

Sports Apparel Store Business Plan

1.0 EXECUTIVE SUMMARY

1.1 COMPANY & INDUSTRY

Division Ninety9 will be a new player in the active lifestyle apparel industry. The company is made up of professional athletes that have come together to form a high-quality brand that represents independence and accomplishment among the action sports community. The company is headquartered in Carlsbad, California, the mecca of action sports. The company is equally owned by its four founding partners.

1.2 PRODUCTS & SERVICES

Division Ninety9 provides high-quality casual apparel that is designed specifically for action sports athletes. Tees, polos, walkshorts, boardshorts, and hoodies are just a few of the product lines that the company offers.

1.3 MARKET ANALYSIS



The company focuses on the \$50 billion a year active lifestyle market segment that participates in non-traditional sports such as skateboarding, motocross, snowboarding, and surfing. As the company is in its infancy, a primary target market of the Southern California region has been selected to debut the product lines.

1.4 STRATEGY & IMPLEMENTATION

Division Ninety9 works with several manufacturers around the world to manufacture our products. This system provides more capacity, while decreasing production costs. A strong online presence, through online communities and advertising, will be utilized to drive a grassroots marketing campaign, helping to lower costs. The founders, all professional athletes, have large fan bases that will be immediately drawn to our new apparel lines. Additionally, the management team has developed strong alliances with several key people in the industry that will assist in the marketing, manufacturing and distribution of the products.

1.5 MANAGEMENT

The management team of the company consists of well-known professional athletes who understand the target market. Each founder comes from a different athletic discipline and will have a key role within the company. Their backgrounds and experience in this industry will allow for the company to quickly launch and build a well-recognized brand.

1.6 FINANCIAL PLAN

First year sales of \$750,000, with an annual growth rate of 25% will ensure that the company stays profitable. With a 70% product margin, Division Ninety9 will be able to accumulate enough cash to become attractive as a takeover target by a larger apparel company, such as Quiksilver. Founder investments, as well as outside equity investments, will help the company maintain cash reserves, while helping the company grow at a rapid rate.

1.7 FUNDS REQUIRED & USE

The company has raised \$200,000 through founder investments, and is currently seeking an additional \$100,000 from an equity investor. These funds will be used to cover inventory, staffing, rent, production costs and general operating expenses.

2.0 COMPANY

2.1 COMPANY & INDUSTRY

Division Ninety9 is a startup clothing manufacturing company located in Southern California. The idea for the company stems from a group of professional athletes who are active in the surf, skate, snow and motocross industries. These industries have grown tremendously in recent years, and the target market has an affinity for clothing designed by and for fellow active lifestyle athletes.

2.2 LEGAL ENTITY & OWNERSHIP

The company is organized as a Limited Liability Company in the state of California, and is currently owned equally by the four founding partners. An additional equity percentage of the company has been set aside for new investors.

2.3 HISTORY

Each of the founding partners has participated at a professional level in different action sports, including motocross, skateboarding, surfing and snowboarding. They have had experience designing products in the past, while working with other endorsement companies. Additionally, they have built many relationships within the industry to assist in marketing and distribution of the company's products.

2.4 FACILITIES & LOCATION

The company currently operates out of a warehouse and office building located in Carlsbad, California. The 5,000 square foot facility provides enough room for shipping and receiving, as well as administrative office space. A two year lease has been signed at \$1 per square foot with options to extend the lease. The facility can be expanded an additional 10,000 square feet at any time to accommodate growth of the company.

2.5 KEY ASSETS

Initially, the company's primary assets are the endorsement deals with the founders. As the company grows, the Division Ninety9 brand will become the company's most valuable asset. Other assets include computers, office furniture and equipment.

3.0 PRODUCTS OR SERVICES

3.1 PRODUCT DESCRIPTION

Division Ninety9 produces and markets casual apparel, including tees, sweatshirts, polos, walk shorts, board shorts and jeans. Hats and beanies will also be available. Additionally, various accessories, such as wallets, socks, underwear and stickers will be offered.

3.2 FEATURES & BENEFITS

All of Division Ninety9's products will be quality-manufactured and designed to fit the target market of active lifestyle participants. Apparel will be produced using only natural and organic materials in sweatshop-free facilities. Unique designs that appeal to the demographic will be integrated into each product. Our products have the highest quality standards in mind.

3.3 COMPETITION

Competition in the apparel industry is fierce. The direct competitors are large corporations, such as Hurley, Volcom, Billabong, Fox and Quiksilver. All of these competitors have grown very large and are no longer solely targeting the active lifestyle market. Division Ninety9 will carve a niche by specifically targeting the active lifestyle market.

Indirect competition is varied and includes clothing manufacturers of all types. We do not see these competitors as much of a threat, as our market segment values brand loyalty and prefers brands that are not mainstream.

3.4 COMPETITIVE EDGE/BARRIERS TO ENTRY

Our competitive edge comes from the notoriety of our founding partners. Only the biggest apparel brands have rosters comparable to ours. Our design team is also world-class. We have formed a partnership with American Apparel, which is a major supplier for organic, fitted apparel. Startups in this industry rarely have the strengths and capabilities to match ours.

3.5 DEVELOPMENT

Division Ninety9 has already begun lining up manufacturers for several product lines, including tees and walk shorts, which will be available for sale by late Spring of Year 1. In addition to product manufacturing, a website is under development, which will further increase product awareness. In Year 2, a retail shop is planned in Carlsbad, California. By Year 3, five more retail stores will be opened in the Los Angeles and San Diego metropolis, as well as in Las Vegas.

4.0 MARKET ANALYSIS

4.1 TARGET MARKET

Division Ninety9 targets active lifestyle participants. The demographics of this initial segment are typically aged 16 - 30 males and females that have grown up near urban areas, specifically near the West Coast. These customers are active in skateboarding, snowboarding, surfing, motocross, and other extreme sports or they closely relate to those that do participate in this lifestyle. This segment frequently shops at specialty stores located in mall areas, and can easily be reached through the internet, as well as through various events and magazines. This is a trend-setting group, and they influence other audiences nationwide. As awareness in this initial market grows, secondary markets will open up across the United States and even internationally.

4.2 MARKET SIZE

The market size for the active lifestyle segment is very large and growing at a tremendous rate. The surf wear market alone bring in over \$13 billion annually. The total market size that Division Ninety9 targets is approximately 150 million people and \$50 billion in sales a year. As this market is very large, our company will target the Los Angeles and San Diego areas first, which are estimated to be at 2 million active lifestyle participants.

4.3 MARKET TRENDS

Active lifestyle participants have steadily become much more popular than mainstream sports, such as football, baseball, and basketball. Additionally, brand loyalty among the active lifestyle market is much stronger, where these shoppers tend to avoid mainstream brands. The increase in the number of independent specialty stores in the United States and internationally provides an opportunity to introduce a new, fresh clothing line. Studies have shown that participants in board sports have a high probability of crossing over to other active lifestyle sports during the offseason, such as snowboarding, which popularity has increased over 25% in the last three years. With the popularity of the X-Games and the Action Sports Tour, a growing trend towards skate boarding, BMX riding, wake boarding, snowboarding, motocross and surfing is prevalent. With these large potential markets, our targeted clothing and apparel lines will be there to address their lifestyle needs.

4.4 SWOT ANALYSIS

Strengths: professional athlete endorsements, industry expert contacts, manufacturing partnerships, marketing partnerships, low lease rate, expandable building space, location

Weaknesses: new brand in established market, dependent upon outsourcing for production, formal distribution channels being created from scratch

Opportunities: recruit other athletes to endorse inexpensively, demos at various events and competitions (X-Games, Actions Sports Tour), forming distribution and marketing relationships, creating a new brand with fresh designs

Threats: competition, modest funding, manufacturers' ability to perform

5.0 STRATEGY & IMPLEMENTATION

5.1 PHILOSOPHY

Division Ninety9 will offer high quality, stylish clothing made by athletes for athletes. Our clothing will help our target audience look their best while doing what they love the most.

5.2 PRODUCT DEVELOPMENT

Product design has already begun, with manufacturing of some tees in progress. Design efforts have been led by the management team, alongside our graphic designers. Additionally, we use fit models to ensure the apparel fits different body types as intended. We select manufacturers based on quality, price and reliability. Most manufacturing is done in Mexico, Korea, or China, with some minor products being produced domestically.

5.3 INTERNET STRATEGY

Division Ninety9 will employ an aggressive internet marketing campaign. This will be anchored by our online community, where customers can interact with others, while posting videos and pictures of themselves participating in their favorite active lifestyle sport. This viral marketing technique will not only attract new consumers, but also specialty retail stores that have an interest in carrying our product line. Alongside the online community, an online store will be available for instant purchases to be made. This will ensure that our products are always available, no matter what the customer's location may be.

5.4 MARKETING STRATEGY

Our marketing strategy will include targeted online and print media advertising. Major magazines, such as Transworld Motocross, Transworld Surf, and Transworld Skate are a few publications which we will regularly advertise in. Additionally we will use athlete endorsements, which will give Division Ninety9 virtually free media coverage on television and in print when are our athletes excel. We will also have a strong presence at major events, as well as hold various demos and contests to attract new customers.

5.5 SALES STRATEGY

Our primary sales goal is to have our product available in all specialty retail outlets that focus on the skate, surf, snow, and moto markets on the West Coast. Division Ninety9 will utilize independent sales reps to ensure that each retailer has superior support, and that new product is

being presented to every retailer. Once a strong brand image has been secured on the West Coast, we will focus on expanding sales to the rest of the United States. Our company will experience cyclical demand, as the summer season is the most popular time for our apparel. We anticipate capturing one half of one percent of the California target market in our first year. This will equal approximately \$750,000 in revenues and 16,000 unit sales. We will expect a 25% annual growth in the following three years as brand popularity grows and as marketing budgets increase.

5.6 STRATEGIC ALLIANCES

Division Ninety9 has established several strategic alliances that will assist in rapid growth and success of the company. These include relationships with marketing professionals, media (Transworld Magazines), manufacturers, and distributors.

5.7 OPERATIONS

Operations will initially be led by the founding partners, who will each take on a different role within the company. The team will focus on product design, sales and manufacturing initially. As distribution channels are lined up, the concentration will be shifted to marketing and online order fulfillment.

5.8 GOALS

- Develop a high quality brand among the active lifestyle market
- Create brand awareness through events, marketing and online communities
- Capture the California market and then expand nationally
- Achieve sales of at least \$750,000 in the first year
- Expand awareness of active lifestyle sports through grassroots sponsoring of amateurs

5.9 EXIT STRATEGY

It is the goal of Division Ninety9 to follow in the footsteps of other well-known apparel companies, such as Volcom and Quiksilver. This will include an exit through either an acquisition by one of these larger companies, which are well known to buy up-and-coming industry companies, or more preferably to go public through an IPO. Volcom's IPO in 2005 successfully raised over \$90 million, and has reached \$125 million in sales with annual profits of \$25 million.

6.0 MANAGEMENT

6.1 ORGANIZATIONAL CHART

The company will follow a typical hierarchical structure with the management team discussed below, who will be responsible for all operations and management duties early on. Additional staff will be needed for product design and development, sales managers and order fulfillment. Sales will be handled by outside sales representatives. Once the company has achieved adequate growth, a CEO and a CFO will be hired to lead the company to further success.

6.2 MANAGEMENT TEAM

The initial management team will consist of the following four co-founders:

Ryan Allen will initially take on the role of CEO. He will ensure that the company is headed in the right direction, while overseeing product development. Ryan is a professional skateboarder that has had previous experience with starting a small company.

Travis Moore will lead the product design team. He will be in charge of creating new products, and overseeing the designers who will be working for the company. Travis is a professional motocross racer, with a background in design and contacts in apparel manufacturing.

Jamie Keane will lead marketing efforts for the company. His contacts within the industry range from magazines to television producers, and will help build a strong brand image quickly. Jamie is a professional surfer.

Nate Peters is head of sales for Division Ninety9. He has had experience with product distribution through previous rider responsibilities as a professional snowboarder. Nate has developed strong relationships with major active lifestyle distributors, as well as a few local specialty retail stores.

6.3 PERSONNEL NEEDS

Division Ninety9 will need to recruit some graphic designers as well as fashion professionals to assist in product design. Fit models will be contracted to help ensure proper fit of each item. These models will be compensated primarily in free clothing to help keep costs low. Shipping and receiving clerks will be required to help ensure that products are being delivered to customers efficiently. Order fulfillment representatives will also be hired to help take and process orders received from

the online store and the specialty stores. An accounting clerk will also be needed to ensure appropriate financial records are maintained.

Once the company can support further management, projected to be in Year 2, a Chief Executive Officer and Chief Financial Officer will be recruited to help the company grow nationally and internationally.

6.4 BOARD MEMBERS & ADVISORS

Division Ninety9's advisory team consists of a certified public accountant, who takes care of all tax accounting requirements, as well as a corporate attorney that is held on retainer in case any legal needs arise.

7.0 FINANCIAL PLAN

7.1 REQUIREMENTS

Each of the four founders has invested \$50,000 to launch Division Ninety9. An additional \$100,000 is needed to ensure that proper working capital is maintained through the first year of operations.

7.2 USE OF FUNDS

Startup costs have primarily been attributed to product development and inventory (\$100,000) and marketing costs (\$30,000). Additional costs include, staffing, rent, office equipment, furnishings and supplies. There will also be legal and web development costs.

7.3 INCOME STATEMENT PROJECTIONS

First year sales are anticipated to be \$750,000 with expenses totaling \$790,000. This will leave a loss of approximately \$40,000 in the first year of operations. By Year 2 revenues are projected to grow by 25%, equaling \$940,000 in sales. Expenses totaling \$800,000 will lead to a second year profit of \$140,000. Gross margins will increase from 60% to nearly 70% in Year 2 due to economies of scale and manufacturing efficiency. Division Ninety9 will try to sustain a 25% annual growth rate as it expands nationally for the first five years.

7.4 BREAKEVEN ANALYSIS

Our monthly fixed costs are currently estimated at just over \$35,000. Variable costs in Year 1 are approximately 31%, leading to a monthly breakeven point of just over \$50,000. At an average selling price of \$45 per unit, an estimated 1100 units will need to be sold per month to breakeven.

7.5 PROJECTED CASH FLOW

Division Ninety9 will become cash flow positive on a month to month basis by the end of Year 1. The initial founders' investments, along with the outside investment, will ensure that working capital will be available to cover startup costs plus losses for over twelve months. It is anticipated that the company will experience negative cash flow months in the winter and fall, however strong sales during the summer months will make up for any losses that will be incurred. Sales through our website will help maximize profit margins and reduce collection delays.

7.6 BALANCE SHEET

The balance sheet will show first year assets of \$300,000 and no debt. After acquiring inventory, equipment and furnishings, we will retain the balance in cash for operations. We will arrange a line of credit for emergencies and to maintain a comfortable cash balance during periods when our receivables are high.

7.7 IMPORTANT ASSUMPTIONS

- Division Ninety9 will capture 0.5% of the California target market in Year 1
- Product margins will be 60-70%, with an average retail price of \$45
- Active lifestyle sports participation continues to rise over the next 5 years
- An investment of \$100,000 will be raised from an outside investor
- Marketing, distribution, manufacturing and sales relationships will be maintained

Retail Bike Shop Business Plan

1.0 EXECUTIVE SUMMARY

1.1 COMPANY & INDUSTRY

Ride On Bikes is a retail bike shop located in the university district of Pullman, Washington. The company, operating from a 3,000 square foot building in prime location, is solely owned by a long time bicycle enthusiast, Rick Austin. Austin has many years of experience in the retail bicycle industry, as well as a business degree from Washington State University, where the bike shop is located.

1.2 PRODUCTS & SERVICES

Ride On Bikes is the exclusive dealer in a 50 mile radius for GT, Specialized, Kona and Diamondback brands. The shop sells all types of bikes, from beach cruisers to mountain bikes. In addition to bike sales, the shop offers services, accessories and parts, which are installed by certified mechanics. Biking hats and apparel are also available.

1.3 MARKET ANALYSIS



The shop is conveniently located in the heart of campus, which houses approximately 20,000 full-time students. The primary market is the university population, which has a regular turnover of 25%. As the exclusive dealer for four big manufacturers, the company also markets to the surrounding population of over 100,000 people in the Quad Cities area, which includes three other colleges. In the area, there are three competing bike shops; however, none are able to offer the popular brands that are exclusive to Ride On Bikes.

1.4 STRATEGY & IMPLEMENTATION

Ride On Bikes will rely heavily on its location to attract university students. Washington University has a strong outdoor lifestyle culture. The students and the shop will work together on student riding programs and events. The owner has also formed several key partnerships with suppliers and industry experts that will ensure the long term success of the company.

1.5 MANAGEMENT

Ride On Bikes is managed by Rick Austin, the company's founder and sole owner. Rick has over 20 years of experience in the industry, as well as business education. Ride On Bikes also has two full-time certified mechanics on staff and a part-time sales force to assist with customer service.

1.6 FINANCIAL PLAN

Projections for Ride On Bikes show the company generating nearly \$500,000 in sales in Year 1 and becoming cash flow positive early in Year 2. The company will maintain low overhead and minimal liabilities. The business will be debt free within five years.

1.7 FUNDS REQUIRED & USE

Ride On Bikes is pursuing a \$175,000 SBA loan which will be used for building renovations, inventory purchases, initial marketing and working capital. The owner has invested \$25,000 in cash plus \$20,000 in tools and supplies to begin the venture.

2.0 COMPANY

2.1 COMPANY & INDUSTRY

Ride On Bikes is a full service bicycle repair and retail shop located in Pullman, Washington. It is the only authorized GT, Kona, Specialized and Diamondback dealer in a 50 mile radius. The shop, which serves the large university population, caters to many different segments including: cross-country, downhill, commuter and road enthusiasts. In addition to bike sales, the store has a full line of accessories, apparel and parts. The shop also has certified mechanics to provide repairs and installations for customers.

2.2 LEGAL ENTITY & OWNERSHIP

Ride On Bikes is a limited liability company registered with the Washington Secretary of State under the name of “Rick’s Cycling, LLC”. The company is solely owned by Rick Austin, a lifelong bicycle mechanic.

2.3 HISTORY

Ride On Bikes is a new company being launched by Rick Austin. Rick began riding and working on bikes at a young age, which began his love for the cycling community. As a teenager he worked for a bike shop after school and during the summer, where he eventually became a certified bike mechanic. Along with learning how to work on bikes, Rick made several key contacts with sales reps of various companies in the biking industry. After relocating to the Pullman area to attend college for a business degree, Rick realized the need for a bike shop in the area. Following the completion of a Bachelor’s Degree in Business Administration, Rick decided to open Ride On Bikes.

2.4 FACILITIES & LOCATION

Ride On Bikes is very conveniently located in the heart of the University District in Pullman, Washington, a prime location to supply the university students with their cycling needs. The 3,000 square foot shop has over 1,600 square feet of retail space and 800 square feet of service area. The remaining portion of the building is used for office space and inventory storage. A low lease rate of \$1 per square foot has been negotiated for a five year lease.

2.5 KEY ASSETS

The company will maintain top-of-the-line inventory of bikes, parts and apparel. Other assets include tools, cash register, computer, retail displays and signage. Intangibles, such as experience, relationships and location will prove to be the most valuable components of Ride On Bikes.

3.0 PRODUCTS OR SERVICES

3.1 PRODUCT DESCRIPTION

Ride On Bikes has two primary ways of generating revenue: retail sales and service. Retail sales consist of new bikes from the GT, Kona, Specialized and Diamondback brands. Bikes are available in many styles, including: mountain, downhill, commuter, beach cruiser, and road. In addition to bike sales, many accessories (locks, racks, water bottles, etc.) and clothing (jerseys, gloves, shoes,

casual wear, etc.) are stocked on a continual basis. Finally consumers can find a wide range of parts to fix or upgrade their bikes.

The service department has two full-time certified mechanics to help with any bike repairs and maintenance, including tune-ups, flat repairs, accessory installation and warranty repairs.

3.2 FEATURES & BENEFITS

By shopping at Ride On Bikes, customers receive many features not found at competing stores. All new bikes come with two free tune-ups to ensure the bike is functioning properly after purchase. Ride On Bikes is also the only bike store in the area to regularly stock all disciplines of bikes, as well as a full array of accessories and parts. Additionally, Ride On Bikes is very active in the bicycling community and offers weekly group rides and community-building activities. For competitive riders, the shop also offers discounts on products and services.

3.3 COMPETITION

Direct competition in Pullman is minimal. A Giant brand dealer is located across town. This is a smaller shop and is inconvenient for the university students. In the nearby city of Lewiston there are two other bike shops, which concentrate on mountain bikes. Ride On Bikes has exclusive distribution agreements and a preferred location for university students. These factors will allow Ride On Bikes to overcome its competition.

In the surrounding areas, indirect competition consists of mass retailers, such as Wal-Mart, K-Mart and Shopko. All of these have significantly lower prices; however, the quality of their bikes is much lower than what Ride On Bikes offers. None of these large retailers have service capabilities.

3.4 COMPETITIVE ADVANTAGES

Ride On Bikes has several competitive advantages, including location, certified mechanics and exclusive distribution agreements with popular brands. Competing companies are not able to match these capabilities.

3.5 DEVELOPMENT

In the long term, Ride On Bikes expects to open new locations in the Pacific Northwest. Locations will be selected where customer demand is high and exclusive distribution rights are available.

4.0 MARKET ANALYSIS

4.1 TARGET MARKET

Ride On Bikes' primary target market consists of students and faculty of Washington State University. This segment is made of 18-26 year olds that are active and participate regularly in outdoor activities. As the campus is relatively confined, with few students driving, most all students walk or ride bikes to and from class. A secondary market consists of the rest of the population of the Quad Cities. This area is well known for its mountain bike trails, river paths, greenbelts and road cycling groups.

4.2 MARKET SIZE

The university has approximately 20,000 full time students attending at any one time. In addition to this campus, there are three other colleges within the Quad Cities that Ride On Bikes can cater to. There is an estimated 25% turnover among the student population yearly, as new students enroll.

Ride On Bikes serves a regional population of 100,000 people. With only three other bike shops in this area, Ride On Bikes will be able to capture a large amount of the market share due to its unique location and exclusive distribution agreements.

4.3 MARKET TRENDS

The bicycle market is always evolving. The latest trend is the growing demand for beach cruisers and mountain bikes, both of which have relatively high margins. In addition, with fuel prices increasing, more people have chosen bicycles for commuting to work and school. This has caused an increase in demand for bicycles and accessories, where markups are often 50% or greater. Service sales have also increased as more people are tuning up old bikes and regularly maintaining their new ones.

4.4 SWOT ANALYSIS

Strengths: location near campus center; GT, Kona, Specialized and Diamondback exclusive distribution rights; certified mechanics; low lease rates

Weaknesses: most of the target market returns home during the summer, making summer months less busy; new in the marketplace

Opportunities: lack of competition with certain brands will allow higher margins; group rides, events and races will attract new customers; 4 colleges in area provide large and ever-changing market

Threats: competing bike shops already have established customer bases; trends may shift away from bicycling if gas prices drop; weather (too hot, rainy or snowy) causes fewer people to ride

5.0 STRATEGY & IMPLEMENTATION

5.1 PHILOSOPHY

Ride On Bikes will be the Quad Cities' premier bicycle shop, offering a cycling solution for everyone from the mountain biking enthusiast to the daily commuter. It will be "a one-stop-shop for all your cycling needs."

5.2 INTERNET STRATEGY

Ride On Bikes does not intend to use its internet presence to drive retail sales, like so many other e-commerce sites. Rather, the company focuses on the immediate needs of its customers and the ability to fulfill those needs rapidly. A web site will include the store location and hours, promotions, local trails and links to related sites. Customers will also be able to research each bike and brand that Ride On Bikes sells, allowing customers to make better purchasing decisions.

5.3 MARKETING STRATEGY

An aggressive marketing strategy will be employed that will leverage the location of Ride On Bikes and the university students who are most interested in biking. The company will work closely with the university to provide bike clinics, group rides and other community-building events. Back-to-school specials and spring specials will be offered to make it easier for students to afford a new bike. The company will also advertise in the student newspapers and promote events through the Activities Planning Board and area Chambers of Commerce.

5.4 SALES STRATEGY

Sales in the bicycle industry are very cyclical, varying with seasons and weather. Particularly with Ride On Bikes, sales will be slower in the summer months due to the university, contrary to many other bike shops. For this reason, most sales efforts will take place during the school year, especially in the fall when school is beginning session and in the spring when students prefer to be

outside. More than 85% of sales will be made in-person at our retail shop. The staff will be motivated by sales bonuses for each bicycle sold.

Ride On Bikes has secured an ongoing contract with the university's security department to provide all new bikes and service to its officers. The staff will pursue other bulk sales opportunities as well.

5.5 STRATEGIC ALLIANCES

- Bicycle Manufacturers: GT, Diamondback, Kona and Specialized have granted exclusive distribution rights
- Suppliers such as QBP will supply accessories and parts
- Washington State University: Student Activities Board and University Security Department
- The city of Pullman and the Quad Cities provide places to ride and trail maintenance

5.6 OPERATIONS

Operations of Ride On Bikes will be led by Rick Austin. He will oversee daily transactions, as well as inventory levels, marketing, bulk sales and other miscellaneous duties. The remainder of the staff, which will be adequately trained in product knowledge and sales, will be responsible for ensuring customer satisfaction and achieving sales goals. The store will be open daily from 10am until 7pm, with a reduction in hours during non-school sessions.

5.7 GOALS

- Provide high quality service and products to the university and surrounding population
- Achieve \$500,000 in first year sales
- Interact with the universities to provide training and programs for students
- Organize regular group rides to meet new people and build customer relationships

6.0 MANAGEMENT

6.1 MANAGEMENT TEAM

Ride On Bikes is managed by its owner, Rick Austin. Rick is a lifelong bicycle enthusiast with many years of experience riding and working on bikes. He spent much of his teenage years working in a bike shop in his hometown of Enumclaw, Washington, where he gained many contacts and inside

knowledge of the bike industry. He attended Washington State University and received a Bachelor of Business Administration focusing on Entrepreneurship.

6.2 PERSONNEL NEEDS

Along with Rick, Ride On Bikes will employ two full-time certified mechanics. These mechanics will provide all repair and service work that comes through the shop. Three to five part-time sales people will be hired to assist customers and ring up purchases. The staff will adjust in size and hours to meet the seasonal demand. The part-time staff will likely be university students who are looking to supplement their income by working at a fun store.

6.3 ADVISORS

The company receives advice from various friends and business professionals. These include a CPA for financial and accounting matters, as well as an attorney for any legal requirements, such as liability waiver forms for events. In addition, Rick consults with some of his former business professors who taught him at Washington University.

7.0 FINANCIAL PLAN

7.1 REQUIREMENTS

In order for Ride On Bikes to successfully open with the required inventory and staff, the company will need \$200,000 in capital. Rick Austin has invested \$25,000 of personal money into the company, plus many of the required tools and equipment. The remainder of the funding will come in the form of an SBA loan, originated from a local bank.

7.2 USE OF FUNDS

The startup capital will be used to fund several expenses, including building renovation and fixtures. Rick will purchase an adequate amount of inventory, including bikes, accessories and apparel. A portion of the funds will be used for a grand opening marketing campaign. These startup costs will account for \$115,000 of the initial capital. The remaining cash will be used for working capital for wages, rent, utilities and operational costs for the first year of business.

7.3 INCOME STATEMENT PROJECTIONS

First year sales are projected to be \$500,000 with approximately 250 bikes sold, accounting for \$125,000 in revenues. Service sales will account for \$175,000 in income. Parts, accessories and apparel will generate the remaining revenues. Gross margin on bicycle sales will average 30%, while parts, accessories and apparel will be sold at a 50% margin. First year losses are expected to be \$25,000. In Year 2, revenues will grow to \$600,000 with profits of \$55,000. Year 3 will see revenues of \$750,000 and profits of \$90,000.

7.4 BREAKEVEN ANALYSIS

With fixed monthly expenses equaling \$25,000, and a combined average margin of 62%, the business will break even at approximately \$40,000 per month in revenues. This will be achieved on a monthly basis before the end of Year 1.

7.5 PROJECTED CASH FLOW

Ride On Bikes strongest months will be August through December and March through May. These months will be cash flow positive and will carry the company through the slower months. Ride On Bikes will end Year 1 with approximately \$60,000 in the bank.

7.6 BALANCE SHEET

Ride On Bikes' balance sheet will show total assets of approximately \$220,000, including cash, inventory, equipment and leasehold improvements. Liabilities will be \$175,000, plus any bank lines of credit. In the event that suppliers extend credit to the business, the balance sheet will reflect an increase in inventory and an equal adjustment to liabilities.

7.7 IMPORTANT ASSUMPTIONS

- University enrollment remains the same
- The surrounding universities continue to cooperate with marketing initiatives and events
- Accounts payable terms with suppliers are net 30
- Fuel prices remain high
- The biking industry continues to grow or remains steady

Pizzeria Business Plan

1.0 EXECUTIVE SUMMARY

1.1 COMPANY & INDUSTRY

Olympic Pizzeria will become Seaside's first, fast and free delivered pizza restaurant. The pizza restaurant industry in Seaside is minimal, with only one other pizza place. Olympic Pizzeria is conveniently located for both tourists and locals, and a complete restaurant with low lease terms has already been secured. The owners all bring business management background, as well as hospitality industry experience.

1.2 PRODUCTS & SERVICES

Olympic Pizzeria offers fast and free delivered pizza. The pizza, made with unique, East Coast based recipes and a secret sauce, include a vast array of topping selections, as well as healthy alternatives. The company also will offer mobile beach vending carts to allow tourists on the beach a quick and easy dining option without leaving the beach.

1.3 MARKET ANALYSIS



Seaside has approximately 6,000 full time residents, which more than doubles during the tourist season. Olympic Pizzeria targets both the local segment and the tourist segment. In addition, the healthy menu items provide an alternative dining option for many tourists. It has been estimated that at least 25% of households will order pizza for delivery at least once per month.

1.4 STRATEGY & IMPLEMENTATION

Olympic Pizzeria will implement an effective marketing and advertising campaign, consisting of direct mailings, community and event sponsorships, and coupons. Additionally, the company has formed partnerships with area resorts and hotels to inform guests about Olympic Pizzeria and its dining options. Sales are expected to double during the tourist season, at which time a complete staff consisting of cooks, drivers, and wait staff will be hired.

1.5 MANAGEMENT

Olympic Pizzeria has a strong management team consisting of its three owners. Each owner brings education in business management. Additionally, each owner has experience working in either the resort industry or the food industry. The management team has successfully started one other restaurant in nearby Portland.

1.6 FINANCIAL PLAN

Olympic Pizzeria has a strong financial plan with first year earnings exceeding \$30,000 and cash flow positive by month 5. It is expected that the company will have losses during the five months that tourism is slow, however during the busy months monthly profits will exceed \$10,000. Yearend cash balances will exceed \$30,000, and the bank loan will be paid off within two years.

1.7 FUNDS REQUIRED & USE

Olympic Pizzeria requires \$85,000 in capital to begin operations. The three owners have personally invested \$60,000 into the company. The remaining \$25,000 will come from a bank loan that has already been secured. Funds will be used for building renovations, marketing and advertising, and daily operations for the first five months until the company becomes cash flow positive.

2.0 COMPANY SUMMARY

2.1 COMPANY & INDUSTRY

Olympic Pizzeria will become Seaside's first chain of delivery oriented, family pizza restaurants. Although this is not a new concept, Seaside does not have a pizzeria that offers fast, free delivery along with a family dining atmosphere. Seaside is not only ready for a true pizza operation - it needs one, especially an operation that will focus on quality, price, and convenience.

2.2 LEGAL ENTITY & OWNERSHIP

Olympic Pizzeria is currently registered with the Secretary of State (Oregon) as a limited liability company under the name "Olympic Pizzeria LLC". The company is owned equally by its three managing partners.

2.3 HISTORY

Each of the founding partners brings different experience to the company. Having experience in the hospitality industry, management, and pizza making, the three partners have teamed up to create Olympic Pizzeria to fill the current need in the market.

2.4 FACILITIES & LOCATION

Olympic Pizzeria is located in a prime location in Seaside, Oregon, at the corner of Broadway and Highway 101. Not only does this appeal to all of the tourists, being centrally located on the main street in town, but also attracts travelers on the highway driving through.

At this location, an existing vacant restaurant has been secured. The building is fully built out to accommodate the needs of the pizzeria, including complete kitchen, dining, and office areas. The owner has agreed to \$1.80 per square foot in rent (\$900/mo.) and will include garbage pickup and water. Utilities will be based on use.

2.5 KEY ASSETS

The most significant assets will be the kitchen equipment, including the oven, mixer and prep tables. As the reputation for our pizza grows, our most important assets will become our recipes and the Olympic Pizzeria brand.

3.0 PRODUCTS & SERVICES

3.1 PRODUCT DESCRIPTION

Olympic Pizzeria provides premium pizza with fast, free delivery to the Seaside area. Olympic Pizzeria specializes in making superior pizzas, with proven recipes that have successfully launched pizzerias in other parts of the country. The restaurant combines hand-tossed dough, along with a secret sauce, that entices customers to return. Menu items are priced marginally higher than pizzerias in other towns, as the primary customers are tourists, whom expect to spend more while on vacation. This allows for free delivery, as well as additional menu options, such as whole-wheat dough.

3.2 FEATURES & BENEFITS

Olympic Pizzeria offers a wide menu selection to appeal to many different customer preferences. As more people are beginning to eat healthy, whole wheat options are available for pizza crusts and

breadsticks. Additionally, Olympic Pizzeria is the only restaurant that provides vegan options to customers. Multiple flavored crust options (cheese, garlic, etc.) along with an array of pizza toppings, also sets Olympic Pizzeria apart from the current competition. Finally, expanded operating hours and fast, free delivery, allow customers multiple dining options.

3.3 COMPETITION

Currently there is only one direct competitor, Southside Pizza, which is the only pizzeria that delivers in the Greater Seaside area. Typically their deliveries take an average of an hour per order and incur a \$2 surcharge. Additionally, they only deliver between the limited hours of 5-8 pm. A three-topping delivered pizza will cost over \$17 and take an hour when ordered from Southside Pizza.

The indirect competition includes Bill's Diner and China Wok Buffet. Bill's Diner sells take-and-bake pizza at a very reasonable price; however they do not offer delivery. They also do not offer dough variations. China Wok Buffet does deliver for a \$4 surcharge; however they do not offer pizza in their menu.

3.4 COMPETITIVE EDGE/BARRIERS TO ENTRY

As there is limited competition, Olympic Pizzeria will have a first mover advantage in offering quality pizzas for fast, free delivery. Once established, it will be difficult for another pizzeria to enter the market, as Seaside is not large enough to support three pizza restaurants year-round. Additionally, Olympic Pizzeria has lower fixed costs through negotiations on a long term building lease. The pizzeria also offers a wider variety of menu items, including whole wheat crust options, which the competition does not offer.

3.5 DEVELOPMENT

Olympic Pizzeria plans to open another location near the waterfront, which will serve as a convenient place to eat while tourists are enjoying the beach. This location will act as a hub for several mobile carts strategically located along the beach, which will offer pizza by the slice and drinks to customers. As customer's preferences are further defined, menu items will be added to expand the target market. For example, a healthier alternative, such as wraps, will be added to the menu. Additional locations in other towns along the coastline may also be considered.

4.0 MARKET ANALYSIS SUMMARY

4.1 TARGET MARKET

Seaside, like several other small towns along the Oregon coast line, has a tourist based economy. There are two distinct market segments that Olympic Pizzeria will target: the tourists and the locals. The tourists mainly consist of vacationers with disposable income that are willing to spend more for a quality pizza. The locals consist of either upper-middle class retirees or lower-middle class middle-aged workers, both which enjoy quality pizza 1-2 times per month.

4.2 MARKET SIZE

The full-time permanent population of Seaside is slightly more than 6,000 people, growing at an annual rate of 6%. However, the population doubles during the prime summer and fall vacation months. It is estimated that 90% of the population eat pizza, with 40% eating pizza at least two times per month.

4.3 MARKET TRENDS

The target market is experiencing growth annually in both full-time population and tourist visits. Additionally, a new market segment has begun to appear with people beginning to look for healthier dining alternatives. Olympic Pizzeria's exclusive whole-wheat crust option targets this new market segment.

4.4 SWOT ANALYSIS

Strengths: fast, free delivery; unique recipes and secret sauce; first mover advantage; healthy menu options; low overhead and fixed expenses; prime location; management team

Weaknesses: higher variable costs for ingredients due to better quality; competing pizzeria already operating; three person management team

Opportunities: tourists allow higher margins; mobile beach carts for additional delivery method; capture local delivery market with faster and cheaper delivery

Threats: new pizzeria entering market; existing competition offering fast, free delivery

5.0 STRATEGY & IMPLEMENTATION

5.1 PHILOSOPHY

Olympic Pizzeria will be the premier pizza restaurant in the Seaside area, offering unique, healthy menu options and fast, free delivery.

5.2 PRODUCT DEVELOPMENT

Development of the facility will be minimal, with minor modifications and the addition of pizza ovens being the only major renovation. Proven recipes have already been secured. Delivery drivers will be outfitted with GPS units to aid in fast, efficient delivery. Development of the mobile beach vending carts will be finalized once the main restaurant has been operational for at least six months.

5.3 INTERNET STRATEGY

Although the internet may not play a vital part to the marketing of Olympic Pizzeria, a website will be designed and maintained to promote the company. Along with advertising specials, customers will be able to look through the complete menu, and place orders for takeout or delivery online.

5.4 MARKETING STRATEGY

In the pizza delivery business, aggressive marketing is the key. Typically, having a pizza delivered to your home is an impulse purchase. This requires a strong advertising campaign including direct mailers and coupons placed in newspapers. Additionally, Olympic Pizzeria will develop strategic marketing campaigns to target guests of area resorts and hotels. Sponsorship of local sports teams and events will also be used to broaden reach.

5.5 SALES STRATEGY

Given the target market of tourists, Olympic Pizzeria can charge a premium for its menu items. As dining is often an impulse purchase, it is difficult to estimate sales forecasts, however it is expected that during the tourist season, sales will increase significantly. We have estimated that of the 3,000 full time households, 25% will make at least one order per month, which equals 25 pizzas per day. During the tourist season we expect at least 50 orders per day. This equates to 14,250 pizzas per year, and gross revenues of \$285,000.

5.6 STRATEGIC ALLIANCES

Olympic Pizzeria has formed alliances with area resorts and hotels to allow marketing and advertising of our menu to guests and tourists. Additionally, the restaurant has been given permission to place mobile vending carts on the beach, in exchange for sponsorships of local community events. Partnerships with fresh ingredient suppliers are also being negotiated.

5.7 OPERATIONS

Operations will be managed by the three managing partners. This will include all marketing activities, financial and accounting activities, and operational activities. The restaurant will employ a small staff of waiters, cooks, and delivery drivers. Staff will be trained by the management team to ensure quality and consistency of food preparation.

5.8 GOALS

- Be the premier pizza delivery restaurant with quality menu items
- First year revenues of \$250,000
- Expansion to second location and beach mobile vending carts within 12 months
- Have a strong community involvement
- Open additional locations in other neighboring coastal towns

5.9 EXIT STRATEGY

It is anticipated that within 10 years, there will be 10 Olympic Pizzeria locations in operation. At this time, company valuation is expected to be around \$5 million, which will allow an adequate-sized venture to become interested in acquiring the company.

6.0 MANAGEMENT SUMMARY

6.1 ORGANIZATIONAL CHART

The company will follow a typical hierarchical structure with the management team discussed below as the co-owners., who will be responsible for all operations and management duties early on. Additional staff will be needed for pizza preparation, delivery, and wait staff. Once the company has expanded operations, a general manager will be hired to take the duties of the owners.

6.2 MANAGEMENT TEAM

The initial management team will consist of the following three owners:

Sean Smith is currently the Resident Manager at Oceanside Resort. He has extensive experience resorts operations and management, as well as computer database administration. He also is experienced with resort marketing. His background will aid in resort relations, as well as handling public relations and special events. He has a degree in business from Oregon State University.

Aaron Lambert is currently the front desk manager of Pacificview Resort. He has experience in starting and operating an upscale deli at the Hilton in Portland. He has a broad based management background that includes very large, four-star resorts to a smaller, hands-on resort. Aaron has a degree in business with emphasis in resort management from Azusa State University.

David Crawford is the assistant front desk manager at the Pacificview Resort. He has worked with Aaron for the last three years, beginning with the deli project at the Hilton. David comes from the East Coast, where he has experience in the pizza business. He has background with backline operations such as dough and sauce prep, consistency control, and recipe creation. He has experience as revenue auditor for restaurant, casino and hotel operations. David has a degree in business administration from the University of Ohio.

6.3 PERSONNEL NEEDS

It is estimated that a staff of 10 will be needed to maintain operations. As this industry does not require special training and turnover is typically high, staff wages can be relatively low. Most of the staff will maintain part time hours, as many will be high school students and retirees. This will eliminate the need for expensive benefits and other requirements.

6.4 BOARD MEMBERS & ADVISORS

Olympic Pizzeria's advisory team consists of a certified public accountant, who takes care of all tax accounting requirements, as well as a corporate attorney that is held on retainer in case any legal needs arise.

7.0 FINANCIAL PLAN

7.1 REQUIREMENTS

Olympic Pizzeria has secured a funding in the form of a bank loan for the amount of \$25,000. This is personally guaranteed by each of the owners. Additionally, the owners have invested a total of \$60,000 into the company. Investment contributions were made equally by each of the three partners.

7.2 USE OF FUNDS

Funds will be used primarily for renovation and upgrades to the kitchen (\$55,000), including new pizza ovens, kitchen equipment, and dining room décor. Additionally, advertising expenses and marketing collateral, as well as initial inventory, insurance, rent, and utilities, will all need to be purchased in the first month of operations. Remaining funds will be used as operating capital.

7.3 INCOME STATEMENT PROJECTIONS

It is projected that first year revenue will exceed \$285,000, with the sale of nearly 15,000 pizzas. Monthly revenues are expected to vary between \$15,000-\$30,000, depending upon tourist seasons. Fixed expenses are projected to be around \$15,000 monthly, which includes wages, marketing and advertising, insurance, rent, and utilities. Variable costs are estimated to be \$3 per pizza. Net losses are anticipated during the non-tourist months, however during tourist seasons the monthly profits are expected to exceed \$10,000. First year earnings are estimated to be \$37,000, with second and third year earnings projections of \$45,000 and \$52,000.

7.4 BREAK-EVEN ANALYSIS

The break even analysis works out to 901 pizzas per month or \$18,020 in sales.

7.5 PROJECTED CASH FLOW

The company is expected to be cash flow positive by the fifth month of operations. The initial owners' investment of \$10,000, along with the bank financing of \$25,000 ensures that free cash never drops below \$2,000, with most months exceeding \$5,000. By the end of Year 1, the bank account balance is expected to exceed \$35,000, which will allow expansion of the company operations.

7.6 BALANCE SHEET

Olympic Pizzeria's balance sheet will show \$85,000 in assets, attributed mainly to equipment, leasehold improvements and cash. Liabilities will be only \$25,000 upon launch and zero within two years. Equity will continue to increase as retained earnings stay positive and debt is paid down.

7.7 IMPORTANT ASSUMPTIONS

- Variable costs (including ingredients, packaging, and delivery) remain at \$3
- Tourist months stay strong April-October
- The tourist economy continues to grow over the next 5 years