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WELCOME TO FIRST CHOICE CARDS

Thank you for taking the time to consider joining **First Choice Cards**. The following pages are designed to act as a synopsis of the information given at your interview and to help you and your financial and legal advisors assess this exciting opportunity.

It should be pointed out that although the **First Choice Cards** Franchise is not a get rich quick scheme, there are a number of factors that make it an extremely attractive proposition.

ESTABLISHED MARKET

Everyone would agree that the card market is well established. However, few people are aware that by 2008, it was worth a staggering £1.2billion. By enabling our franchisees to service a large established market, there is far less likelihood of failure. **First Choice** are proud of their record of successful franchising.

CONSISTENT INCOME

The card market does not suffer any negative seasonal trends. Indeed there are several established seasonal events (Christmas, Valentines, Easter, Mothers Day, Fathers Day, etc.), which help to increase sales. The static nature of the card market ensures that the franchisee benefits from a consistent income level. This is vital to any new business and is a key factor in the development and expansion of a **First Choice** franchise.

FLEXIBILITY

Operating a **First Choice** franchise is made easier because of the extreme amount of flexibility enjoyed in this industry. Cards have no short-term "shelf life" and therefore, your sites need only be visited every four weeks. In addition, the time and exact frequency of your calls can vary without negatively affecting your sales. This is very much a business that can fit in with your personal, family, work, leisure and holiday commitments.

HASSLE FREE

The franchise and the method of merchandising make this an easy to run business. Typical problems such as staff recruitment, delivery deadlines, cash flow management and debt recovery are simply not encountered by **First Choice** franchisees.

POTENTIAL

Once your outlets are established, the business can be expanded in two major ways. Firstly, by increasing the number of outlets (and this is something that **First Choice** actively promote) and secondly, by providing the established outlets with another product. **First Choice** have already introduced several new "targeted" card ranges and gift-wrap packs and these can significantly increase the earning potential of each outlet. **First Choice** are currently piloting a number of other potential products and marketing methods, these may well be available in the near future.

REMEMBER!

*The card industry is long established and a **First Choice** franchise carries little risk. Once established it provides a consistent income in a flexible and hassle free environment with the ability to expand the business at your own rate.*

The Company

First Choice Cards is a privately owned company specialising in the design, manufacture and marketing of a wide range of greetings cards. Now in its 14th year of trading, the Shareholders, Directors, staff and advisors have many years of experience in both the card industry and successfully establishing national retail Franchise chains. This experience, coupled with a thoroughly proven retailing method is crucial for your business success. As you investigate further you will see that **First Choice** offers the Franchisee an unequalled opportunity to enjoy the benefits of this growing market.

Marketing, administration and distribution of the franchise network is controlled by the company's Sussex based offices. Potential franchisees are encouraged to visit our office as the complete range of cards and related products are permanently displayed.

REMEMBER!

First Choice has invested heavily in the formation of a franchise format that gives the franchisee an unparalleled degree of personal freedom. In other words; "the system works, so you don't have to".

The Product

There are many types of greetings card on the market, ranging from "cheap" poorly produced cards to quality "art cards" costing well over £3.00 each. Obviously, the majority of sales occur in the middle range where it is possible to buy a well designed, produced and packaged card for around £1.75. Sales in this sector of the market account for approximately 80% of all sales. **First Choice** offer a wide range of cards which include "cute", "humorous" and "traditional" as well as catering for all the seasonal events such as Christmas, Valentines Day, Mothers Day, Easter, Fathers Day, etc.

All of the cards in the core range are uniquely designed in as much as they are coloured on the inside as well as the outside. This helps to give an overall feeling of quality to the range. All cards are individually wrapped with a colour co-ordinated envelope as this is more presentable and avoids the problem of "handling" damage. **First Choice** cards have a normal retail price of 99p inclusive of V.A.T. and therefore, represent excellent value for money.

One of the most important aspects of card sales is to ensure that designs are constantly updated and replaced and the card ranges are expanded and developed. Obviously the most popular cards are reprinted and any slower selling designs are replaced. By using **First Choices** own artists and paying careful attention to trends in the retail market (information often gained from our franchise operation), **First Choice** designs are designed to reflect the buying trends of the public.

This is one of the main reasons for the sales success of **First Choice** cards. In order to keep the Franchise system simple; all cards in the core range are the same size, have the same selling price, contain the same element of profit and are supplied on the same generous credit terms.

In addition to the core range, **First Choice** now offer a choice of gift wrap (retailing at £1.15) and the Designer Range of large "code 50" cards (retailing at £1.25). The gift-wrap comprises of two full size sheets of wrapping paper and two matching gift tags. It has been specifically designed to sell along side the card ranges and it hangs on the same stand via a specially designed adapter.

REMEMBER! First Choice franchisees are not obliged to order any quantity or type of card and only pay for product they have already sold.

Area

Each franchisee is allocated their own exclusive area. This will have been demographically and geographically designed to hold in excess of 200 "sites". By looking at availability, serviceability population, urban and rural contrast, etc. it is possible to produce a "model" area. Once agreed, your area is incorporated into your franchise agreement and defined by a number of postcodes. This ensures that the precise boundaries are clearly marked. Whilst most people would prefer to live in

the area they service, this is by no means a pre-requisite of operating the business and it is envisaged that many franchisees will live outside the boundaries of their area.

***REMEMBER!** Your franchise area is exclusive and guarantees that only you can supply **First Choice** products to your customers.*

Set Up

Having agreed your franchise area, you will start to establish a number of sites within existing retail outlets. Obviously the location of the sites will be as close to your home as is reasonably possible. This minimises the need to travel thus reducing overheads. Of vital importance is the type and quality of the site and **First Choice** are as eager to establish “successful” sites as you are. Therefore certain types of retail outlets are targeted like:

Post Offices and Newsagents
Convenience Stores and Super/Mini Markets
Card Shops and Gift Shops
Petrol Station shops
Chemists and Garden Centres.

In other words, outlets that are already, almost certainly selling greeting cards. If an outlet already sells cards, we will be servicing an existing market and this is one of the main reasons for the success of your **First Choice** franchise. Any outlets found that fall outside the main categories will only be installed with the franchisees prior approval. This ensures that sites are of the highest possible calibre and produce an acceptable level of sales.

Stock Ordering

Once the sites are established, the main task of the franchisee is to visit each outlet approximately every four weeks and replace the cards and gift-wrap that have sold. Obviously, when ordering, the exact quantity of each design required will not be known. In a poorly structured franchise, this could lead to the franchisee having to purchase and stock a large quantity of product. **First Choice** franchisees do not have this problem and this is largely due to our highly organised warehouse and delivery operation. This enables the franchisee to only place one stock order a month and our “next day” delivery system means that stock can be ordered immediately prior to merchandising. Importantly, when merchandising stock is delivered, no payment is required at that time. Only 30 days later, when the franchisee has merchandised and collected payment, do they become liable to settle the invoice. The same system operates for **First choice** gift-wrap and the Designer Collection ranges.

REMEMBER!

*Once established, **First Choice** franchisees only need pay for cards and gift-wrap they have already been paid for. This ensures positive cash flow and puts you in charge of your business finances.*

Merchandising

There are four main reasons for a merchandising visit and these are:

1. To replace the products that have sold, introduce new designs and seasonal cards and ensure the display is in first class condition.
2. To issue an invoice and collect payment for the cards and gift-wrap sold.
3. To work on and improve the franchisee’s relationship with the retailer.
4. To look at ways in which the profits can be increased or maximised from the outlet.

All these elements are of vital importance and much time is spent training franchisees to perform the tasks efficiently. In this type of business, outlets are often referred to as “cash cows”; i.e. you visit them monthly and “milk” them for cash. In fact, the analogy is really quite accurate in as much as; just like a dairy herd, the better you treat and handle them, the better the yield they produce. This

is one area in which the effort and the enthusiasm of the franchisee can have a significant effect on the profitability of the business. Typically, franchisees merchandise between 10 and 12 outlets a day and this makes for a high rate of return per hour worked. Retailers normally pay by cash (from the till) and because they have previously agreed (in writing) to pay you at the time of merchandising, the incidence of late/non payment is minuscule.

REMEMBER!

First Choice have chosen to design a business system that enables the franchisee to operate efficiently with the minimum overheads and in a flexible and hassle free environment.

Training

Training is a very important part of the **First Choice** business system and each course is tailored to account for the business and life experience of the franchisee. Courses are never concluded until the trainee has agreed and demonstrated a sufficient understanding of the subject. As training is of a vocational nature (work related) much of what is taught is immediately used in the operation of the franchise. **First Choice** courses fall into two main categories and these are:

- “Field” training
- “On-going” training

Field training deals with the day-to-day running of the franchise. During the “start up” phase of their business, franchisees are encouraged to spend time working (in a watching capacity) with the outgoing franchisee. This gives them a clear idea of the role of the person and will prove equally valuable when you establish your own sites. Help with installing and merchandising the first outlets is available on request and for those new to business, this can help gain some confidence.

On-going training is designed to ensure that every franchisee has the same level of knowledge and the beneficial experiences of established franchisees are shared by all. In addition, all franchisees are able to request management visits where senior members of the company make themselves available to help solve any operational difficulties or even discuss the best way to grow the business. Finally, **First Choice** hold regular franchise councils and apart from the “feel good” factor that this generates, it also gives the company the opportunity to introduce new products or advise franchisees of any procedural changes.

Facts And Figures

Obviously, there are a number of financial issues which must be weighed up before anyone makes the decision to join **First Choice Cards**. Although with the **First Choice** Franchise system income is generated quickly, the Franchisee should be aware that there is a period of approximately 3 months before all the initial sites are producing their optimum result. Therefore, you will need to study the following information carefully before making a final decision.

REMEMBER!

*Whilst **First Choice** are prepared to give profit forecasts based on the performance potential of existing franchised areas, the exact performance of your franchise will depend on your ability to operate the system and you should satisfy yourself that you have the necessary enthusiasm and commitment to succeed.*

Earnings potential

The **First Choice** franchise system ensures that the profit potential of each outlet is maximised, as overheads are kept to a minimum.

Once a site is established and has had time to mature (approximately three months) an average monthly sale of 60* cards and 10* packets of gift-wrap is anticipated. The following example shows the potential of the **First Choice** system. Please note that extra profits from the sale of other

First Choice ranges and seasonal sales (Valentines etc.) have not been included and will add significantly to the figures shown.

Number of Outlets 100 = £26,910. 150 = £40,365. 200 = £53,820

Expected Annual Rate of Gross Profit (Assumes average sales per outlet).*

Typically, most franchisees will look to start with a minimum of 50 outlets (which takes just 5 days a month to service) and then build up to 100 outlets as quickly as possible. All franchise territories are designed to hold a minimum of 200 outlets.

REMEMBER! The difference between Gross and Net profit is generally small as there is no need for the franchisee to have specialist vehicles, equipment or storage. This allows the franchisee to retain a high proportion of profit and typically recover their investment within the first 12 months, whilst building a valuable asset.

*Based on the fourth merchandising visit to a correctly sited and properly merchandised outlet.

Investment Requirements

As with most franchise operations a degree of investment is required. However unlike most, **First Choice** do not require all the investment “upfront”. This not only helps the franchisee with cash flow but also gives a high degree of confidence as the business is only finally paid for, once it has been fully established.

Initial franchise investment: This buys the rights to operate the business as well as a complete franchise training, stationery and support package. The initial franchise investment is payable “up front”

Working capital: This is used to finance the stock, stands, etc. and is payable either on receipt or supplied on credit. The amount of working capital required is totally dependent on the number of sites required and the method of financing.

Most people considering this opportunity will have already given some thought to funding and it is envisaged that potential Franchisees would have some capital immediately available to them.

However, because of the experience of the **First Choice** personnel, there are a number of potential methods of securing part or all of the necessary funding. Full details are available on request.

Typically most people start on 100 sites however, each franchisee can choose the number of initial sites that suits them and build the business at their own pace.

REMEMBER!

First Choice have opted to allow the franchisee to spread their total investment over time allowing income to be generated before the business is fully paid for. In addition a First Choice franchise is a potentially valuable asset which (subject to the terms of the franchise agreement) can be sold or passed on to another person.

PURCHASED OPTION £ 14999

INITIAL FRANCHISE INVESTMENT INCLUDES:

EXCLUSIVE FRANCHISE AREA

MINIMUM FRANCHISE AREA POPULATION OF 500,000

50 ACCOUNTS READY SITED (INC. RACKS, FURNITURE, CARDS & GIFT WRAP)

AREA CAPABLE OF HOLDING A MINIMUM OF 200 SITES

BREAKDOWN OF COST PER SITE

Siting Fee	£50.00
Stock Cards (192 x £0.25)	£48.00
Gift Wrap (16 x £0.39)	£ 6.24
48 pocket spinner rack	£60.00
Header board	£ 0.80
Insert titles (48 x £0.06)	£ 2.88
Delivery costs	<u>£ 1.84</u>
TOTAL	£169.74

50 SITES X £169.74 =	£8487
Franchise Fee	= <u>£6512</u>
TOTAL	£14999

All figures are subject to V.A.T.

THE PURCHASE PRICE CAN BE CONSIDERABLY REDUCED IF THE NEW FRANCHISEE WISHES TO FIND AND ESTABLISH THEIR OWN NEW ACCOUNTS.

50 SITES @ £50 IS A SAVING OF £2500 BRINGING THE COST DOWN TO £12499.

What Next?

If you have not yet met a **First Choice** representative and would like to do so, please contact the office on 01243 553331 or e-mail us at ardenpublications@hotmail.co.uk. However, we hope that if you are reading this as a subsequence of a recent meeting, you will now have had time to consider the opportunity and are sure that you will feel encouraged by the **First Choice** Franchise package. The following information is designed as a guide as to what to do next. We look forward to hearing from you soon.

Check It Out

Hopefully, most of what you have heard or read about the **First Choice** Franchise has made sense. If this is so, you may still want to independently check certain aspects of the business. This is a course of action that is thoroughly recommended. Although as you would expect, **First Choice** will not reveal all its hard won business and marketing "secrets", there is a wealth of information available, to help you verify the facts. This ranges from contacting existing franchisees to confirm the viability of the business and the integrity of the company, to visiting our operation to meet some of the staff and view the complete range of cards, stands, etc. If you need help please feel free to contact the office on 01243 553331 or e-mail ardenpublications@hotmail.co.uk

Declaration

First Choice Cards is dedicated to building a successful Franchise network and this can only be achieved by selecting the correct Franchisees, providing a high level of training, support and back up, offering quality market leading products and establishing a profit structure that is fair to all. To this end, all interviewing of potential Franchisees is carried out by senior members of the company. This prospectus is designed to help you assess your suitability to run a Franchise and also outline the potential benefits and rewards for doing so. As part of a continuing process of improvement, **First Choice** reserve the right to amend the franchise system and whilst great care has been taken in the production of this document, it should not be taken as forming any part of any agreement. Any statements made which do not appear in the Franchise Agreement must be obtained in writing and signed by one of the Directors of the company before they can be relied upon. **First Choice** advise that you should seek legal advice before entering into any Franchise Agreement