Section Two

Concept Development

Proposal by Chocolate Enterprises Airport for Single Unit Package 15

The front door and signage at our downtown Seattle store near Pike Place

1. Details of Concept

The proposed concept is retail Rocky Mountain Chocolate Factory. It will be a franchised store under license from the Corporate headquarters in Durango, Colorado. With the Seattle airport being a departure location (and then return), rather than a hub, much of the traffic originates in the Pacific Northwest with a large fraction coming from the Seattle metro area. These people have come to know the downtown Seattle Rocky Mountain Chocolate Factory. When we first opened our store in downtown Seattle 18 years ago brand awareness was not very high. We and the Corporate staff have worked hard over the years to improve that situation, showcasing product in a short term way in a variety of venues including Hallmark stores and Costco, and doing national advertising for focused promotions.

Eighteen years ago if we told someone we owned a Rocky Mountain Chocolate Factory near Pike Place in Seattle, they asked us what we sold and where exactly we were. Now when we talk to a person in Victoria, or Yakima, or Bellevue, or the suburbs of Seattle and tell them we have a Rocky Mountain store near Pike Place they don't take time to ask a question – the last one I recall said, "Oh, that is the best chocolate store I have ever been in. The apples were so amazing." This was from a clerk in a store in Canada.

We, the owners, of the Pike Place store would like to think the store is a familiar landmark in the downtown Seattle landscape. We have wondered for 10 years if the concept would work in the SeaTac Airport. It is now proven to be a draw in a few other airports around the country – Minneapolis, Salt Lake, Charleston, Denver – most of these stores are in the top tier of sales for our system. If we are awarded this contract, we will constantly striving to improve our sales and customer count and customer satisfaction scores above the other airport Rocky Mountain stores. We will compare ourselves to other concessionaires in the airport and work to make our sstore more efficient, better looking, with friendlier staff than any other vendor in the Airport. Ian, one of our owners, was the General Manager of the Pike Place store for several years a while back and at that time, the Beecher's Cheese Store had just opened in Pike Place and they told him they sent people down to our store to learn how to do customer service. We don't want to live in the past, but sometimes we do want to repeat it. Ian will be helping with build out, site visits and training.

Obviously making the store successful will be our goal from the beginning. The principal driver behind chocolate stores in general is that they are an impulse item. For the first few months we will be depending on the traffic in B Course to just happen to see the store and come in for a treat. But with continuing exposure, we can drive our location to become a destination. For those first months (6 to 24) we don't know how many people will stop walking and come into our store. At the malls and at our downtown locations, we get about 3% of the people passing by to turn and come in. When we get a chance to provide a sample and say hello, we convert 85 to 90% of those inquiries into customers. If we can do this in B Concourse we will start the store off in a very impressive way. Will we get 3%? We think so. The Pro-Forma P&L is based on this, with an average transaction of $10 as we do in the downtown store. Prices will be exactly the

same in both the downtown and Airport stores. We think this will meet with the needs to provide street pricing, since the downtown store is on the street. We will provide other comparison points for the top products as required in the lease. We can use Fran's Chocolates and the Chocolate Box both a block away from us for additional data. We don't foresee any difficulties.

2. Menu and Services, with Pricing

Our menu will be based on the menu we offer in our downtown store near Pike Place. A photo of our menu board in the fall of 2014 is attached at the end of this Section. In the proposed 914 ft sq of retail space there won't be quite as much room as our 2200 ft sq and we may not be able to squeeze everything in. But at a minimum, we know we will have approximately 15 kinds of caramel apples, 8 kinds of fudge, nut brittles, and caramel popped corn with nuts, chocolate dipped strawberries, chocolate dipped marshmallows, dipped pretzels. Our dipping stations each contain over a gallon of melted milk or dark chocolate, creamy smooth and tempered to just the right warm consistency. All our store make items will be made in (and cooked in) the store in the airport in view of the customers. A signature aspect of our airport store and of our store near Pike Place is cooking in front of the customers and interacting with the customers. We have access to both a gas fired and an electric cooking stove. We will work with the Design Review process and Airport Project Managers to figure out which to use and how to vent it.

Cooking a batch of caramel for coating 300 apples and then dipping them takes about 4 hours and in this time our cooks and clerks can be letting the customers know what they are doing, how it works, how long it takes, and what the ingredients are. If the cooked item is our fudge, that goes a little quicker, maybe 3 hours for a 44 pound batch, but then the fudge is setting up on the table, sampling is easily accomplished with little disposable ice cream sample spoons. A taste of a warm bit of fudge demonstrates to the customers why the Latin origin of the name for chocolate is "nectar of the gods". We anticipate making caramel apples nearly every day and fudge 2 or 3 times per week. We will have enclosed flat stackable clam shell packaging for the fudge so that travelers can carry it away and nibble on it without leaving a trail of crumbs behind. The apples will sell mostly cut up and cored for ease of snacking. Cut apples sell 10 times better than whole and are very neat and orderly to eat out of a paper/cardboard boat that comes with each apple. It is also much easier to share cut apples with friends and family. For the whole apples we will have our apple wrap (that doesn't stick to caramel) and then a cello bag that is stapled, or an acrylic 2 piece box that holds 1 apple. We also have nice 2 or 4 apple boxes for taking to a client or staff meeting, or as a gift for family and friends.

One other thing happens when we are cooking, and that is an aroma of chocolate or caramel that pulls people in from many feet away. We are proposing to cook in the store. Our store in downtown Seattle vents downward toward the sidewalk from 10 feet up and people follow their nose and find the closest approach they can discover. We have never had anybody come in and complain about the good smells.

We cook in a gleaming copper pot that holds 12 gallons. It is an impressive vessel and holds an impressive amount of ingredients. It takes two staff to pour a batch of fudge onto the cooling and mixing table. The mixing table is a 4 inch thick slab of marble. The pouring of fudge is a constant appeal to customers.

We also sample something every day to as many customers as we can cut samples for and engage with. We will most commonly sample the fudge and the caramel apples. We anticipate that we will require two staff members trained and experienced with our recipes and methods – our cooking and prep staff. In the beginning we will be able to hire for the airport and train new staff at our downtown store to hit the ground running.

The menu will include all top quality Rocky Mountain Chocolate Factory pre-packaged chocolates that we have available downtown, including various sizes (1/4 pound to 3 pound) and mixes of boxed chocolate in dark, milk, caramel, nuts, etc. We have great gift-able Totes, and Mini-Totes. We will carry gift-able boxes of Truffles, brittles, caramel corn. All these containers are pre-wrapped and ready to go. The staff will have access to ribbon and bows and will be able to dress up any packaged item on request. In addition, we will also have a wide spectrum of empty boxes for holding ½ to 3 pounds of chocolates from the cases that can be filled to order.

We also anticipate finding room for two curved glass candy cases displaying the bulk chocolates that we are famous for. We serve directly out of these cases so the customers see and know they are getting fresh product. We will be using the pricing base from the downtown Seattle store to generate the prices for the airport. We understand the temporary tiered 10% allowance on street pricing. Our bulk chocolates – the truffles, the nut clusters, the peanut butter buckets, and all the rest are currently priced by the "each" in our cases in downtown Seattle. This greatly simplifies the price value judgement that the customers must make over the more commonly used price per pound scheme. We will be using the price per each for as many items as we can at the airport.

Some sample prices that we are posting for 2016: We recognize there is no size context here. But customers will see the item and can evaluate value. Our Menu Board will also include calories as is being required later this year. Rocky Mountain is famous for large items.

Sea Salt Caramels	$3.65	Peanut Butter Fingers	$2.90
Toffee	$4.95	Truffles	$3.30
Dipped Strawberries	$32.90/lb	Divinity	$4.25
Caramel Apple	$6.95	Apple Pie Apple	$9.95
Assorted Gift Box	$27.95	Gift Totes	$12.95
Peanut Butter Cup	$6.75		

We admit we are all chocoholics, so when we have walked through the Airport in the past we have been disappointed to not be able to find a store that carried the quality and variety of confections – chocolates, caramel apples, dipped strawberries, nut brittles, fudge, cookies – that we are used to. If we win this contract, we plan to fix that.

3. Franchise Authorization – We have been authorized in writing to hold a Franchise at the SeaTac airport by the Corporate office. See attachment at the end of this Section Two.

This is the 4th page of text not counting the cover page to this Section, of 5 allowed.

Attachments for Section Two

1. Menu Board photograph – supplementing the discussion in Part 2 above.
2. Letter from Rocky Mountain Chocolate Factory authorizing our proposed location at the Airport. Requested in Part 3.

Menu Board from existing store from the Fall 2014

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC
265 TURNER DRIVE
DURANGO, COLORADO 81303
TEL: 970.259.0554 · FAX: 970.382.7371

December 3, 2015

Port of Seattle
Sea-Tac International Airport
17801 International Boulevard
Pacific Highway South
Seattle, WA 98158

RE: Rocky Mountain Chocolate Factory – Sea-Tac Airport

TO WHOM IT MAY CONCERN:

Rocky Mountain Chocolate Factory, Inc. has approved Kenneth Fein, Sandra Fein, Carolyn Fein and Ian Halcott, Chocolate Enterprises Airport, to have a franchised location at Sea-Tac International Airport in Seattle, WA.

Please feel free to contact me should you have any questions.

Sincerely,

Greg Pope
Sr. VP Franchise Development
Rocky Mountain Chocolate Factory, Inc.