



Business Plan

South Pasadena High School

2020-2021



Pebbly-vei.com



Pebbly.vei



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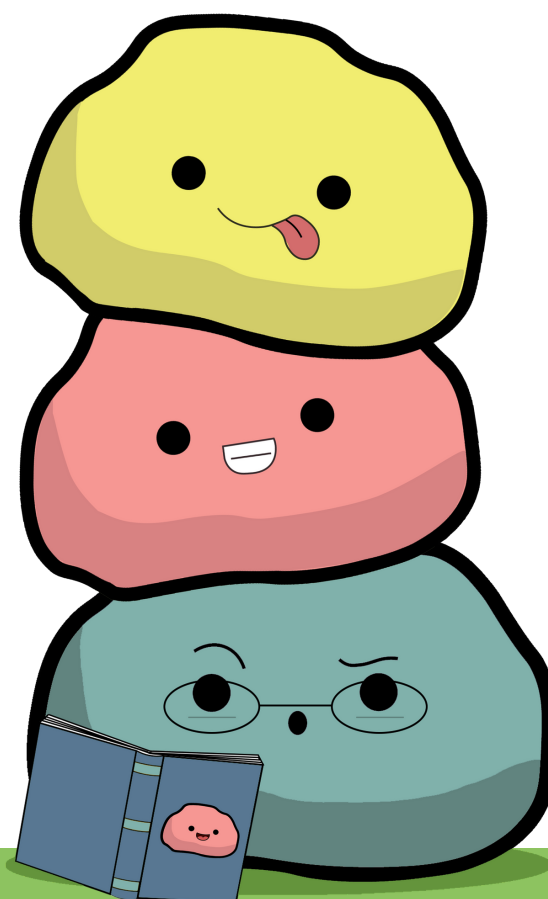


PebblyV



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Executive Summary



The advent of the Internet has fundamentally altered the scope of modern life, expanding social relations from small and well-knit communities to a massive global scale. The Internet's sudden introduction into society and a generational disconnect between parents and their children have stunted the social-emotional health of many teenagers and have left them without guidance, resulting in the inability to form healthy relationships and take control of emotions. Social-emotional health is the ability to practice mindfulness skills, including the capacity to form secure connections, regulate and understand emotions, manage stress, and show empathy. Pebbly fulfills the great responsibility of uplifting individuals with social-emotional learning tools that target anxiety, depression, and decision-making skills through the smallest of friends: rocky companions called Pebbly Pals.

Pebbly innovates on the status quo of the popular retro Pet Rock of the 1970s by creating an online version of Pebbly Pals, giving users both a traditional physical rock and a digital environment to play and learn in. In the real world, the physical rock can be decorated, providing customers with a fun experience and opening the door to a new relationship. Through a playful online environment, hand-decorated by Pebbly employees and filled with interactive games, users can make unforgettable memories and further their lifelong friendships with their Pebbly Pals.

Pebbly's primary target market consists of Generation Z, ages 9-24, as they face the greatest social-emotional distress from the monumental shifts made by the introduction of the COVID-19 pandemic. Generation Z also steadily gains more financial purchasing power year-over-year as they shift from adolescence into adulthood, ensuring the profitability of Pebbly and its future generations of products. Millennials, ages 25-40, are the parents of the young but technologically capable Generation Alpha, ages 0-8. Millennials are considered a secondary target market as they will be spending on behalf of their children who will grow up with an affectionate and loyal Pebbly Pal by their side.

Pebbly employees have the opportunity to directly give back to the students in their communities by leading interactive lessons on mindfulness, incorporating the lovable Pebbly Pals to maintain engagement. With the help of the Contentment Foundation, a nonprofit organization dedicated to social-emotional wellbeing, Pebbly develops a curriculum to teach elementary school children in the local school system how to manage and adapt to social-emotional issues.

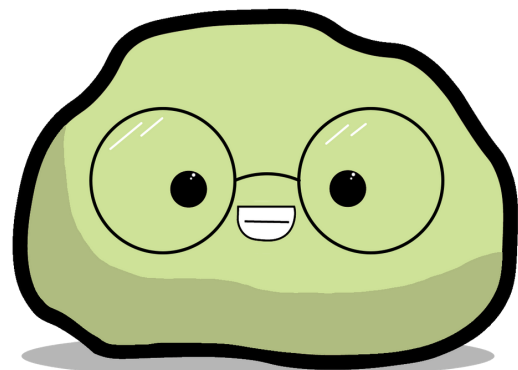
In addition to a game-based online world, Pebbly plans on future third and fifth year expansions by integrating its popular characters into other merchandise and developing the brand of the company as its main target demographic begins to grow up. Licensing original artwork to third party manufacturers and game developers opens up a whole new world of Pebbly stories to discover and develop, creating an even more immersive experience for users. Pebbly will place its own social-emotional curriculum directly onto its social media and online games, directing the company's focus and message.

As a new company in an increasingly digitized economy, Pebbly faces high financial expectations following the massive success of similar technology based firms in both virtual and real world markets. Due to the low costs of digital goods and easy-to-assemble physical rock packages, Pebbly faces few fixed costs, which are further bolstered by the lack of need for a physical office space as Pebbly employees work from home to ensure health safety during this pandemic. Furthermore, a low startup budget and large out-of-network sales contracts allow Pebbly to project a break-even in March 2021, with a net income of \$60,541 at year-end. High liquidity indicated by a quick ratio of 7:1, along with strong sales revenue projections of \$400,663 throughout its first fiscal year allow Pebbly to maintain optimistic expectations of financial success in the future.

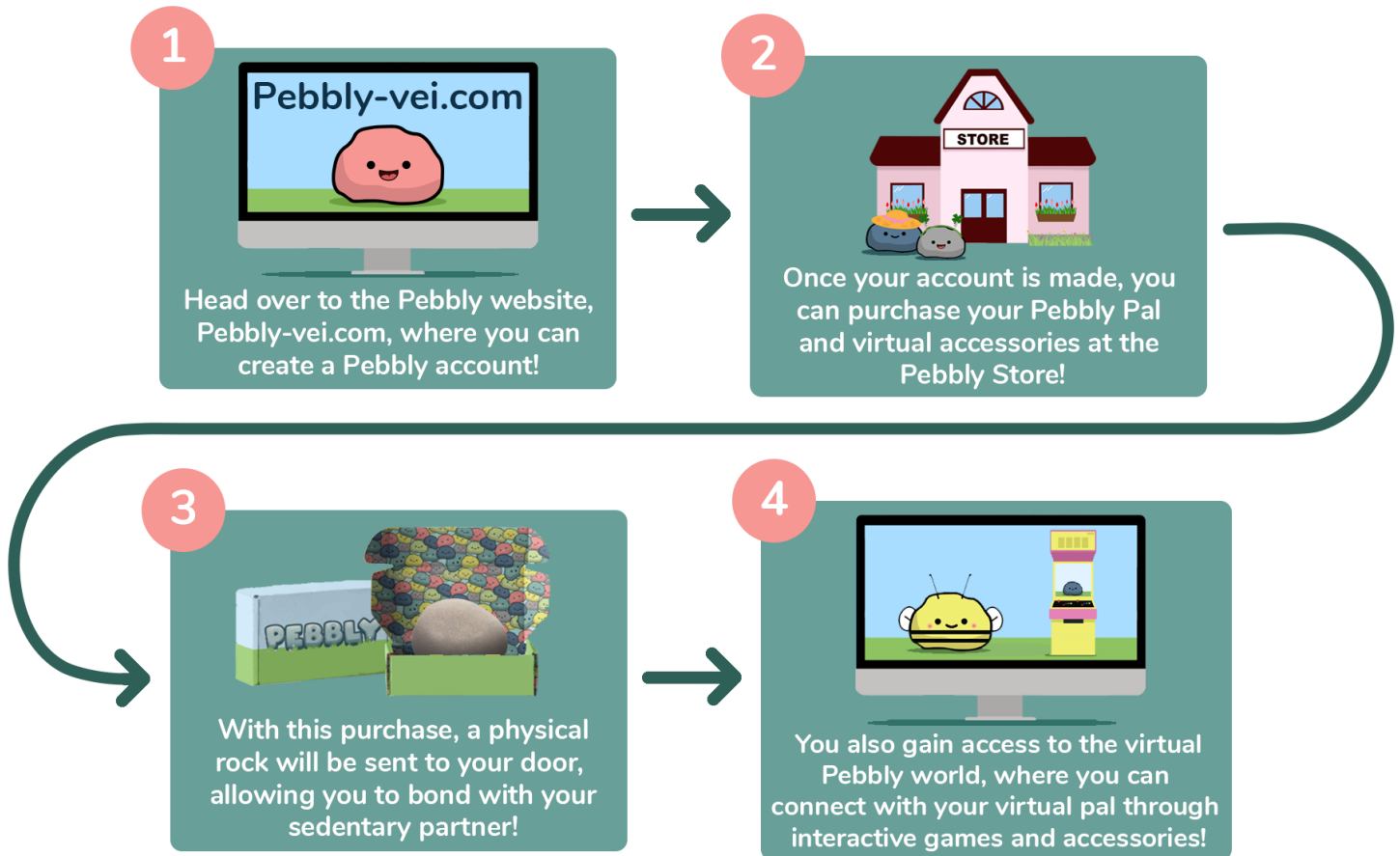
Whether one is looking for a friend in this ever-growing world or comfortable yet still craving adventure, Pebbly creates a safe place and offers a pal to everyone. Pebbly bridges the gap between the nuclear community and the expanse of a globalized world, bringing the best of both worlds to the comfort of your home and establishing a precedent for the social-emotional health of future generations.



Jason Kim
Chief Executive Officer



Buying Process



Business Rationale

Customer Empathy

Generation Z, ages 9-24, has been disproportionately affected by social-emotional issues stemming from a lack of tight-knit communities. The Internet can be used to feel connected to others, but often makes teenagers feel lonely and overwhelmed with an absence of safe spaces. In a recent national poll, 73% of Generation Z said they often felt lonely, and the generation as a whole reported levels of stress higher than any other generation in the country.¹⁰ Pebbly fosters a strong, healthy community through its social emotional connection to customers by incorporating wellness into its games and social media, ensuring each customer is not alone.

Problem Statement

In the past twelve years, the prevalence of social-emotional issues has increased by 71% among Generation Z.²⁷ The pandemic and its sudden effects on teens have only made matters worse. Due to the increased isolation and lack of support brought upon by these unprecedented times, 81% of Generation Z now struggles with psychological distress.²⁷ Even after the pandemic, prior conditions indicate that the challenges faced by Generation Z will perpetuate.



Solution Statement

Pebbly works to combat widespread social-emotional issues by providing useful, engaging games and opportunities for valuable companionships. Customers feel confident and responsible as they take care of their Pebbly Pals, much like they would with a typical companion. Research illustrates that companions reinforce trust and compassion, as 74% of pet owners report mental health improvements.²⁸ Additionally, video games in moderation can decrease depression by up to 20%,¹⁷ while also exhibiting improvements in socialization and decision-making. Through Pebbly's interactive website, the company reinforces problem-solving skills, promotes connectivity, and builds emotional resilience.³²

Corporate Social Responsibility

Pebbly will further the social-emotional health of its local elementary school students by developing a curriculum with lesson plans focused on fostering a healthy school community. The company's 33 employees will spend two hours a month each with kindergarten through second grade students in the South Pasadena Unified School District. Pebbly employees will lead group conversations and interactive lessons during class time through slideshows, short activities, and worksheets created by the company. Students will practice simple conversational activities and learn how to overcome social-emotional issues. Pebbly will work with the Contentment Foundation in order to incorporate the organization's standards-based curriculum guidelines into Pebbly lesson plans. By implementing its curriculum at a local level, Pebbly empowers its community by providing students with lifelong, effective skills.



Company Goals

Year 1

Social-Emotional Curriculum: Pebbly will add its own social-emotional curriculum onto the Pebbly website in the form of infographics, storybooks, games, and more. Through these mediums, Pebbly will communicate the message of mindfulness by teaching social-emotional wellness techniques such as breathing exercises, healthy relationship practices, and emotion recognition and identification. In doing so, Pebbly will not only be able to bring social-emotional learning directly to its Generation Z target audience, but to everyone who interacts with the Pebbly world.



Social Media Campaigns: Pebbly's social media campaigns will feature customers' personal Pebbly Pals and highlight the Pebbly community. For example, Pebbly is currently launching its "Be Boulder" campaign, where customers post about the positive impacts their Pebbly Pals have had on their confidence, motivation, and social-emotional wellness as a whole. Pebbly will implement additional campaigns exploring different aspects of social-emotional health throughout its first year in order to strengthen the company's connection with its customers and their Pebbly Pals.

Year 3

Licensing: Pebbly will license its artwork and characters to ensure profit from external usage and expand the company's selection of physical products, allowing customers to fully immerse themselves in the Pebbly experience outside of the virtual world. Pebbly takes inspiration from successful companies like Pokémon, whose game director attributed the success of the Pokémon franchise to its connection with customers beyond its "digital-only" aspect.¹⁶ Pebbly's rocks will appear on products ranging from children's books to trading cards, allowing Pebbly to expand its reach and increase brand awareness while diversifying its income streams.



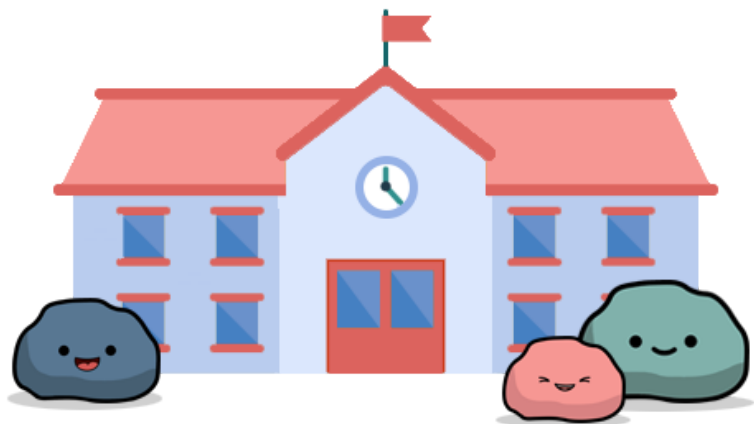
App Development: Pebbly will develop a free app that will focus solely on mindfulness, expanding upon the existing curriculum Pebbly will offer on its website. The Pebbly app will feature calming activities and techniques, such as breathing exercises and guides for stressful situations. This ensures customers are equipped with mindfulness knowledge and can access needed materials while on the go.

Year 5

Extended Licensing: Pebbly will continue pursuing licensed materials, further increasing brand visibility. Pebbly envisions an extended world of Pebbly Pal cartoon characters and full length video games, similar to Sesame Street's brand. With a varied selection of products advertising Pebbly's brand, the company hopes to retain customers and extend their lifetime value.



Social-Emotional Expansion: Pebbly will partner with other elementary schools beyond the local South Pasadena Unified School District, such as the Los Angeles Unified School District. Social emotional expansion is set as a fifth year goal to ensure the effectiveness of its curriculum. The company will distribute its researched social-emotional curriculum to schools who desire to implement new wellness practices for their student bodies. In doing so, Pebbly expands its community and broadens the reach of its social-emotional impact on others.



About the Business



Company Overview

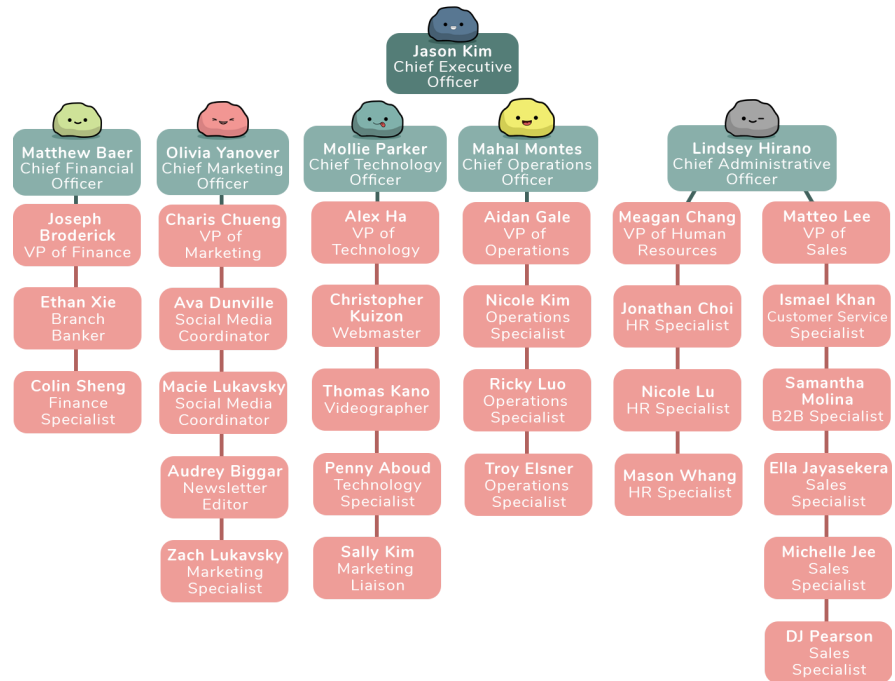
Pebbly sells dependable companions called Pebbly Pals. With the purchase of a Pebbly Pal, customers receive a physical rock to promote real-world companionship. Accompanying this purchase is access to the digital Pebbly world where customers can interact with their Pebbly Pals through games and accessories. Pebbly is a part of the novelty gifts industry and online gaming industry, encompassing both the physical and virtual aspects of the company. Pebbly is established as a C corporation with four major shareholders. This legal structure incentivizes investors and allows for an unlimited number of shareholders making way for future expansion opportunities. Currently, Pebbly office employees work remotely and meet virtually throughout the week to promote collaboration. Physical Pebbly products are packaged by factory workers at the production warehouse located in Pico Rivera, California.

Mission Statement

Pebbly's pet rocks nurture positive social-emotional health and inspire companionship through a playful online environment. By providing an imaginative outlet for customers, Pebbly paves the way for the start of lifelong friendships.

Company Organization

Pebbly consists of 33 employees who occupy six departments: Finance, Marketing, Technology, Operations, Human Resources, and Sales. With an executive-level, hierarchical organization, six chief officers oversee employees, ensuring the company stays organized and efficient to provide the best service for customers.



SWOT Analysis

Strengths

Low Production Costs: Pebbly maintains low production costs due to limited material sourcing and a simple supply chain. These low costs allow Pebbly to break-even quickly and allocate a larger portion of the budget to other areas of spending. Pebbly's marketing strategy is able to flourish by allocating money that would typically be designated to production costs towards marketing expenses, such as additional advertising materials and further outreach with social media campaigns.

Social Media Campaigns: Of the companies who increase their exposure through social media, 87% experience increased traffic.³ This is why Pebbly leads social media campaigns, beginning with the "Be Boulder" campaign which is an opportunity for customers to post about the positive impacts Pebbly has had on their social-emotional wellness.

Pebbly's campaigns connect with customers on a more personal level by inviting them to share their experiences with Pebbly, allowing for open lines of communication between the customer and the company.



Weaknesses

Emphasis on Microtransactions: Pebbly's emphasis on microtransactions means it requires customer loyalty to become profitable. Although the company is relatively new, there have been numerous examples of microtransaction-based companies finding rapid success. The top 9 companies in the gaming market garnered over \$20 billion in 2019 alone, the majority of which consisted of microtransactions.³⁰ This hints at similar success in Pebbly's future, providing it continues expanding its customer base.

Excessive Online Usage: Pebbly promotes high interaction through online games and opportunities for connection on the Pebbly website. In moderation, video games have demonstrated positive effects on emotional wellbeing and interpersonal skills, influencing the company to choose this form of interaction. While customers gain companionship through their virtual Pebbly Pal, too much web-based activity can reverse the positive effects of online interaction. Pebbly has placed a daily time limit of 60 minutes on its games in order to combat overuse. The website will give users a visual indication of their remaining time through a rock graphic that slowly becomes more tired until it eventually falls asleep, signaling the end of their allotted gameplay time. Users will still be able to shop on the Pebbly website, but game use will be limited to ensure that the website is being used in a safe and healthy manner.

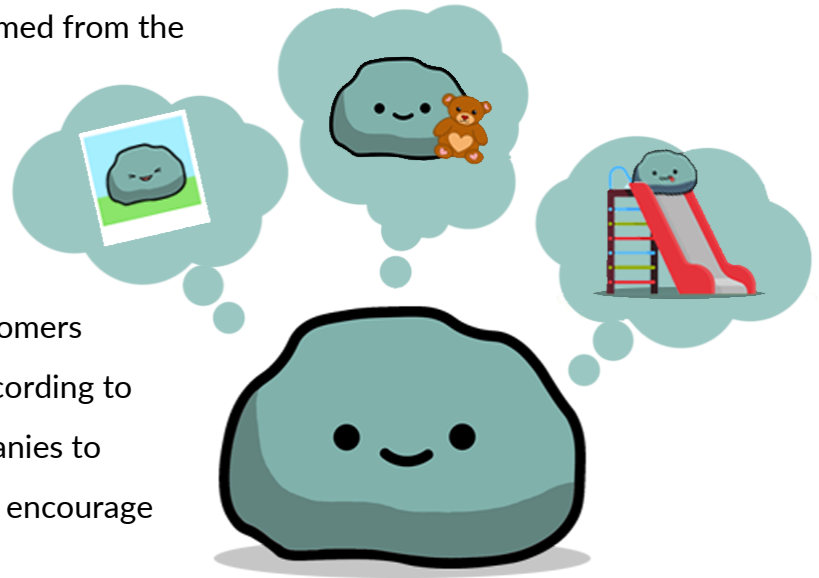
Visual Indication of Time Remaining



Opportunities

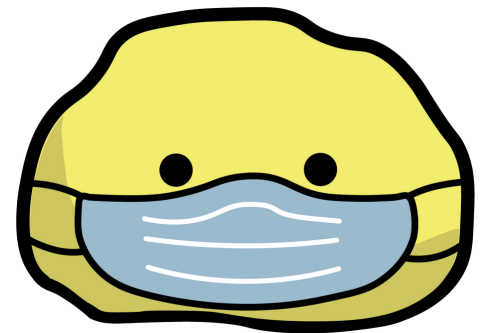
Virtual Versatility: The virtual aspect of Pebbly Pals allows for a mountain of expansion opportunities. The company is able to update games and release new features on its website easily and efficiently, allowing the company to offer an incentive for lasting customers. In addition, Pebbly benefits from the immense growth of the online sector in recent years. E-commerce sales totalled roughly \$860 billion annually before the pandemic,²⁵ and have skyrocketed 45% year-over-year in the 4th quarter of 2020 due to COVID-19.¹³ With customers spending increasing amounts of money online, the digital side of Pebbly Pals will reach a wider audience.

Nostalgia Factor: Pebbly is able to market nostalgia-inducing products to its customers. Well known companies like Webkinz kick-started a popularity in children's gaming that ties virtual environments to real-world merchandise. This trend boomed from the early 2000s to 2010s, encompassing the formative years of Generation Z and young Millennials alike. By marketing the elements of Pebbly Pals that remind its audience of their childhood, potential customers will be more open to brand messaging. According to Forbes, marketing nostalgia enables companies to reach audiences on an emotional level and encourage spending for sentimental reasons.⁶



Threats

Adjusting Post-Pandemic: Pebbly originated during the COVID-19 pandemic, focusing on bringing comfort to customers who have struggled socially and emotionally as a result of drastic isolation. Pebbly Pals may decrease in demand as face-to-face connections increase and customers find other outlets to practice their social-emotional skills. To accommodate for this, Pebbly plans to focus on its licensing, relying on its lovable Pebbly Pals to create connections with the customer through different forms of media such as storybooks, video games, and other merchandise. If sales continue to fall short, Pebbly will collapse its online presence and enact a market realignment to licensing, focusing solely on its physical products.



Intellectual Property: Pebbly may face disputes over its intellectual property as the company gains popularity and diversifies its creative designs and character names. After filing an application and being approved by the U.S. Patent and Trademark Office by its third year, "Pebbly," "Pebbly Pals," and quintessential Pebbly design elements will be protected under the Lanham Act from any infringement and dilution.¹⁵

External Environment

Competitive Analysis - Virtual

Unique Selling Proposition: Pebbly's unique selling point is its emphasis on community, which the company accomplishes through its focus on social-emotional learning. None of Pebbly's competitors prioritize their company community, specifically in their level of dedication to their corporate social responsibility. According to Forbes, more than six in ten younger consumers closely consider a company's ethical values and authenticity before buying their products.²⁴ Pebbly's products themselves extend the positive influence and ethical principles the company values by being present online and physically. Customers practice social-emotional wellness online and use these skills in the real world with their physical Pebbly Pal. Both the physical and virtual aspects of the Pebbly Pal are fun for customers, and Pebbly utilizes its virtual platform to instill social-emotional wellness in its community.

Nakama: Nakama is a problem-solving video game, encouraging the "spread of kindness with a click." Although Nakama offers high online interactivity through its game, it's sole product does not contain a physical element, which creates a disconnect between social-emotional learning and the real world. Furthermore, the company is not invested in its corporate social responsibility beyond donating a portion of its proceeds to a mental health organization, and fails to create a strong connection between its products and company message through that organization. Nakama's message is lost even more in its premium prices that may not be accessible to many of their target customers.

Animal Kingdom: Animal Kingdom sells a variety of pets and pet products that can be used to provide customers with real friendships. Although the company offers affordable prices, it does not emphasize the meaningful connection between customers and their companions, like Pebbly does, or engage in a corporate social

responsibility. Without a positive impact on communities, potential customers may not be as excited nor connected to the company. In addition, Animal Kingdom only offers customers a website that has no interactivity beyond "buy" buttons.

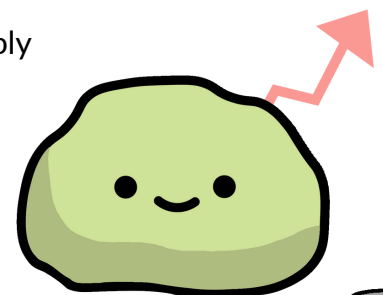
			
Physical Aspect			
Online Interactivity			
Hands-On CSR			
Accessibility			

Industry Analysis - Virtual

Pebbly belongs to five virtual industries: Animals & Pet Supplies, Toys & Games, Hobbies & Creative Arts, Novelty, and Entertainment. Compared to the average Virtual Enterprise firm, which is positioned in only 1.5 industries, Pebbly is able to reach a wider audience through category-based searching. In addition, its multi-industry focus allows the company to enter successful markets and use this revenue to occupy larger shares of its unsaturated industries. The Hobbies & Creative Arts, Toys & Games, and Animals & Pet Supplies industries are all undersaturated, containing just 37, 18, and 11 firms respectively. The Entertainment industry is the second largest industry in the U.S. virtual market, boasting 93 firms in comparison to the average 43 firms per industry. This contributes to its \$31 million value, the largest of any industry on Virtual Enterprise, indicating high consumer demand for goods. The Novelty industry is a mid-sized market with 61 firms and a value of \$13 million. Though not as prosperous as the entertainment industry, Pebbly benefits from the high percentage of incoming transactions the industry receives compared to other categories. With 70% of all transactions being profitable, the fourth highest percentage in the U.S. market, companies in this industry receive a consistent flow of consumer traffic.¹⁸

Current Economic Conditions

As a pandemic-based company, Pebbly finds itself in a U.S. economy on track to bounce back despite COVID-19's restrictions. The real GDP is estimated at \$21.48 trillion as of the 4th fiscal quarter of 2020, just 0.3% away from the pre-pandemic value.¹⁹ In the first three months of 2021, estimates indicate an additional 10% gain for the GDP, showing a positive economic outlook for Pebbly.⁵ Spending in the 2021 fiscal year is projected to rise as the job market recovers and Congress pushes more economic stimulus.²¹ The Congressional Budget Office estimates an unemployment rate of 5.3% by the end of 2021, well below the mid-shutdown estimate of 7.6%.⁷ With President Biden's recent \$900 billion and \$1.9 trillion pandemic aid packages, consumer demand is projected to skyrocket in Pebbly's first year. This wealth has accumulated to an estimated \$1.5 trillion in excess savings over the past year, which will result in increased cash flow as the pandemic wanes.¹ This overall trend towards higher prices will harm companies with complex supply chains that will not be able to offer competitive prices as a result of low supply. With its simple production process, Pebbly is left with a perfect middle ground between raising prices and maintaining affordability.



Competitive Analysis - Real World

Pet Rock: The Pet Rock company of the 1970s attracted many for its humor and novelty, yet only lasted as a year-long fad as its sole product was a fun gag gift. While Pebbly creates a community around its Pebbly Pals and online environment, Pet Rock only provides a physical rock to customers. Without a community, customers have no emotional attachment to their Pet Rock and are left with no incentive to return to the company. In addition, Pet Rock does not engage in corporate social responsibility. Companies that take action in alleviating issues within communities are much more attractive to many Generation Z customers. Pet Rock also lacks in making its product accessible to customers, as it is not available for purchase directly on its website.

Poptropica: Poptropica is an online adventure game where kids interact with other players and problem-solve through quests on a paid membership. The game appeals to younger generations because of its online engagement and accessibility through popular search engines. However, Poptropica's popularity has declined due to customers failing to connect with the company on a deeper level. Without any attachment to physical Poptropica products or the game's online community, the lifetime value of customers remains relatively low.

	PEBBLY	PET ROCK	Poptropica
Physical Aspect			
Online Interactivity			
Hands-On CSR			
Accessibility			

Industry Analysis - Real World

Novelty Gifts: The novelty gifts industry is valued at \$18 billion as of 2020.¹¹ Prior to the pandemic, the industry estimated a 4.17% year-over-year growth rate for 2019¹² with record U.S. consumer spending of \$729 billion in the holiday season.²² Though COVID-19 resulted in a decline in overall consumer spending and travel, holiday sales rose by 8.3% as consumers used novelty gifts to lighten their spirits during lockdowns.²² Now, the novelty gifts industry is expected to accelerate at a 5% compound annual growth rate (CAGR) until 2023.¹² These upward trends coupled with a fragmented market indicate ideal market penetration. The top 50 companies within the novelty gifts industry only account for 40% of sales,¹¹ with well-established players occupying major shares, such as Hallmark Licensing, Walt Disney Company, and The Lego Group.

Online Gaming: The video gaming industry was estimated at a value of \$159.3 billion in 2020, a sizable increase of 9.3% from 2019.³¹ In addition, total revenue in the industry is expected to expand at a compound annual growth rate (CAGR) of 17.5% until 2027.² Pebbly will immerse itself into the significantly prosperous industry with its unique value proposition. The interactive nature of digital Pebbly Pals will entice potential customers among the competitive industry. Many people have discovered gaming as a social outlet during the pandemic, with four out of five consumers reporting an increase in their video game playing in the latter half of 2020.¹⁴



Marketing Plan

Target Market and Market Segmentation

Pebbly's target market consists of Generation Z consumers, ages 9-24, due to their direct connection with social-emotional issues. According to the American Psychological Association, 43% of Generation Z says the level of stress in their lives has increased over the past year due to the additional challenges brought upon by the pandemic.²⁷ The company directly addresses the issue of overwhelming distress by providing companionship through both a physical and virtual rock. Research displays that forming healthy relationships, similar to that between a customer and their Pebbly Pal, allows participants to become more aware of their actions' effects, which supports social-emotional health by developing skills such as decision-making and self-awareness.⁹

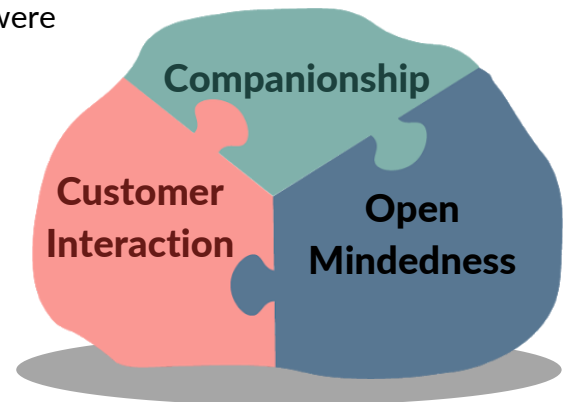
GENERATION



Secondary Target Market: Pebbly's secondary target market consists of Millennials, ages 25-40, those who are becoming new parents to young children. Pebbly primarily targets younger ages with its hand-drawn, interactive appeal, and is therefore the perfect product for Millennials to gift their children. With a spending power of \$2.4 trillion,²³ Millennial consumers have greater financial stability and more spending money to purchase Pebbly products compared to Generation Z, whose spending power is \$143 billion.⁸

Demographics: Pebbly offers gender neutral products so customers that identify with any group can enjoy interacting with the company. According to Harvard Business Review, 48% of Generation Z consumers value brands that do not classify items by gender.⁴ Pebbly Pals, accessories, and online games are not gender-classified, prompting users to express themselves by personalizing their own rocks. Pebbly is accessible to all geographic regions due to its sole reliability on online purchases, and the light weight of Pebbly Pals makes shipping across long distances cost-efficient. With prices starting at a low \$20, Pebbly is also available to all socioeconomic groups within its target demographics. However, because Pebbly has no brick-and-mortar storefront and purchases are accessible only through the website, Pebbly's customer base is limited to those with internet access.

Psychographics: Pebbly targets consumers with a "sedimentality," which is a mindset grounded in companionship and open-mindedness. These customers prioritize products that offer them new experiences and are open to environments they have yet to be formerly exposed to. Pebbly targets on customers who value meaningful connections with others and will dedicate their time and effort towards interacting with their rock consistently. Pet rocks were previously introduced in 1975, meaning the majority of Generation Z may not be familiar with the concept. Because of this, it is crucial that Generation Z Pebbly customers are willing to step out of their comfort zone and adventure into the new Pebbly world.

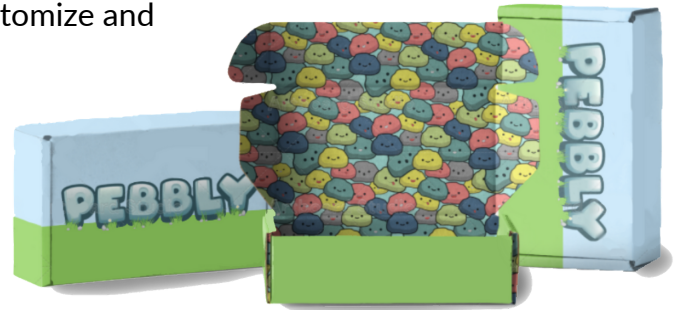


Marketing Mix

Product

Pebbly Pals emphasize a continuous, meaningful relationship with each and every customer. Because of this, Pebbly wants users to dedicate time and effort towards their Pebbly Pals, encouraging customers to constantly interact with and update their rocks. In return for the customer's efforts, Pebbly Pals provide companionship and a safe space to practice healthy relationships, furthering the company's goal of promoting social-emotional health. Pebbly Pals revolve around two main aspects: the physical pal and the virtual pal.

Physical Product: During these unprecedented times, customers desire a sense of stability and simple fun, which Pebbly fulfills through a physical rock. With the purchase of a Pebbly Pal, customers are sent a physical rock that they can customize and accessorize with markers, paint, or the creative medium of their choosing. Pebbly Pals will be shipped to each customer through USPS, and the average shipping cost of \$4.20 is included in the overall cost of the product. Any damaged physical rocks can be returned to the company and customers will be offered a replacement rock.



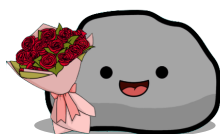
Virtual Product: The purchase of a Pebbly Pal grants the customer access to Pebbly’s online world. Using the same account made at initial purchase, users can log into the website and interact with their online rock. The virtual aspect brings the physical rock to life, furthering the customer’s real connection with their Pebbly Pal.

Accessories: After the initial purchase of their Pebbly Pal, customers can also purchase hand-drawn accessories for their virtual rock, including seasonal or holiday themed items as well as featured accessories exclusive to trade fair purchases. Pebbly will release new accessories monthly, encouraging customers to return to the site and continue updating their personal rocks. The virtual accessories give customers an opportunity to express themselves and explore other creative means with ease.

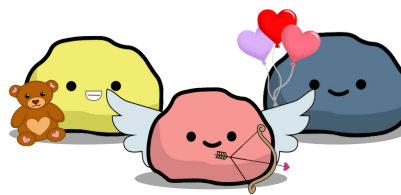
Bundles and Packages: If customers are interested in purchasing more than one accessory, Pebbly offers bundles of three accessories and packages of twelve accessories for a more affordable price than their combined individual prices. Each bundle or package has its own theme, such as the “Love Struck” bundle featuring Valentine’s day essentials as well as the “Rock On” package which is deemed a Pebbly Pal recommended starter package.



Pebble Pal



Single Accessory



Bundle (3 Accessories)



Package (12 Accessories)

Online games: Pebbly’s website grants customers the opportunity to further the relationship with their rock and play online, interactive games. One example of the exciting programs customers can interact with is the “Pebbly Daycare,” where users can dress up and simulate taking care of their online rock with food and water. This helps users form a companionship with their rock and learn the importance of responsibility. Pebbly also features the “Build Your Community” game, where users can stack falling rocks and build their own Pebbly community. This game emphasizes the importance of secure relationships and cooperation.²⁹ Each game is designed and coded by Pebbly employees and new games are released monthly.



Pricing

Pebbly Pals are priced at \$20 per rock. This initial purchase grants customers access to the interactive website. Pebbly also offers a multitude of accessories which can be used for customizing and personalizing each rock. An individual accessory costs \$3, bundles of three accessories cost \$8, and packages of twelve accessories cost \$30. Pebbly’s product prices are determined through consumer-based pricing. The cost of production for the physical Pebbly Pals is \$4.52 and the online accessories is \$0, resulting in a low cost of goods sold. In addition, Pebbly’s consumer base has displayed interest towards products that are more expensive than Pebbly's, such as the company’s main competitor, Nakama, whose price point starts at \$60. The original 1975 pet rocks cost around \$24 accounting for inflation, however their company did not include the virtual aspect that Pebbly offers. Therefore, Pebbly’s pricing remains at the happy medium between the cost of the good and what consumers are willing to pay.

Placement

Trade Shows: Pebbly will attend four trade shows throughout the fiscal year, all of which will occur on a virtual platform. Pebbly expects to make 6.78% of sales through trade fairs, where the company will encourage attendees to purchase their personal Pebbly Pal and begin customizing their rocks with accessories.

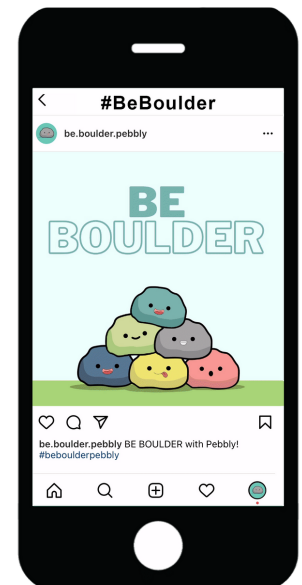


Website: Users purchase their physical Pebbly Pals on the company website, Pebbly-vei.com, allowing users to access their virtual Pebbly Pal through their accounts and play interactive games. Pebbly's website is projected to account for 42.43% of company sales.

Contracts: Pebbly signs out-of-network contracts with local businesses that support the company's vision of social-emotional change. The company expects to make 50.88% of sales from various inter-firm contracts and three out-of-network contracts, offering Pebbly Pals and accessories for other companies' development days at a volume discount.

Promotion

Social Media: Pebbly capitalizes on Generation Z's consistent use of social media. The average Generation Z consumer spends an astounding three hours a day on media platforms.³³ Pebbly utilizes Instagram, Twitter, and Facebook in order to release updates about Pebbly products as well as publicize enticing features about the company. Pebbly will host a multitude of social media campaigns encouraging customers to embody the values of the company and directly interact with the creative process. For example, the "Be Boulder" social media campaign asks customers to post examples on Instagram of the positive impacts Pebbly has had on their lives, such as instilling confidence, motivation, and social-emotional wellness as a whole.



Pebbly incentivizes its customers through the prospect of free Pebbly accessories when using the hashtag "Be Boulder." Customers will post pictures of themselves demonstrating mindfulness skills, such as taking on personal challenges with their Pebbly Pals at their side. By instilling a sense of community within Pebbly's social media following, the company further connects with customers.



YouTube: Pebbly will also take advantage of YouTube, considered by the Pew Research Center to be the most widely used online platform in the nation.²⁰ Pebbly will purchase commercial time and play its company advertisements in front of YouTube videos in order to directly target its desired age ranges and demographics.

Trade Fairs: At trade fairs, Pebbly will use eye-catching graphics and an exciting description of the company to draw participants from the online trade floor to the Pebbly Zoom, where they will hear a sales pitch and join the Pebbly world. Pebbly will offer a free accessory at every trade fair with a customer's initial purchase of a Pebbly Pal. Pebbly will network with other firms at trade fairs and sign inter-firm contracts in order to publicize its company message.

Website (Pebbly-vei.com): Pebbly will promote products through the website, which provides users with a chance to learn more about the company and make purchases. On the website, Pebbly will release new accessories every month that incentivize customers to continue interacting with their Pebbly Pals.

Positioning

With the drastic effects of the pandemic in play, Generation Z consumers are stuck at home and forced into a position of isolation and lack of support. Throughout COVID-19, more than seven in ten within Generation Z have reported increased mental health consequences such as loneliness and stress.²⁶ With this rise in social-emotional issues, Pebbly creates a solution by providing an outlet for stress and allowing users to practice healthy, meaningful relationships with their dependable rock companions. Pebbly further appeals to its target demographic through its use of charming, artistic graphics. Additionally, Pebbly's online games paired with affordable options make Pebbly the prime choice for customers that prioritize affordability and interactivity.

Discussion of Business Risks

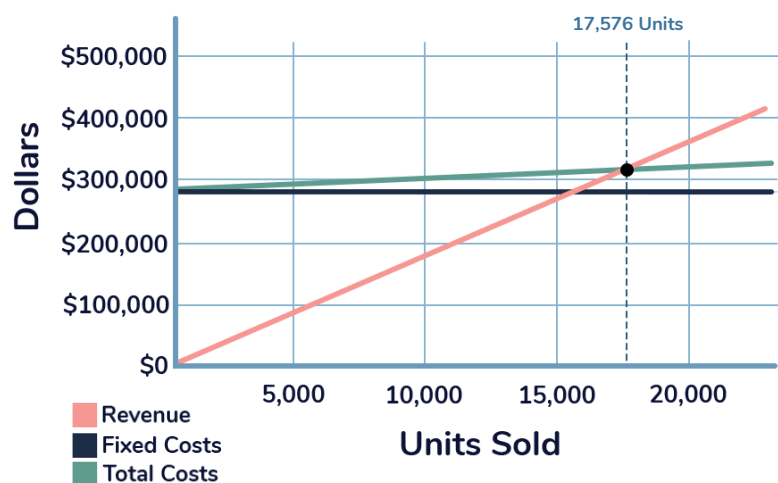
Returning customer: Pebbly risks a small returning customer base due to the company's reliance on microtransactions beyond the initial purchase of a Pebbly Pal. Pebbly addresses this conflict by placing focus upon a variety of micro-purchasing options that fit customer interests. Pebbly will release new accessory batches monthly, including seasonal accessories that fit the ongoing trends, motivating customers to purchase the accessories before the season is over. By releasing "featured" products such as trade fair exclusives, Pebbly encourages customers to purchase new accessories during the brief time they are available. Pebbly will also upsell products by offering tiered pricing through bundles and packages, lowering the cost of accessories per individual item. In addition, Pebbly consistently promotes upcoming accessory and game releases on its social media in order to heighten customer interest before updates are implemented on the site. By constantly revitalizing the products and games on its website and keeping customers informed of releases, Pebbly compels customers to return to the Pebbly world time after time.

Microtransactions: There exists a public perception that microtransactions through online platforms take advantage of customers who may use a guardian's payment information without authorization. In order to combat this issue, Pebbly will require that users input their credit card information with their initial purchase and their information will be stored in their account. If minors use their guardian's card information to purchase products worth \$50 or less, guardians can file a claim for a refund and Pebbly will return the funds. If users purchase more than \$50 over the course of a day, Pebbly will ask customers to reinput their card information for every purchase throughout the day thereafter. This ensures that customers' guardians are informed of and consent to each purchase. Claims over \$50 can be disputed with the guardians' credit card companies as Pebbly is no longer liable. All of this information is stated in the company's terms and conditions. With the addition of the company's social-emotional curriculum onto the Pebbly website, users will learn about healthy decision making, therefore preventing purchasing misconduct from occurring before it reaches the online platform.

Financial Planning

Break-Even Analysis

Pebbly expects to break-even with the sale of 17,576 units at an average price point of \$17.97 per unit after accumulating total revenues of \$315,841. The company will break-even near the end of its first fiscal year in March 2021 due to high volumes of online sales and a high gross profit margin of 88.98%, which was found by weighting the sales of all products according to their popularity and previous sales before averaging their prices and costs accordingly. Pebbly's high gross profit margin can also be attributed to a primarily digital product line with only the physical \$20 rock costing the company a total of \$4.52 per unit for production. Website hosting and digital costs associated with digital accessories are paid on a monthly basis and thus are considered a general operating expense rather than a cost of goods sold. Pebbly maintains fixed operating expenses of \$280,967 and has fewer fixed costs as Pebbly employees are expected to continue to work from home, contributing to a faster break-even.



Balance Sheet

As of February 28, 2021, Pebbly's balance sheet maintains a quick ratio of 7:1 due to its high cash balance and receivables of \$192,054 and current liabilities of \$27,485, indicating that Pebbly can pay back any short term liabilities with its available liquid assets. Total assets consist primarily of cash, inventory for the physical rocks, and various fixed assets. Pebbly chose to be funded solely through the sale of equity, due to a low startup cost, and to have quick loans available in the near future for expansion. Pebbly currently has 17,000 outstanding shares at a par value of \$10 with a distribution as follows: 2,000 shares are owned by VEI in return for a \$20,000 seed investment and 5,000 shares are owned by three angel investors each for a total of 15,000 shares in return for \$50,000 per investor or a total of \$150,000. As a result, Pebbly has a total of \$170,000 in equity funding. Retained earnings of \$2,581 are observed due to the company's high online sales and the execution of two out-of-network contracts in February. At this time, dividends will not be redistributed to investors as profits will be fully reinvested into the company to ensure future financial success.

Assets		Liabilities and Stockholders' Equity	
Current Assets		Current Liabilities	
Cash	\$115,544	Accounts payable	\$21,210
Accounts receivable	\$76,510	Sales tax payable	\$254
Merchandise inventory	\$4,652	Payroll tax and withholding tax payable	\$6,021
Total Current Assets	\$196,706	Total Current Liabilities	\$27,485
Fixed Assets		Long Term Liabilities	
Computers	\$3,100	Loan payable	\$0
Less: accumulated depreciation	\$207	Total Long Term Liabilities	\$0
Furniture and fixtures	\$175	Total Liabilities	\$27,485
Less: accumulated depreciation	\$12	Stockholders' Equity	
Office equipment	\$325	Common stock, \$10 par value, 17,000 shares issued	\$170,000
Less: accumulated depreciation	\$21	Retained earnings	\$2,581
Total Fixed Assets	\$3,360	Total Stockholders' Equity	\$172,581
Total Assets	\$200,066	Total Liabilities and Stockholders' Equity	\$200,066



Summary Profit-Loss Statement

Pebbly projects total revenues of \$400,663 for its first fiscal year ending on April 30, 2021, consisting of 42.34% of sales from website sales, 6.78% from various trade shows, and 50.88% from Pebbly's out-of-network and inter-firm contracts. An additional \$10,000 of revenue is attributed to an in-network contract with VEI West unrelated to the sale of Pebbly products. With an average gross profit margin of 89.25% for all expected revenues and an average gross profit margin of 88.98% for all expected merchandise sales and contracts, Pebbly estimates a gross profit of \$357,601. Pebbly's operating expenses add to a total of \$280,967 over six months which primarily consists of payroll, payroll taxes, and marketing expenses. Marketing expenses are averaged out to \$4,000 a month with a distribution between trade fairs and social media advertisement. After operating expenses, the firm produces a net profit of \$76,634 and pays the 21% corporate income tax of \$16,093 as a C corporation. As a result, the firm will make a net income of \$60,541 after taxes at year-end, marking a successful financial year.

Projected Summary Profit and Loss For the Year Ending 4/30/2021	
Total Revenue	\$400,663
Total Cost of Goods Sold	\$43,062
Total Gross Profit	\$357,601
Gross Margin %	89.25%
Total Operating Expenses	\$280,967
Net Profit	\$76,634
Corporate Taxes	\$16,093
Net Income After Taxes	\$60,541

Sales Projection Summary

Pebbly's sales projections are based on distribution ratios from previous months and associated sales figures, and are updated on a monthly basis to reflect new trends in data.

	Actual	Actual	Actual	Actual	Projected	Projected	Projected
Sources of Revenue	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	TOTAL
Online and VE Contractual Sales	\$540	\$1,219	\$5,031	\$80,136	\$23,822	\$32,814	\$143,562
Trade fair revenues	\$2,720	\$11,208	\$0	\$0	\$10,210	\$14,063	\$38,201
Contractual sales to non-VE entities	\$0	\$0	\$0	\$104,450	\$104,450	\$0	\$208,900
Other	\$0	\$0	\$10,000	\$0	\$0	\$0	\$10,000
Total Sales Revenues	\$3,260	\$12,427	\$15,031	\$184,586	\$138,482	\$46,877	\$400,663

November: Pebbly attended the Fall Western Region Trade Fair and launched its website but faced low sales as accessories and games had not been released. Nonetheless, Pebbly nearly turned a profit on the trade fair despite low marketing exposure with gross profits of \$2,523 and trade fair fees of \$3,000 for a net loss of \$477.

December: Pebbly attended the first VE National Trade Fair and simultaneously showcased a new set of 24 accessories, accompanied by a revamped website design optimized for future scalability with games. Trade fair revenues jumped significantly from \$2,720 in the previous month to \$11,208 in December, and increased marketing exposure resulted in a slight increase in website sales.

January: Although the Winter Western Region Trade Fair was available, Pebbly chose to opt out in preparation for the upcoming February launch of games and new accessories. As a result, Pebbly's sales were fairly low due to lost trade fair income, but sales from online sources continued to increase by over 300% as a result of improved brand awareness.

February: Pebbly did not attend a trade fair in the month of February and projects zero sales from that category. However, as a result of the new release of accessories and a new Valentine's Day theme for the website, Pebbly experienced a sharp uptick in online sales. Pebbly also hosted a local community event in which community members could purchase digital Pebbly Pals, significantly contributing to the increase in online sales. Pebbly plans on splitting its maximum out-of-network contract value into four contracts, with the first two taking effect in February, which are projected to bring in \$104,450.

March: Pebbly plans on forming two new out-of-network contracts in March to complete the maximum value of \$208,900. In addition, Pebbly will attend the final Western Region Trade Fair in March, showcasing a new line of Pebbly accessories and a refreshing spring-themed website design, prompting a new wave of users to join the Pebbly ecosystem.

April: Total projected sales for April are expected to drop in comparison to the preceding months due to the end of the out-of-network contract. Nonetheless, Pebbly projects sustainable sales growth in the online website sales category with the final accessory release of the year, increasing steadily from \$23,822 to \$32,814 month-over-month. Additionally, \$14,063 is projected from trade fairs with Pebbly's attendance of its final trade fair for the first fiscal year, the National Youth Business Summit, which boasts larger audiences and exposure, resulting in higher trade fair revenues than previous months.

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Appendix

Account details

Account:	Pebble (Budget Checking) - 630328129 ▼			Download account details (Excel)
Period:	from	03/17/2020	until	02/28/2021 Show

Date	Name/Description/Acct#	Ref#	Amount	Balance
Feb. 28, 2021	Ricky Luo.22120.22120 (US021804), South Pasadena, CA VE Checkout transaction #558161 02/28/2021 09:39 PM CT Acct #630847878	5483350	\$32.10	\$115,544.28
Feb. 28, 2021	Jonathan Choi.22110.22110 (US021804), South Pasadena, CA VE Checkout transaction #558048 02/28/2021 05:26 PM CT Acct #630847754	5483124	\$42.80	\$115,512.18
Feb. 28, 2021	Matthew Baer.3853.3853 (US021804), South Pasadena, CA VE Checkout transaction #558030 02/28/2021 04:45 PM CT Acct #630773696	5483088	\$117.70	\$115,469.38
Feb. 28, 2021	Nicole Lu.3872.3872 (US021804), South Pasadena, CA Monthly Salary for Nicole Lu Acct #630773947	5481224	-\$1,000.00	\$115,351.68
Feb. 28, 2021	VEI-WEST PROPERTY MANAGEMENT, Bakersfield, CA Monthly Salary for Warehouse Worker #2 Acct #610119117	5481216	-\$800.00	\$116,351.68
Feb. 28, 2021	VEI-WEST PROPERTY MANAGEMENT, Bakersfield, CA Monthly Salary for Warehouse Worker #1 Acct #610119117	5481214	-\$800.00	\$117,151.68
Feb. 28, 2021	Zachary Lukavsky.22119.22119 (US021804), South Pasadena, CA	5481152	-\$1,000.00	\$117,951.68



3619-3735 San Gabriel River Pkwy, City Of Industry, CA
 Phone: (626) 808-2307
 Fax: (626) 441-5825
 pebbly.ca@veinternational.org

Business Contract

This agreement is effective as of March 16, 2021 between Pebbly and Marengo Elementary School. The parties hereby agree to the following terms and conditions:

DESCRIPTION OF SERVICE/SUPPLIES:

Pebbly hereby agrees to provide its social-emotional curriculum to Marengo Elementary School. The curriculum materials produced in the form of slideshow presentations, videos, worksheets, etc, will be Pebbly's intellectual property adapted from standards-based curriculum provided by The Contentment Foundation. Volunteers from Pebbly will dedicate a minimum of 2 lessons during the 2020-2021 school year, on tentative dates April 23 and May 7.

TERMS AND CONDITIONS - This contract agreement may be cancelled within a 90 day written notice. The period of this contract is from the effective date until exactly four months afterward. Title and ownership of this agreement is non-transferable to any other party. The official dates will be decided by the company's social-emotional committee and Kristin Pittman.

Pebbly hereby agrees to honor the period of the contract agreement and the terms specified above.

CANCELLATION – The contract may not be cancelled without the written agreement of both parties. Any party defaulting on the stated terms will incur the costs associated with recovery and all associated litigation fees.

The signatures below represent the authority to fully execute this agreement.


 Signature of Kristin Pittman

Kristin Pittman, Rollout Representative

Printed Name / Title


 Signature of Pebbly CEO

Jason Kim, Chief Executive Officer

Printed Name / Title

3/15/21

Date

323)494-1758

Phone Number

3/12/21

Date

(323)333-4350

Phone Number



Capital Group
333 S Hope St 22nd Floor, Los Angeles, CA 90071
(800) 421-4225
chrylhm@gmail.com

Business Contract

This agreement is effective as of 2/25, between **Capital Group** and **Pebbly** from 2/25-2/25. The parties hereby agree to the following terms and conditions:

DESCRIPTION OF SERVICE/SUPPLIES:

Capital Group hereby agrees to purchase the items below, supplied by **Pebbly**.

Item 001	Quantity	Unit Price (\$)	Extended Price (\$)
Pebbly Rocks	1045	20	20,900
Item 002	Quantity	Unit Price (\$)	Extended Price (\$)
Accessory Packages	1045	30	31,350
Total (Items 001-002)			\$ 52,250.00

TERMS AND CONDITIONS - This contract agreement may be cancelled with 90 days **(or other terms)** written notice. The period of this contract is **(can be for a one-time purchase, or for monthly purchases for one year or more)** from the effective date unless modified in writing 90 days in advance on any agreed delivery dates stated in the agreement. Title and ownership of this agreement is non-transferable to any other party.

Pebbly guarantees delivery of the quantities and items stated above in accordance with the terms and conditions stated in this agreement. **Pebbly** hereby agrees to honor the firm-fixed prices stated above during the period of the contract agreement with no consideration for economic price adjustments. **(unless other terms are agreed upon)**

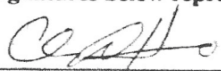
CANCELLATION – The Contract may not be cancelled without the written agreement of both parties. Any party defaulting on the stated terms will incur the costs associated with recovery and all associated litigation fees.



RENEWABLE OPTIONS – During the final period of this agreement, either party may offer to negotiate optional years.

CORPORATE COMMITMENT – By signing this agreement, the **Capital Group**, hereby agrees to offer the expertise of its officers as advisors to **Pebbley**. This mentoring will assist in the successful operations of **Pebbley**, thus protecting your valued investment in our product.

The signatures below represent the authority to fully execute this agreement.


Signature of Capital Group

2/25/2021
Date

Cheryl Ho / Senior Market Data Analyst
Printed Name / Title

310-606-0330
Phone Number


Signature of Capital Group Representative

Printed Name / Title

Phone Number


Signature of Pebbley Representative

2/25/2021
Date

Joseph Brubaker Vice President of Finance
Printed Name and Title

818-853-3858
Phone Number



Beyond the
Classroom

10/29/20

VE Central Office
122 Amsterdam Avenue
New York, NY 10023

Dear Teri Jones,

Please accept this letter of support as my intention to invest \$50,000 in Pebbly. In exchange for this investment of funds, I understand that I will be taking an equity stake in their business by receiving a commensurate number of shares of stock in their company.

I affirm that I have done the following to review and evaluate this company:

1. Listened to a business pitch from the executive team outlining the firm's business plan, including the marketing plan, operating budget, and sales/revenue projections.
2. Reviewed company projections and assumptions.
3. Engaged in Q&A or discussion to clarify and guide the firm's direction.

I understand that upon approval of this equity investment by the VE Central Office, Pebbly will prepare and send to me a stock certificate outlining the number of shares awarded based on a \$10 Par Value. I also understand that as a result of my investment, I will be placed on the company's Board of Directors.

As a business, Beyond the Classroom believes in nurturing children's emotional intelligence. Pebbly's core values align with our mission, and Beyond the Classroom is more than thrilled to be working with this company.

Sincerely,



Samantha Montes
Founder, Beyond the Classroom
(626)394-8954 / beyondtheclassroomsp@gmail.com

**GODDARD
PARKER**
CONSULTING
making systems make sense

10/29/20

VE Central Office
122 Amsterdam Avenue
New York, NY 10023

Dear Teri Jones,

Please accept this letter of support as my intention to invest \$50,000 in Pebbly. In exchange for this investment of funds, I understand that I will be taking an equity stake in their business by receiving a commensurate number of shares of stock in their company.

I affirm that I have done the following to review and evaluate this company:

1. Listened to a business pitch from the executive team outlining the firm's business plan, including the marketing plan, operating budget, and sales/revenue projections.
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I understand that upon approval of this equity investment by the VE Central Office, Pebbly will prepare and send to me a stock certificate outlining the number of shares awarded based on a \$10 Par Value. I also understand that as a result of my investment, I will be placed on the company's Board of Directors.

I am very excited to invest in this company that will bring joy and social emotional support to so many. At Goddard Parker Consulting, we strive to ease the stress of our clients by helping to simplify solutions and demystify systems. Pebbly's goals of bringing comfort and peace of mind to its customers is right in line with our company's mission. I look forward to supporting this organization's growth.

Sincerely,



Dianne Parker
Principle, Goddard Parker Consulting
(818) 601-7428 / parker123@earthlink.net



10/29/20

VE Central Office
122 Amsterdam Avenue
New York, NY 10023

Dear Teri Jones,

Please accept this letter of support as my intention to invest \$50,000 in Pebbly. In exchange for this investment of funds, I understand that I will be taking an equity stake in their business by receiving a commensurate number of shares of stock in their company.

I affirm that I have done the following to review and evaluate this company:

1. Listened to a business pitch from the executive team outlining the firm's business plan, including the marketing plan, operating budget, and sales/revenue projections.
2. Reviewed company projections and assumptions.
3. Engaged in Q&A or discussion to clarify and guide the firm's direction.

I understand that upon approval of this equity investment by the VE Central Office, Pebbly will prepare and send to me a stock certificate outlining the number of shares awarded based on a \$10 Par Value. I also understand that as a result of my investment, I will be placed on the company's Board of Directors.

It's with great pleasure and excitement to have the opportunity to invest in such a creative and innovative team.

Sincerely,

Michael Baer
Chief Operations Officer, The Social Hog
(323)-348-6484 / Michael@thesocialhog.com