

WORLD OF GOOD EXECUTIVE SUMMARY: BEAUTIFUL THINGS THAT MAKE BEAUTIFUL THINGS HAPPEN

World of Good's new line of globally sourced, fair trade gifts and accessories brings ethically sourced handcrafts into the mainstream retail market and aims to generate sustainable livelihoods for thousands of artisans around the world. In 2004, World of Good demonstrated the ability to tap into the growing "cultural creative" demographic with our hip international styles that turned significantly faster than retail industry averages while generating markups of 100% for both retailers and World of Good. World of Good aims to be the first fair trade gift brand to successfully penetrate the mainstream retail market.

A Good Beginning: Just months after World of Good installed its first in-store kiosk, our products are flying off the shelves in over 55 retail locations, including health food stores, bookstores, yoga studios and women's boutiques. World of Good products are currently selling in 14 *Whole Foods* Bay Area stores and have been approved for *Whole Foods'* entire Northern Pacific region. Our fourth quarter revenues for 2004 topped \$100,000 and most of our accounts are increasing representation of World of Good products in their stores. Initial kiosk sales per store (with a 4 square-foot kiosk footprint) indicate average annual retail sales per square foot of \$4,000 with inventory turn rate at approximately 9 turns per year at the store level. As a comparison, *Whole Foods'* national average is \$962 per square foot of sales floor space.¹ The inventory turn rate of 9 was also significantly higher than averages in comparable sectors (2.4 for *Gift, Novelty and Souvenir Shops* and 3.5 for *Apparel and Accessories*²).

World of Good has created a significant online presence through a retail website (www.worldofgood.com) as well as a retail store on Amazon.com. In December, we signed our first major co-branding partnership with the venture-funded e-tailer *Organic Bouquet* and we are now implementing a sales program to provide fair trade gifts through their website. World of Good has also formed a national partnership with United Students for Fair Trade to provide an all-in-one fair trade fundraising program for their campus affiliates and has proven to be an effective method of viral marketing at 35 colleges.

A Highly Scalable Model: We offer a full-service retailing concept to stores that includes in-store merchandising kiosks, fresh seasonal lines, and a service-oriented sales model that makes adoption by retailers convenient, quick and appealing. We provide value to both our suppliers and our customers: Access to a large new retail channel for our supplier artisans and a one-stop fair trade distributor for stores. World of Good's unique aggregated offering can also be leveraged through other platforms, including co-branded retail partnerships with websites, magazines and catalogs, and fundraising and corporate giving partnerships with a wide variety of non-profit organizations.



World of Good In-Store Kiosk

OUR CUSTOMERS - A WORLD OF GOOD PEOPLE

A Growing Consumer Base: World of Good's target customers are known as *Cultural Creatives* or *LOHAS* (Lifestyles of Health and Sustainability) and represent a sizable group in the US: 30% or an estimated 68 million of the US population. According to the *New York Times*, LOHAS is "the biggest market you never heard of."³ Estimated at \$226.8 billion (2002), the LOHAS market includes goods and services that appeal to consumers who value health, the environment, social justice, personal development and sustainable living. The size and growth potential of these LOHAS consumers is demonstrated by the explosive growth trends in organics, natural health and beauty aids, and now fair trade. The market for fair trade resembles that of the organic industry, which began as a niche movement but grew exponentially to become a global industry with a US market size of \$10.43 billion⁴. The World of Good product line falls in the giftware market, an industry valued at over \$54.3 billion⁵ in the United States. Applying penetration rates of organic foods based on a percentage of total US food sales (currently at 1.9%⁶), we calculate a potential market for fair trade gifts at \$1.04 billion in 2012.

Within the giftware market of \$54.3 billion, there are significantly sized specialty gift distribution companies which validate the market: Boyd's Collection, with resin bears as a primary product line (market cap \$135m; \$131 million in revenues; 15.3% net margin in 2002) or Department 56 with porcelain figurines (market cap \$229; \$208 million in revenues; 23.8% net margin in 2002). Thus far, there is no company which has developed a line which connects with the LOHAS consumer group. Large players in the fair trade space or ethically sourced gifts market are primarily non-profits like Ten Thousand Villages (\$15m in revenues) or Serrv (\$7m in revenues) or

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single-country fair trade importers with low levels of service and little or no brand penetration. Other socially responsible gift lines are internet-only, such as Novica.com or the currently restructuring Eziba.com, neither of which have topped \$10m in sales per year. Lack of immediate competition and the need for retailers such as *Whole Foods* to offer a socially responsible gift brand will enable World of Good to grow its revenues at a fast pace.

INNOVATION = EXCELLENT RESULTS

World of Good is uniquely able to offer ethically sourced gifts to the mainstream market because it provides retailers a plug-and-play one-stop gift shop. The following case helps illustrate why World of Good provides a perfect partnership for many retailers:

The Whole Foods Problem

Whole Foods' western region merchandising manager was looking for an assortment of gift items that matched the values of the *Whole Foods* brand. There were a number of fair trade gift vendors but each one focused on a specific region of the world or a limited product line. Purchasing from a fragmented vendor base would mean that *Whole Foods* would have to generate its own product cards to present customers with a unifying theme for its gift section. In addition, none of the suppliers offered sales reps to restock *Whole Foods'* shelves when products ran out and to recommend fresh seasonal products. Moreover, the majority of these suppliers did not offer UPC symbols for their products, making it time consuming to integrate into *Whole Foods'* price books. Gifts were an important, high-margin offering for *Whole Foods*, but the merchandising manager did not have the time to manage all of these details for just the gift category. Nevertheless, none of the fair trade gift vendors provided the breadth of product line and level of service to make life easy for the merchandising manager and to compete with what she could find from non-ethical gift companies.

The World of Good Solution

World of Good's business model has unparalleled scalability because it uniquely provides retailers the following combination:

- Ⓢ Store within a Store kiosk is an easy add-on offering with a wide product line
- Ⓢ Service Based Relationship offers fresh product and merchandising support
- Ⓢ Strong Brand builds customer relationship, educates consumers and builds confidence in product
- Ⓢ Consolidated Supply Chain reduces the cost of sourcing through a one-stop shop that provides uniform logistics, UPC, internet ordering, and assurance of fair trade practices.

CREATING VALUE ALONG EACH STEP OF THE SUPPLY CHAIN

World of Good is aiming to build a universal solution which has a tremendous impact both, on producer communities who no longer have to focus on finding markets, and the consumers who can now easily find what they are looking for. Serving as the central link between suppliers and customers, World of Good adds significant value for both.



World of Good has utilized these same competitive strengths as the foundation for its growth strategy in other retail platforms. These “add-ons” include ethically sourced gift sections for websites, magazines (magalogs) and for non-profits to raise funds. Our own direct retail strategy will grow as the World of Good brand takes root through the different partnership channels.

A MODEL OF GOOD GROWTH

Established in early 2004, World of Good earned revenues of over \$100,000 in the last quarter of 2004 and is projected to exceed \$57 million in annual revenues by 2009. World of Good plans to grow regionally, using pre-existing strategic relationships to enter new regions. Each region will be anchored by large volume chain locations like *Whole Foods Market* and *Follet Corporation* campus bookstores. World of Good will then grow the region by adding local and regional specialty stores. World of Good will service its retail locations through regional sales staff who will restock product and make adjustments for seasonal and holiday patterns comparable to the service model used by gift industry leaders like *Hallmark* and *American Greetings*. World of Good has also developed an online ordering system which can be used by store buyers or sales staff. Through interactions with our customers we are learning that this full-service model is critical for growing sales in the gift market and maximizing same store sales. Other sales partnerships on-line, in print, and through non-profits will leverage the strength of the brand and variety of the product offering. As direct retail and partnerships grow, margins for the company increase significantly. World of Good expects that nearly half of its revenues will come from partnerships and internet direct sales by 2007.

| Channel | 2004 Average | % of Total Sales | | | |
|-----------------------|--------------|------------------|-------|-------|-------|
| | Gross Margin | 2004A | 2005E | 2006E | 2007E |
| Wholesale Sales | 40% | 92% | 73% | 74% | 55% |
| Internet Direct Sales | 70% | 5% | 10% | 11% | 13% |
| Partnership Sales | 54% | 3% | 17% | 15% | 32% |

Like the organics market in its infancy, the market for fair trade handicrafts and gifts is highly fragmented and producers have had limited success in entering mainstream channels. World of Good has already begun to establish itself as a leading fair-trade brand in the mainstream retail environment.

| | 2004A | 2005E | 2006E | 2007E | 2008E | 2009E |
|---------------------------------------|------------|--------------|--------------|---------------|---------------|---------------|
| Revenue | \$ 131,601 | \$ 1,123,440 | \$ 5,188,909 | \$ 20,132,441 | \$ 38,811,856 | \$ 57,491,271 |
| Cost of Goods Sold | \$ 78,282 | \$ 623,539 | \$ 2,657,546 | \$ 8,972,664 | \$ 16,339,791 | \$ 23,111,491 |
| Gross Margin | \$ 53,319 | \$ 499,901 | \$ 2,531,363 | \$ 11,159,777 | \$ 22,472,065 | \$ 34,379,780 |
| Operating Expenses | \$ 43,224 | \$ 603,372 | \$ 1,951,770 | \$ 4,908,450 | \$ 9,120,786 | \$ 13,050,519 |
| Operating Income | \$ 10,095 | \$ (103,471) | \$ 579,593 | \$ 6,251,327 | \$ 13,351,278 | \$ 21,329,262 |
| Interest, Depreciation, Tax | \$ 4,539 | \$ 48,930 | \$ 155,878 | \$ 1,964,003 | \$ 4,195,188 | \$ 6,725,369 |
| Net Income (Before Transfer to WoGDO) | \$ 5,556 | \$ (152,401) | \$ 423,715 | \$ 4,287,324 | \$ 9,156,090 | \$ 14,603,892 |
| Transfer to WoGDo | \$ - | \$ 34,993 | \$ 177,195 | \$ 781,184 | \$ 1,573,045 | \$ 2,406,585 |
| Net Income (After Transfer to WoGDO) | \$ 5,556 | \$ (187,394) | \$ 246,520 | \$ 3,506,140 | \$ 7,583,045 | \$ 12,197,308 |

* A portion of World of Good's net profit after taxes will be invested in economic development projects in producer communities via the World of Good Development Organization. We aim to contribute seven percent of gross margin each year and exceeded this target in our first year of operations.

OUR TEAM

The World of Good team is lead by experienced social entrepreneur Priya Haji, CEO and two other MBAs: Siddharth Sanghvi with expertise in marketing and David Guendelman with a background in economic development work. We are advised by strong retail and merchandising experts on the Board of Advisors.

A GOOD OPPORTUNITY

Initial seed funding came through loans from the founders, friends and family. We are seeking an additional \$500,000 in 2005 and \$1.7 million in seed capital to scale the company's operations, primarily working capital for inventory, operational infrastructure, staffing and marketing to execute our Western region expansion.

A GREAT SOCIAL IMPACT

During the concept test phase World of Good established sourcing partnerships with 70 artisan cooperatives in 20 different countries around the globe and increased sales for all of them. Products are sourced under fair trade guidelines that generate employment for women and disadvantaged communities, promise a living wage and promote social and economic development. The most significant challenge for these groups is accessing wider markets and maintaining stable sales – World of Good uses its innovative distribution model, new mainstream channels and brand to build a greater opportunity for all these groups. Most products are crafted from locally available, sustainably harvested and/or recycled raw materials. Additionally, a portion of World of Good profits are re-invested into strategic social and economic development projects in our partner artisan communities; the first grants are underway.

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