.

Combined Accessories

a. Total Cost for Buying Accessories

Adds together the cost of both categories.

b. Total Annual Accessory Units Sold

Adds together the units sold in both categories.

c. Combined Annual Accessory Revenue

Adds together the revenue of both categories of accessories.

VI. Combined Readymades & Accessories

a. Average Cost Per Readymade Unit

Adds together the sum of each segment cost multiplied by its segment Percentage of Assortment Based on Units.

b. Average Wholesale Price Per Readymade Unit

Adds together the sum of each segment wholesale price multiplied by its segment Percentage of Assortment Based on Units.

c. Average Retail Price Per Readymade Unit

Adds together the sum of each segment retail price multiplied by its segment Percentage of Assortment Based on Units.

d. Average Revenue Per Readymade Unit

Adds together the sum of (Total Revenue for Segment divided by Total Number of Units in Segment) multiplied by Percentage of Assortment Based on Units in each of the four segments.

e. Average Cost Per Accessory

The sum of adding Cost Accessories in Category multiplied by Annual Number of Category Retail Units Sold in both categories and dividing by the total number of combined units.

f. Average Retail Price Per Accessory

The sum of adding Retail Price for Category multiplied by Annual Number of Category Retail Units Sold in both categories and dividing by the total number of combined units.

g. Average Revenue Per Accessory

The sum of adding Revenue per Unit for Category multiplied by Annual Number of Category Retail Units Sold in both categories and dividing by the total number of combined units.

h. Total Revenue for Readymades Plus Accessories

The sum of all revenues from readymade categories plus revenues from accessories.

i. Total 1/8th Inch Rope Used in Feet

Adds the Footage of 1/8" Rope for Segment from each segment.

j. Total 1/2 Inch Rope Used in Feet

Adds the Footage of 1/2" Gauge Rope Used for Segment.

k. Total 1/8 Inch Rope Remaining for Internal Use

Subtracts Total 1/8th Inch Rope Used in Feet from Rope Remaining After Kits in 4. Kits.

6. Modern Macramé Customs

Similar to both Kits and Readymades, Custom designed and manufactured products are divided into three different assortment profiles; Most Affordable, Mid Range, and High-End. These pieces assume much higher margins, as has been demonstrated in practice, but they are much more time intensive. Still, most Custom pieces aren't completely original and leverage existing techniques and variations upon previously fabricated works. Once again, hours of labor are not included but they are tracked here and accounted for in 2. Expenses.

a. Cost for Materials

Manually adjustable variable, based on market research and experience.

b. Cost of Packaging

Manually adjustable variable.

c. Footage of 1/8" Rope per Unit

Manually adjustable variable based on previous designs. This should represent an average of all customs in this segment although individual designs may deviate.

d. Footage of 1/2" Gauge Rope per Unit

Manually adjustable variable based on previous designs. This should represent an average of all customs in this segment although individual designs may deviate.

e. Hours to Produce

Manually adjustable variable based on previous designs. It is assumed that higher-end custom pieces will be significantly more time intensive than the more affordable pieces.

f. Total Cost Per Unit

Adds together the expenses of producing each unit.

g. Total Number of Units in Segment

Manually adjustable variable which represents the number of pieces to be sold each year.

h. Cost to Buyer

Amount of commission paid by consumer for the finished piece.

i. Revenue per Unit

Subtracts Total Cost Per Unit from Cost to Buyer

j. Total Revenue

Multiplies Revenue per Unit by Total Number of Units in Segment.

k. Footage of 1/8" Rope for Segment

Multiplies Footage of $1/8$ " Rope per Unit by Total Number of Units in Segment.

l. Footage of $1/2$ " Gauge Rope Used for Segment

Multiplies Footage of $1/2$ " Gauge Rope per Unit by Total Number of Units in Segment.

m. Hours of Labor for Segment

Multiplies Hours to Produce by Total Number of Units in Segment.

n. Total Costs for Producing Segment

Multiplies Total Cost Per Unit by Total Number of Units in Segment.

o. Percentage of Assortment Based on Units

Divides the Total Number of Units in Segment by the sum of (Total Number of Units in Segment of all segments).

IV. Combined Custom Totals

a. Average Cost Per Unit

Adds together the sum of (Total Cost per Unit multiplied by Percentage of Assortment Based on Units) from each segment.

b. Average Retail Per Unit

Adds together the sum of (Cost to Buyer multiplied by Percentage of Assortment Based on Units) from each segment.

c. Average Revenue Per Unit

Adds together the sum of (Revenue per Unit multiplied by Percentage of Assortment Based on Units) from each segment.

d. Average Production Hours Per Unit

Adds together the sum of (Hours to Produce multiplied by Percentage of Assortment Based on Units) from each segment.

e. Average $1/8$ " Rope Used Per Unit

Adds together the sum of (Footage of 1/8" Rope Per Unit multiplied by Percentage of Assortment Based on Units) from each segment.

f. Average 1/2" Rope Used for Customs

Adds together the sum of (Footage of 1/2" Gauge Rope per Unit multiplied by Percentage of Assortment Based on Units) from each segment.

g. Total Cost for All Custom Units

Adds together Total Costs for Producing Segment from all segments.

h. Total Revenue for All Custom Units

Adds together the Total Revenue of each of the segments.

i. Total 1/8" Rope Used for Customs

Adds together the Footage of 1/8" Rope for Segment from all of the segments.

j. Total 1/2" Rope Used for Customs

Adds together the Footage of 1/2" Gauge Rope Used for Segment from all of the segments.

k. 1/8" Rope Remaining for Internal Use

Subtracts Total 1/8" Rope Used for Customs from Total 1/8th Inch Rope Remaining for Internal Use in 5. Readymade.

l. 1/2" Rope Remaining for Internal Use

Subtracts Total 1/2" Rope Used for Customs from Total 1/2 Inch Rope Remaining for Internal Use in 5. Readymade.

m. Total Hours Used for Customs

Adds together Hours of Labor for Segment from all segments.

7. Modern Macramé Rentals

Currently, the mechanics of this model illustrate four categories of rental types, each reserved from the Luxury Readymades; Tents, Arches, Cots, and Wall Hangings. These can include other types of readymades but need to fall within the averages of these categories. Furthermore, Modern Macramé plans on renting out its studio

space from time to time, earning extra revenue for what will already be a workshop to parties, weddings, corporate functions, and so on.

a. Daily Rental Rate (Including Setup/Breakdown)

Manually adjustable variable to set daily rate for unit rental.

b. Number of Units Available for Rent

Manually adjustable variable.

c. Hours for Setup

Each of these rentals takes a small amount of time to deliver to a location and to set up for the customer. These hours are not accounted for on this page because they are included in 2. Expenses. This is a manually adjustable variable.

d. Annual Number of Rentals

This is the number of days that any unit is rented. For example, if two tents are rented on the same day, that counts as two daily rentals. This is a manually adjustable variable.

e. Percentage Utilization of All Units

Divides Annual Number of Rentals by (365 days multiplied by Number of Units Available for Rent). For example, if you rented two units 365 days of the year, Annual number of Rentals would be 730 and Percentage Utilization of All Units would be 100%.

f. Rental Revenue for Category

Multiplies Daily Rental Rate (Including Setup/Breakdown) by Annual Number of Rentals.

g. Percentage of Total Unit Rentals

Divides Annual Number of Rentals by Total Number of Annual Rentals of all segments.

V. Studio Rental

a. Full Day Rental Rate

Manually adjustable variable.

b. Annual Number of Rentals

Manually adjustable variable describing the number of rentals in a year for the full day rate.

c. Hours for Preparation

Manually adjustable variable describing the number of hours necessary to prepare the studio space for rental use.

d. Half Day Rental Rate

Manually adjustable variable.

e. Annual Number of Half Day Rentals

Manually adjustable variable describing the number of rentals in a year for the half day rate.

f. Hours for Preparation

Manually adjustable variable describing the number of hours necessary to prepare the studio space for rental use.

g. Total Revenue of Studio Rental

Adds together (Rate multiplied by Annual Number of Rentals) for both full day and half day.

VI. Combined Rentals

a. Average Daily Rental

This is the average daily rental rate of the pieces, not including the studio. Adds together (Daily Rental Rate multiplied by Percentage of Total Unit Rentals) from all segments.

b. Average Hours of Setup/Breakdown

Adds together (Hours for Setup multiplied by Percentage of Total Unit Rentals) from all segments.

c. Average Percentage Utilization

Adds together (Percentage Utilization of All Units multiplied by Percentage of Total Unit Rentals) from all segments.

d. Total Number of Rental Units

Adds together Number of Units Available for Rent from each of the segments. These rental units are taken from 5. Readymade on line p. Number Used Internally for Rentals. If the Total Number of Rental Units goes up in 7. Rentals, the Number of Units Remaining for Sale goes down as well as subsequent revenue in 5. Readymade.

e. Total Number of Annual Rentals

Adds together Annual Number of Rentals from each segment.

f. Annual Revenue for All Rentals

Adds together total revenues from each of the segments.

g. Total Hours for Setup

Adds together (Hours for Setup by Annual Number of Rentals) from all segments. Lines g., h., and i., are primarily informational calculators rather than feeding in elsewhere. Again, the hours worked are included and accounted for in 2. Expenses.

h. Hourly Wage for Setup

This is a manually adjustable variable.

i. Total Wages for Setup

Multiplies Total Hours for Setup by Hourly Wage for Setup.

8. Modern Macramé Classes

Modern Macramé currently offers standard workshops. There are a number of ways in which payment for these classes are put together, including a venue hosting a class, paying a flat fee and selling tickets on its own, or by splitting the ticket sales with Modern Macramé. For the purposes of this model, we are illustrating a single method in which individual attendees each pay admission.

A revenue stream that has not been previously exploited is that of Corporate and Private Events. These have been split into three categories that have different costs and show different amounts of revenue depending on the number of attendees; 10 to 20 participants, 20 to 40 participants, and 40 to 60 participants. It is assumed that each participant in both the standard workshops and the Corporate and Private events will be given a Modern Macramé Kit, which have been set aside in 4. Kits.

I. Standard Wall Hanging / Plant Hanger

a. Admission Per Person

This is a manually adjustable variable based on current rates.

b. Average Number in Attendance

This is a manually adjustable variable based on historical trends in practice.

c. Cost to MM of Extras Provided Per Person

This includes wine, snacks, and other small extras at each class.

d. Cost to MM Per Class

Multiplies Cost to MM of Extras Provided Per Person by Average Number in Attendance.

e. Number of Classes Per Year

This is a manually adjustable variable based on current volume.

f. Total Revenue Per Class

Multiplies Average Number in Attendance by Admission Per Person, minus Cost to MM per Class.

g. Number of Kits Used Annually

Multiplies Average Number in Attendance by Number of Classes per Year. This assumes that one kit is included for each attendee and that the kits are set aside from line q. Units Used For Classes in 4. Kits.

h. Total Annual Cost of Classes

Multiplies Cost to MM Per Class by Number of Classes Per Year.

i. Total Annual Revenue for Class Category

Multiplies Total Revenue Per Class by Number of Classes Per Year.

II. Corporate And Private Events

a. Price for [Certain Number] Participants

This is a manually adjustable variable that determines the fee for an event of this size.

b. Cost to MM for Extras for Event

This is a manually adjustable variable for included extras including food and beverages.

c. Number of Events

This is a manually adjustable variable that determines the number of annual events in this category.

d. Revenue for Segment

Multiplies Price for [Certain Number] Participants by Number of Events.

e. Average Kits Used Per Class

This is a manually adjustable variable, which assumes one kit per participant. This should equal to the average number of attendees per event in this category.

Lines g – r.

These lines repeat the above fields in two other ranges of participants; 20 to 40 as well as 40 to 60 participants. The mechanics of the fields are the same as 10 to 20 participants.

s. Total Number of Events

Adds together the number of annual events in each category.

t. Total Number of Kits Used

Adds together the Average Kits Used Per Class for each category.

u. Total Annual Revenue

Adds together the Revenue for Segment of each of the Corporate and Private Events categories.

III. Combined Classes

a. Total Combined Number of Events

Adds together the Standard Classes and the Corporate and Private Events for the year.

b. Total Combined Number of Kits Used

Adds together the kits used for both Standard Classes and Corporate and Private Events.

c. Total Combined Annual Revenue

Adds together the Total Annual Revenues of Standard Classes and Corporate and Private Events.

9. Annual Shape of Retail

The goal of this page is to illustrate the shape of the retail year for each stream of revenue within Modern Macramé. While each retail year will ultimately reach 100% of the yearly totals, some months will be more profitable than others.

This calculator shows the revenue in billions of the domestic retail market by month, as well as the average percentage per month according to the US Census Monthly Retail Trade Survey, assuming that 100% is a perfectly average month. As should be expected as December is a much better sales month than February. This calculator averages the reported totals, month by month, over the last two years.

Manual Percentage Change shows how the retail year of a given revenue stream is expected to diverge from the domestic retail market as a whole. Certain months will be higher than the market as a whole and other months will be lower, based on experience within the industry. Regardless, the adjusted values on a month by month basis should still equal 100% as the company will make 100% of annual revenue in a given year.

This calculator arrives at the predicted seasonal retail trends for Modern Macramé and is fed into 10. Monthly Cash Flow. Each revenue stream has its own individual shape. For example, volume of Classes may be very high in September and very low in December. It should be noted that revenue percentage for Classes is entirely zeroed out in July, as Modern Macramé classes are currently not offered in that month.

10. Monthly Cash Flow

The purpose of illustrating monthly revenue and monthly expenses in such detail is to show that, even accounting for seasonality, Modern Macramé will not run out of funds and will maintain enough money to continue operations into the future. This calculator seeks to avoid a situation in which Modern Macramé would have too few

funds to buy Featured Partner Products months in advance or to have enough money to buy materials for new designs. While many models account for annual revenue and expense, this model includes the effects of poor and robust months, both in spending and sales.

Yearly Expenditures

Each year contains a number of similar elements. Each of the expense categories from 2. Expenses is shown here. The first field shows the annual amount allocated for that expense. The second field shows the Monthly Percentage of Total, which is the weighted percentage of that expenditure in a given month. So, if Modern Macrame plans to spend 20% of the total marketing budget in the first month, the IV. Marketing, PR, & Advertising field should be valued at 20%. If an expense remains constant, such as payroll, the percentage would be equal to 100% divided by 12 months or 8.3333%. The total weight of all 12 months in each year needs to be valued at 100%. Monthly Total multiplies the annual expense by the weighted monthly percentage.

Adding all of these **Monthly Totals** together arrives at the Monthly Expenditure.

Revenue by Month functions similarly. This finds the Monthly Average revenue by dividing total revenue by 12 months. But not all months are equal. Seasonal Percentage by Month imports the percentages from 9. Annual Shape to determine what revenue might realistically look like in each given month. This will typically show that revenue for December will be better than revenue for February.

Retained Earnings. Again, these funds are not counted as income but as cushions against seasonality. These funds can be deployed at a weighted percentage by month to bolster a monthly balance that might otherwise be too constricted to purchase future wholesale units or buy materials for Modern Macramé products.

Monthly Balance. This is the amount of money left on the books when Expenses are subtracted from the Funds After Buildout plus Retained Earnings plus Revenue. From month to month, this total is cumulative. The next month's balance is calculated by adding the previous month's balance to monthly revenue and subtracting the monthly expenses.

Furthermore, while this model shows a positive balance at the end of the fiscal year, these funds should be spent down as close to zero as possible to make purchases for the coming year in order to avoid and expense of income tax.

11. Modern Macramé Income Statement

This is a straight forward documentation of expected annual expenses compared to expected Revenue. The EBITDA in any year should be negatively equal to the

amount of funds raised for that year. While Taxes, Interest, and Amortization should be at or near zero, Depreciation at or near 20% should be expected on existing assets. These are calculated as a third of website costs, half of POS costs, and 75% of equipment costs from 2. Expenses. These totals are cumulative from year to year.