



For When Life Gets Rocky

About the Business



Pebbly Pals



Physical Aspect

Pebbly sends a physical rock to customers, who can use their imaginations to creatively interact with their sedentary partner. For example, customers are able to play with and dress up their rocks.

&



Virtual Aspect

With the purchase of a Pebbly Pal, customers can register on Pebbly's website, granting them the opportunity to customize and take care of their rock online.

Pricing & Accessories



Pebbly Pal - \$20



Single Accessory - \$3



Bundle (3 Accessories) - \$8



Package (12 Accessories) - \$30

Accessories: Virtual items/add-ons that customers can purchase to change the aesthetic of their Pebbly Pals

Company Overview

Pebbly is established as a C corporation with 4 major shareholders in order to incentivize investors and make way for future expansion opportunities. The company is a part of the novelty gifts and online gaming industries and the production warehouse is 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.

Business Rationale



Problem Statement

In the past 12 years, the prevalence of social and emotional issues has increased by 71% among Generation Z.* 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.* Even after the pandemic, although the issue of isolation will slowly subside, Generation Z will still face many of the same social-emotional challenges.

Solution Statement

Pebbly works to combat widespread social-emotional issues by providing useful, engaging games and opportunities for valuable companionships. Research illustrates that pet companions reinforce trust and compassion, as 74% of pet owners report mental health improvements. Additionally, studies show that video games in moderation can decrease depression by up to 20%, while also exhibiting improvements in socialization and decision-making skills.

Corporate Social Responsibility

Pebbly partners with the Contentment Foundation, an international nonprofit that provides Pebbly with professional strategies for creating a healthy school community without charge. As outlined in its contract with the foundation, Pebbly will adapt an established curriculum and create its own lesson plans involving slideshows, short activities, and worksheets. Pebbly employees will spend two hours a month each teaching K-2nd grade students in the South Pasadena Unified School District how to cope with social-emotional issues.



Short Term & Long Term Goals

First Year

- Create **interactive games** and chatting system
- Begin **social media campaigns** featuring customers' Pebbly Pals
- Pursue the Contentment Foundation **partnership**



Third Year

- **License** its artwork and characters to ensure profit
- Add its own **social-emotional curriculum** to website with infographics, storybooks, etc.



Fifth Year

- Create extended **Pebbly world** through licensing materials
- Expand **curriculum** reach to include Generation Z



Marketing Plan



Target Market

- **Primary: Generation Z** due to their direct connection with social and emotional issues
 - Pebbly offers stability and companionship in order to practice coping mechanisms
- **Secondary: Millennials**
 - Parents who will purchase Pebbly products for their young children

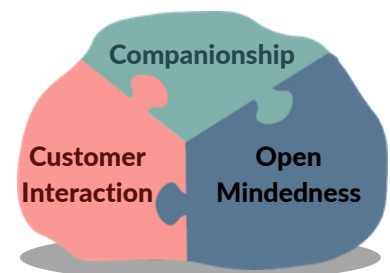
Psychographic

- Sentinels with a **sedimentality** composed of:
 - **Companionship**: Customers who regularly interact with their rocks
 - **Open Mindedness**: Customers who step out of their comfort zone

Promotion

- **Advertisements**: Sponsored Instagram posts in order to promote company platforms and website
- **Video commercials**: Purchase commercial time prefacing popular, widely viewed Youtube videos
- **Trade Fairs**: Pebbly will attend 4 trade shows where attendees learn about the company through one-on-one interactions
- **Social media campaigns**: Encourage customer interaction with the company
 - "Be Boulder Campaign" will promote positive impacts on customers' social emotional wellness

43%
of Gen Z teens say their stress has increased due to the pandemic*



Company Risks

Pebbly may risk a **small returning customer base**. However, the company ensures its financial success by revitalizing the customer experience—releasing seasonal bundles of accessories on a bimonthly basis. Additionally, there exists a public perception that **microtransactions** through online platforms take advantage of younger children. Pebbly will institute an honor code which requires users to acknowledge that they will purchase responsibly while on the site. Pebbly will work alongside the Contentment Foundation in teaching students how to make ethical decisions and apply healthy coping skills.

SWOT Analysis

Strengths

- Social media campaigns
- Low Overhead Costs

Weaknesses

- Association with a Fad
- Emphasis on Microtransactions

Opportunities

- Virtual Versatility
- Inter-firm Contracts

Threats

- Adjusting post-pandemic
- Intellectual property issues

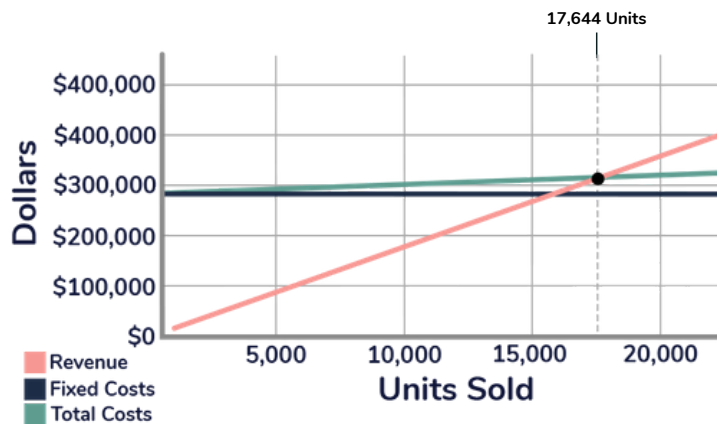
Financial Highlights and Projections



Break-Even Analysis

Pebbly expects to break-even with the sale of 17,644 units at an average price point of \$17.88 per unit, after accumulating total revenues of \$315,516. The company will break-even by the end of its first fiscal year in April 2021 due to high volumes of sales at trade shows and a high average gross profit margin of 90.22%, which can be attributed to the low cost of production of digital products. The giftable nature of Pebbly's products will greatly contribute to sales throughout the year, particularly in the 2020 holiday season and other similar holidays, further accelerating the road to break-even.

| | |
|-------------------------------------|-----------|
| Average selling price per sale | \$17.88 |
| Average cost of goods sold per sale | \$1.75 |
| Average profit rate | 90.22% |
| Annual fixed cost | \$284,673 |



Balance Sheet

| Assets | |
|--------------------------------|-----------------|
| Current Assets | |
| Cash | \$46,620 |
| Accounts receivable | \$0 |
| Merchandise inventory | \$6,207 |
| Total Current Assets | \$52,827 |
| Fixed Assets | |
| Computers | \$3,100 |
| Less: accumulated depreciation | \$155 |
| Furniture and fixtures | \$175 |
| Less: accumulated depreciation | \$9 |
| Office equipment | \$325 |
| Less: accumulated depreciation | \$16 |
| Total Fixed Assets | \$3,420 |
| Total Assets | \$56,247 |

| Liabilities and Stockholders' Equity | |
|--|------------------|
| Current Liabilities | |
| Accounts payable | \$0 |
| Sales tax payable | \$1,417 |
| Payroll tax and withholding tax payable | \$0 |
| Total Current Liabilities | \$1,417 |
| Long Term Liabilities | |
| Loan payable | \$0 |
| Total Long Term Liabilities | \$0 |
| Total Liabilities | \$1,417 |
| Stockholders' Equity | |
| Common stock, \$10 par value, 17,000 shares issued | \$170,000 |
| Retained earnings | |
| Total Stockholders' Equity | \$170,000 |
| Total Liabilities and Stockholders' Equity | \$171,417 |

As of January 31, 2021, Pebbly's balance sheet maintains a quick ratio of 33:1 due to its high cash balance and low liabilities, indicating that Pebbly can pay back any short term liabilities with its available liquid assets. Pebbly is solely funded through the sale of equity with four other major shareholders: \$20,000 seed money from VEI and \$50,000 each from three private investors for a total of \$170,000 in equity funding.

Sales Projections Summary



| | Actual | Actual | Actual | Projected | Projected | Projected | |
|--------------------|----------------|-----------------|----------------|------------------|------------------|-----------------|------------------|
| Sources of Revenue | November | December | January | February | March | April | Total |
| Online | \$540 | \$1,219 | \$5,031 | \$5,477 | \$8,350 | \$15,015 | \$35,632 |
| Tradeshow | \$2,720 | \$11,208 | \$0 | \$11,234 | \$17,128 | \$30,800 | \$73,090 |
| Out-of-Network | \$0 | \$0 | \$0 | \$104,450 | \$104,450 | \$0 | \$208,900 |
| Other | \$0 | \$0 | \$10,000 | \$0 | \$0 | \$0 | \$10,000 |
| Total | \$3,260 | \$12,427 | \$5,031 | \$121,161 | \$129,928 | \$45,815 | \$327,622 |

Pebbly projects strong sales throughout the year with 11.22% of sales expected from online sales, 23.01% from various trade shows, and 65.77% from Pebbly's out-of-network contract and any interfirm contracts. Despite underwhelming sales figures in November, Pebbly made particularly high sales for the month of December due to the larger audience offered by the first VE National Trade Show. In addition, future trade shows are expected to bring in a considerable share of Pebbly's revenue. Pebbly will also be initiating four out-of-network contracts in February and March for the maximum total out-of-network sale of \$208,900 worth of merchandise.

Projected Profit & Loss and Operating Expenses

Pebbly projects total revenues of \$317,622 for its first fiscal year ending on April 30, 2021. With an average gross profit margin of 90.52% for all expected revenues, Pebbly estimates a gross profit of \$296,573. Pebbly's operating expenses add to a total of \$284,673 over six months and primarily consist of payroll, payroll taxes, and a monthly marketing budget along with other miscellaneous fixed expenses. As a result, the firm will make a net income of \$9,401 after taxes at year-end.

Projected Profit & Loss For the Year Ending 4/30/2021

| | |
|--------------------------|-----------|
| Total Revenue | \$327,622 |
| Total Cost of Goods Sold | \$31,049 |
| Total Gross Profit | \$296,573 |
| Gross Margin % | 90.52% |
| Total Operating Expenses | \$284,673 |
| Net Profit | \$11,900 |
| Corporate Taxes | \$2,499 |
| Net Income After Taxes | \$9,401 |

Startup Budget As of 1/31/2021

| Operating Expenses | Amount |
|---|------------------|
| Payroll | \$38,571 |
| Payroll Taxes | \$2,951 |
| Warehouse Rent | \$1,380 |
| Warehouse Utilities | \$115 |
| Marketing | \$4,000 |
| Legal Fees | \$200 |
| Business Insurance | \$80 |
| Worker's Compensation | \$714 |
| Total One Month Operating Expenses | \$48,010 |
| Initial Inventory | \$9,090 |
| Fixed Assets | |
| Computers | \$3,100 |
| Warehouse Furniture & Fixtures | \$175 |
| Warehouse Equipment | \$325 |
| Total One Time Expenses | \$12,690 |
| Three Month Operating Expenses | \$144,030 |
| Operating Expenses + One Time Expenses | \$156,720 |

