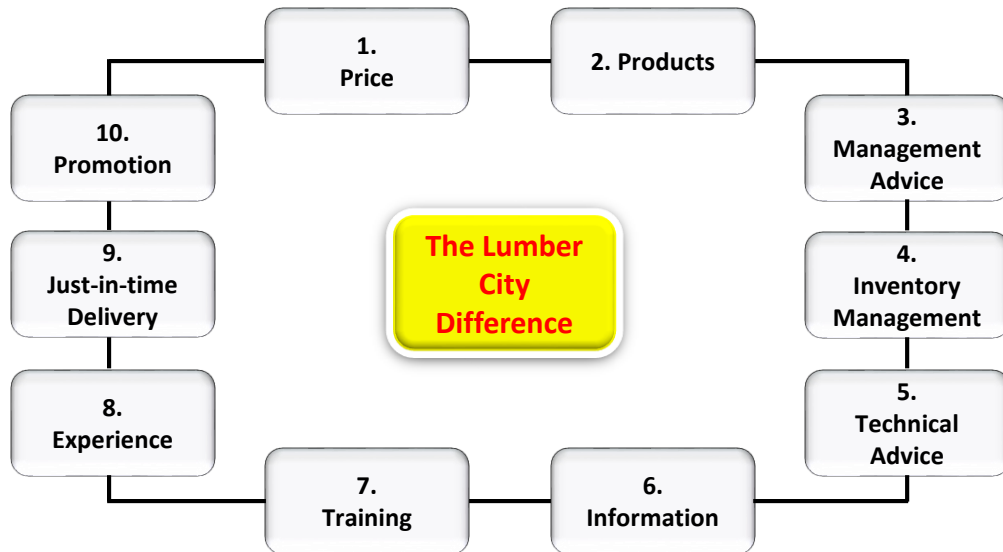


The Menu of the factors that makes Lumber City “a difference that matters”.



1. Price:

• Before & during opening of store:

- The franchisee pays a R30 000,00 (excl. VAT) Entrance Fee to join the Lumber City Franchise (LCF) and thereafter a monthly royalty of 1% of turnover.
- The LCF negotiates prices and discounts with the major suppliers for the Lumber City Bulk Stores.
- The LCF in turn determines/negotiates the prices that the Bulk Stores will supply the smaller franchisees at, based on the very successful re-distribution recipe of the Lumber City Bulk Store in Cape Town.
- The prices that the franchisees receive from the Bulk Stores will make them very competitive in the board market.

• After Opening:

- The LCF continuously negotiates with suppliers for:
 - Better discounts
 - Specials
 - Price adjustments for different areas and conditions.

2. Products:

• Before & during opening of store:

- The LCF determines and suggests the basic range of products for every (new) store.
- The LCF determines the best selling products and the stock levels based on experience.
- The products include:
 - Plain Chipboard
 - White Melamine
 - Melamine Colours
 - Wood grain Melamine
 - MDF
 - Hardboard Products
 - Post formed Tops
 - Ply's, panelling, etc.
 - DIY Timber
 - Hardware

• After Opening:

- The LCF constantly keep in touch with all suppliers and supply the franchisees and Bulk Stores with information of any new product that might be of interest to them.

3. Management Advice:

• Before & during opening of store:

- The LCF supplies the new franchisee with the **Operations Manual (on DVD)**.

- On this **DVD** is a “1-6 Week Plan” which lists every single step to be taken before opening: e.g.:
 - Registering of (Pty) Ltd.
 - Business Plans (for bank and budgeting purposes).
 - Internal & external signage and design.
 - Displays, pamphlets, pricelists.
 - Connection of electricity, telephone, ADSL, etc.
 - Bank account.
 - Ordering of machinery.
 - Designs & ordering material for racking/shelving.
 - Printing matters (Business cards, etc.)
 - Determine stock orders and suppliers.
 - Leases & HP’s for machinery/vehicles.
 - Advertising for staff.
 - Register for VAT, PAYE and UIF.
 - Installation of machinery, etc.
- The LCF helps the franchisee to design a budget and income statement that suits his needs and relevant to the area of operations.
- The LCF supplies the franchisee with monthly expenses he should expect.
- If finance is required, the LCF can suggest the banks with whom its an accredited franchise.
- The LCF will design a suggested lay-out plan.
- A list of suppliers is provided and appointments are made to meet the new owner.
- The LCF supply and help with the Credit Applications of all suppliers.
- Business Documentation is provided:
 - Letterheads
 - Request for Credit (and Suretyship)
 - Wage Summary
 - Legal Documentation
 - Salary Advice
 - Application for Employment
 - Logo’s
 - Order Stationary from LCF, etc.
- **After Opening:**
 - The LCF monitors the franchisees’ progress. If progress is not satisfactory according to the budget plan, the LCF and the owner would meet to analyse his progress.
 - The LCF will be in constant touch with the franchisee to smooth out all problems relating to his business , such as:
 - Timeous delivery of his orders
 - Pricing problems
 - Staff competence
 - Timeous payments of accounts
 - Point of Sale problems.
 - Complaints/compliments of customers.
 - The LFC is on call 24/7 and 365 days a year to the franchisees to assist and advise on any matter/problem that may arise.

4. Inventory Management:

- **Before & during opening of store:**
 - The LCF compiles a list of all the product (types) that will be stocked, determined by the size and location of the store.
 - The LCF assist in determining the maximum and minimum levels of all products.
 - The LCF assist with the pricing/mark-up of every product.
- **After Opening:**
 - The LCF will from time to time (if need be) adjust the levels as the area dictates the popularity of the product.

5. Technical Advice:

- **Before & during opening of store:**
 - The LCF gives advice regarding the site selection, size and lay-out of the building.
 - The LCF will design the proposed lay-out of the interior of the store.
 - Will give advice regarding the choice of machinery and suppliers.
 - Will advise on the point of sale program.
 - The LCF will help to capture the different products, cost and selling prices and stock levels.
 - The LCF will make the “Lumberkit” (modular kitchen cupboards and wardrobes) available to the franchisee.
 - The LCF will design the exterior signage and suggest the signage manufacturer/installer to be used.
 - The LCF will help with the installation of the Cutting List program.
 - The LCF will keep track/ help with the manufacturing of all the shelving, racking and counters.
 - The LCF will suggest (and organise) where the display units from various suppliers will be placed.
 - Suggestions of pre-packing own hardware and the pricing thereof.
 - The LCF will organise the delivery date of the machinery needed.
 - The supervision and help with the correct installation and placement of these machines.
 - The LCF will ensure that the machinery is in good working order and that the owner are trained to maintain and use these machines.

- **After Opening:**

- The LCF will from time to time suggest certain lay-out changes that may benefit the store.
- The LCF will be available to help or advise the franchisee with any problems he may have with his point of sale program.
- The LCF will help/advise the franchisee with any problems that might occur with the machinery.
- The LCF can advise the franchisee regarding the design and measurements of kitchen cupboards, bedroom wardrobes and other related board furniture.

6. Information:

- **Before & during opening of store:**

The “**Operations Manual**” DVD provides a great deal of information critical for the opening of a new store:

- The LCF will supply printable detailed drawings of all the fixtures and fitting the store might need.
- The franchisee will receive a document of the “Golden Rules” which will minimise his business losing money and to survive the tough times.
- The LCF will supply the “Lumberkit” program which is designs, cutting detail and hardware requirements for the whole range of modular kitchen cupboards, bedroom wardrobes and other furniture.
- The franchisee will be provided with a complete set of Legal Documentation that will help him when employing his staff.
- Printable and adaptable Business Plans (based on the average performance of the 1st year’s performance of Lumber City stores) is available to the franchisee, which include:
 - The estimated Establishment Costs
 - The estimated Overheads
 - The Staff Compliment
 - The value of the initial Stock.
 - The Cash flow projection for the 1st year.
 - A projected Income Statement for the 1st year.
 - A projected Balance Sheet for the 1st year

- **After Opening:**

- Any new product and/or information will be passed on to the franchisee.
- Any information regarding new machinery that might be relevant to the franchisee, will be communicated and/or demonstrated.
- New prices and products from the Bulk Stores will be passed on to the franchisee immediately.
- The franchisee will be supplied (and trained) with a comprehensive budget program where he can measure his actual performance against his expectations.
- Documentation such as the Legal Documentation (Employment contracts, Disciplinary Procedures, etc.) are updated from time to time as circumstances and the law changes.
- The LCF will communicate the latest trends in our business to the franchisees and the recommended changes that has to take place in the branches.

7. Training:

- **Before & during opening of store:**

- The LCF will train the franchisee in using the Point of Sale and Cutting List programs.
- Training on how to use (and the importance of) the Budgeting program.
- How to increase profitability/margin.
- Training provided how to use and maintain machinery.
- The LCF will assist in the off-loading of stock and the packing/display thereof.
- Training provided on how to use the “Lumberkit” program.
- Comprehensive “**Operations Manual**” training, which includes:
 - Uses of board products.
 - Manufacturers/Suppliers
 - Types of Chipboard
 - Chipboard sizes, colours, technical data.
 - Post Formed Tops
 - Chipboard Shelving
 - Medium Density Fibre board
 - Hardboard products
 - Plywoods, Blockboard
 - Laminated Pine products
 - Services we supply
 - The Cutting List Program
 - Facts on the Panel Saw & Edging Machine
 - DIY Timber – species and planed sizes
 - Structural Timber – types, sizes & treatment
 - Structural Timber –maximum span tables
 - Timber Mouldings
 - Cabinet Hardware
 - General (popular) Hardware
 - Edging, etc.

- **After Opening:**

- The LCF provides training of new products and machinery as it becomes available.

8. Experience:

- Charles Fleming had a Lumber City in Montague Gardens since 1989 and in the following 4 years opened and owned another 3 stores. In 1995 he bought the Lumber City Franchise concession and in 1997 opened the Lumber City Franchise Office in Montague Gardens, concentrating only on the franchising of Lumber City.
- Ian Martin joined the Lumber City in Montague Gardens as the manager of the store in 1995. Thereafter he co-owned and managed the Lumber City in Brackenfell. In 1997 he joined the Lumber City Franchise.
- Both Charles & Ian have years of retail and wholesale experience in the board industry.
- Both have more than 17 years experience in the franchising industry.
- Both have perfected the requirements and procedures to open a new Lumber City franchise.
- With the experience acquired whilst managing their own very successful Lumber City stores, they have the knowledge of what it takes to make a business successful.

9. Just-in-time Delivery:

- The Lumber City franchisee will initially be supplied by the Bulk Store.
- This would ensure smaller and more frequent loads.
- As the store grows, the franchisee might wish to buy some of his board stock direct from the supplier – if he can manage to take full loads. The rest of his slower moving stock can still be purchased from the Bulk Store.

10. Promotion:

- The LCF will see to it that the franchisee get promotional material such as banners, wall charts, leaflets and samples of various products before his store opens.
- The LCF have continuous discussions with suppliers to source new innovative promotional material.
- Display stands for certain products will be obtained from the suppliers to display their product, such as:
 - Sonae board sample and pamphlet stands.
 - Alcolin glue stands
 - Handle & hinges stands
 - Moulding display stands, etc.

*If you don't make a difference
you don't matter.*

*The Lumber City Franchise
makes a difference.*