



Velocipede-Snowpede Borrow Bank

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1.0 Executive Summary

Velocipede/Snowpede Borrow Bank is a Eugene, Ore. based rental company specializing in bicycles and snowshoes. Velocipede/Snowpede will offer road, mountain, and tandem bicycles for rent, as well as a variety of sizes of snowshoes. Bicycles will be the primary source of revenue from April through November. Once the snow falls upon the Cascade Mountains, the revenue source will switch from bicycles to snowshoes. For both bicycles and snowshoes, Velocipede/Snowpede will supply each customer with a detailed map/trip log which the customer will be able to follow, showing them an incredible bike ride/snowshoe hike. Eugene is the perfect place for this type of company because it has nationally renowned cycling as well as wonderful snowshoeing in the Cascades.

While Eugene has several rental stores for bicycles and snowshoes, their primary line of business is retail sales with the rentals as an ancillary distraction. Velocipede/Snowpede Borrow Bank will leverage their industry benchmark customer service to steadily gain market share.

2.0 Situation Analysis

Velocipede/Snowpede is a start-up company. Marketing is critical to success and profitability. The store offers rentals of bicycles and snowshoes as well as guides for places to use the equipment.

2.1 Market Summary

Velocipede/Snowpede possess good information about the market and knows a great deal about the common attributes of the most prized and loyal customers. Velocipede/Snowpede will leverage this information to better understand who is served, their specific needs, and how Velocipede/Snowpede can better communicate with them.

Target Markets

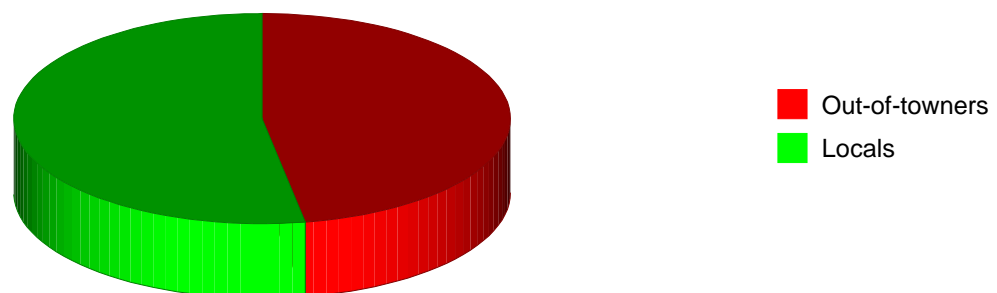


Table 2.1: Target Market Forecast

Target Market Forecast							
Potential Customers	Growth	2001	2002	2003	2004	2005	CAGR
Out-of-towners	9%	35,645	38,853	42,350	46,162	50,317	9.00%
Locals	9%	39,854	43,441	47,351	51,613	56,258	9.00%
Total	9.00%	75,499	82,294	89,701	97,775	106,575	9.00%

2.1.1 Market Demographics

The profile for Velocipede/Snowpede's customer consists of the following geographic, demographic, and behavior factors:

Geographics

- Our immediate geographic target is the city of Eugene with a population of 130,000.
- A 30 mile radius is in need of our services.
- The total targeted population is estimated at 75,499.

Demographics

- Male and female.
- Ages 18-45.
- Have attended some or all of undergraduate schooling.
- An income of \$20,000-\$55,000.

Behavior Factors

- Are cognizant of their health.
- Enjoy outdoor activities.
- Are physically active.

2.1.2 Market Needs

Velocipede/Snowpede is providing its customers with a wide selection of cycling and snowshoe rentals. Velocipede/Snowpede seeks to fulfill the following benefits that are important to their customers.

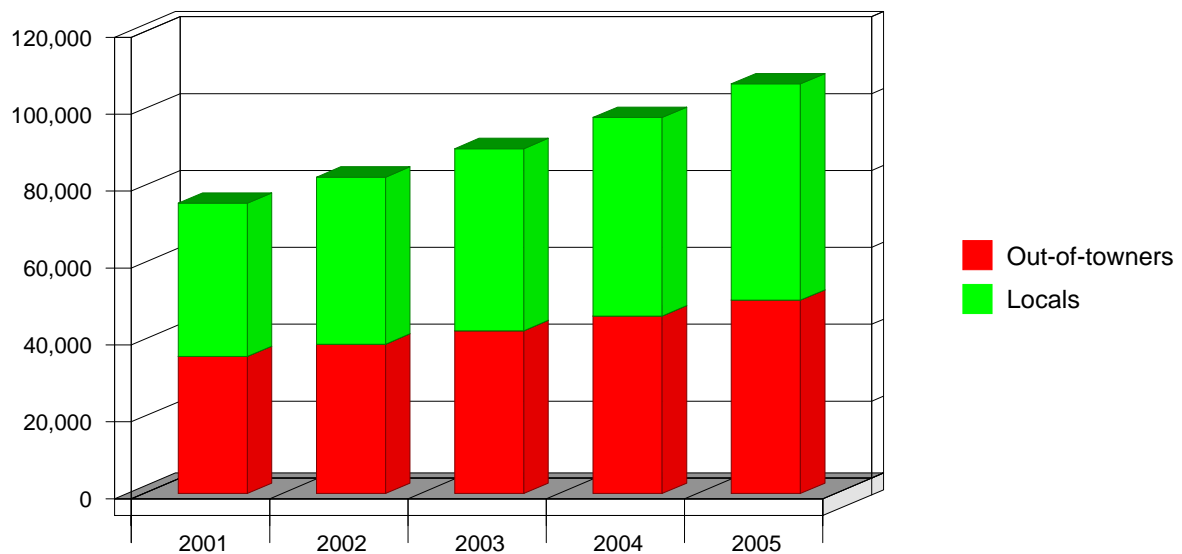
- **Selection:** a wide choice of rental options.
- **Accessibility:** the patron can rent all products from the store front.
- **Customer Service:** the patron will be impressed with the level of attention that they receive.
- **Competitive Pricing:** all products will be competitively priced relative to true competitors, as well as substitute competitors like other leisure/active activities.

2.1.3 Market Trends

The market trend in the outdoor activity industry is an increased participation of different sports. For example, people that road ride are now trying mountain biking based on the assumption that they will enjoy it because of their other preferences. This trend can be explained by several factors:

- Sports enthusiasts are branching out to similar sports to revive their excitement for the primary sport.
- People are trying new activities to broaden their range of exercise options.
- People are trying snowshoes as a way of extending the period for hiking.

Market Forecast



2.1.4 Market Growth

In 1999, the global sports rental market reached \$265 million in revenue. This market is estimated to grow at 9% for the next several years. The growth can be attributed to several factors:

- An increase of physical activity by people.
- The movement toward a more health conscious lifestyle.
- The desire to try out equipment before purchasing.

2.2 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company and describes the opportunities and threats facing Velocipede/Snowpede.

2.2.1 Strengths

- Strong relationships with vendors.
- Excellent staff who are highly trained and very customer attentive.
- Wide selection of rental products.
- Excellent maps/trip guides to lead customers.

2.2.2 Weaknesses

- Less visibility relative to the large chain of bicycle shops.
- The lack of a full service bicycle shop which many people will check first for rentals.
- A consistent market to sell previous years rentals.
- The struggle to constantly stock state of the art equipment.

2.2.3 Opportunities

- Growing market with a significant percentage of the target market still not aware that Velocipede/Snowpede exists.
- The growing popularity of equipment intensive sports.
- Eugene is an ideal location.

2.2.4 Threats

- Competition from local competitors that respond to Velocipede/Snowpede superior product/service offerings.
- A slump in the economy that reduces customer's amount of disposable income.
- Poor weather for outdoor activities.

2.3 Competition

Currently, there are three retail bicycle shops that rent bicycles and four retailers that rent snowshoes. They also sell books with suggested rides. Velocipede/Snowpede Borrow Bank will, in addition to renting the equipment, include detailed maps for customers to follow.

2.4 Services

Velocipede/Snowpede offers a rental service for a variety of bicycles (road, mountain, and tandems) as well as snowshoes and poles. In addition to the rental of the equipment, Velocipede/Snowpede offers detailed maps of suggested rides and hikes included with a rental. While competitors will have employees who can make suggestions of where to ride, Velocipede/Snowpede offers a detailed map so all you need is the rental, the map, water and food, and ambition.

Eugene offers national class cycling and therefore it makes perfect sense to offer rentals. The road riding is available directly outside of Eugene, one simply needs to roll the bike off the sidewalk in front of Velocipede/Snowpede and you are enroute for an amazing road ride through the many different valleys and mountain ranges. Eugene also offers wonderful mountain biking in the Costal Range, Cascades, as well as the foothills of both. While these rides generally require a car to get to the trailhead, there are many different rides within 40 minutes of Eugene.

A large deposit will be taken, or a hold of funds with a credit card, to discourage theft. It is common to have theft occur when there is no deposit or the deposit is small.

Eugene has two different roads that head up into the Cascades. There are many areas directly off the highways that are wonderful for snowshoeing.

2.5 Keys to Success

- Super friendly staff.
- Knowledgeable employees.
- Large selection.
- Wide range of business hours.

2.6 Critical Issues

Velocipede/Snowpede is still in the speculative stage as a retail store. Its critical issues are: continue to take a modest fiscal approach; expand at a reasonable rate, not for the sake of expansion in itself, but because it is economically wise to. Continue to build brand awareness which will drive customers to Velocipede/Snowpede.

3.0 Marketing Strategy

Velocipede/Snowpede's marketing budget is limited so the campaign will be relatively simple. Three avenues of advertising will be used, the first will be with the Chamber of Commerce's publication for out of towners, the second will be with the local outdoor journal. The last form of traditional advertising will be a Yellow Page advertisement.

Velocipede/Snowpede will also have a Web page that will detail all aspects of the business to provide people, particularly people from out of town, with information about their service offerings.

3.1 Mission

Velocipede/Snowpede Borrow Bank's mission is to provide customers with bicycle and snowshoe rentals, as well as suggested journeys. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

3.2 Marketing Objectives

1. Increase customer awareness of Velocipede/Snowpede.
2. Decrease the costs associated with attracting new customers.
3. Increase brand equity.

3.3 Financial Objectives

1. A double digit growth rate for each future year.
2. Decrease the variable costs associated with each transaction.
3. A 2% increase in the profit margin every two quarters.

3.4 Target Marketing

Velocipede/Snowpede Borrow Bank will target two distinct market segments:

Out of towners: these people are passing through Eugene and are either cycling enthusiasts without their bikes or visitors who would like to try cycling.

Locals: this group of people live in Eugene and would like to try cycling/snowshoeing so they will go to a rental facility and rent the equipment. There will be larger percentage of locals renting snowshoes relative to bicycles. This is primarily because snowshoes are more unusual and it is less common for people to own their own snowshoes than for people to own their own bicycles.

3.5 Positioning

Velocipede/Snowpede will position themselves as the premier destination for bicycle and snowshoe rentals. Velocipede/Snowpede is the premier place because of:

- Customer service. The attention to service begins with answering any questions during the initial phone inquiry. The concentration continues when fitting the bicycle and explaining different features. Velocipede/Snowpede Borrow Bank sees helping the customer as an opportunity to impress them.
- Velocipede/Snowpede employees are trained to explain all the necessary features of the rental products. This takes time, but the customer leaves with the impression that they have been fully trained in the equipment that they are using. This will leave the customer totally impressed with the level of attention that they receive.
- Only employees that love to work with customers will be hired so this ethic will become ingrained within the organization.

3.6 Strategy Pyramids

The single objective is to position Velocipede/Snowpede as the premier bicycle and snowshoe rental facility in Eugene, commanding a majority of the market share in three years. The marketing strategy will seek to first create customer awareness regarding their services offered, develop the customer base, and work toward building customer loyalty and referrals.

The message that Velocipede/Snowpede will seek to communicate is that they offer the finest rentals and service. This message will be communicated through a variety of methods. One method will be advertisements in the Chamber of Commerce publication, a publication that is targeted to visitors of Eugene. Another method is advertisements in the local outdoor journal. This publication is read by many outdoor enthusiasts in Eugene who are looking for things to do in the woods. A third form of advertisements will be in the Yellow Pages.

Velocipede/Snowpede will also communicate their message using a detailed, robust website. This source of information will be available to anyone with an Internet connection.

3.7 Marketing Mix

Velocipede/Snowpede's marketing mix is comprised of the following approaches to pricing, distribution, advertising and promotion, and customer service.

- **Pricing:** Velocipede/Snowpede pricing will be competitive with other rental companies.
- **Distribution:** All of the services will be distributed from Velocipede/Snowpede's store front.
- **Advertising and Promotion:** The most successful advertising will be with the Chamber of Commerce, the local outdoor Journal, the Yellow Pages, and through their website.
- **Customer Service:** Obsessive customer service is the mantra. Velocipede/Snowpede's philosophy is whatever needs to be done to make the customer happy must occur, even at the expense of short-term profits. In the long term, this business model will pay off with a fiercely loyal customer base.

3.8 Marketing Research

During the initial phase of the marketing plan development, several focus groups were held to gain insight into a variety of prospective customers. These focus groups provided helpful insight into the decision making processes.

An additional source of dynamic market research is a feedback mechanism based on a suggestion card system. The suggestion card has several statements that customers are asked to rate in terms of a given scale. There are also several open ended questions that allow the customer to freely offer constructive criticism or praise. Velocipede/Snowpede will work hard to implement reasonable suggestions in order to improve their service offerings as well as show their commitment to the customer that their suggestions are valued.

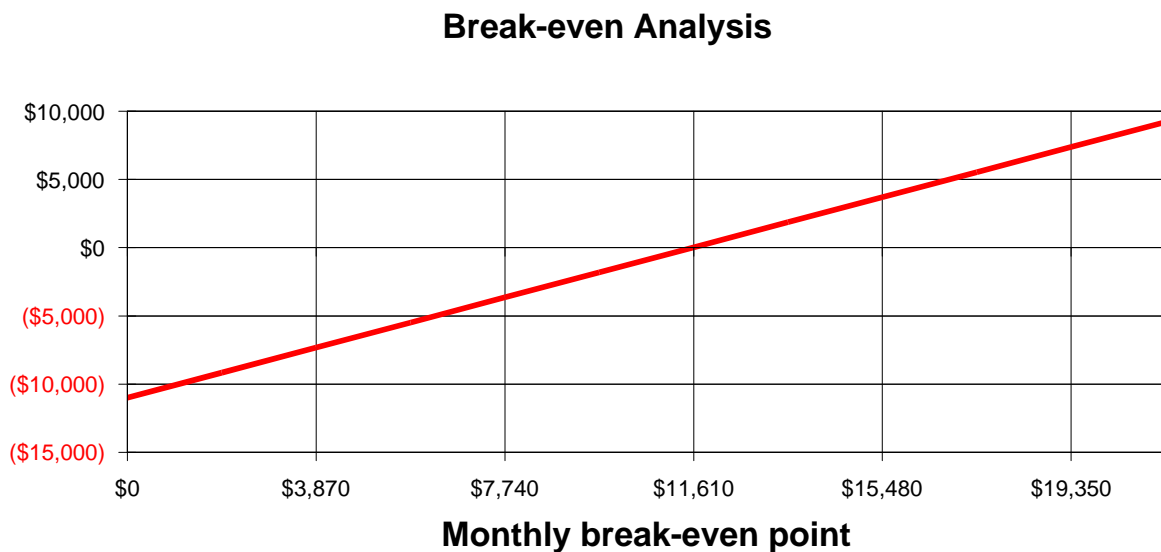
The last source of market research is competitive analysis. Velocipede/Snowpede will patronize competitors regularly to have timely information about their service offerings.

4.0 Financials, Budgets, and Forecasts

This section will offer a financial overview of Velocipede/Snowpede as it relates to the marketing activities. Velocipede/Snowpede will address break-even analysis, sales forecasts, expenses forecasts, and how those link to the marketing strategy.

4.1 Break-even Analysis

The Break-even Analysis indicates \$11,579 will be needed in monthly revenue to reach the break-even point.



Break-even point = where line intersects with 0

Table 4.1: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	257
Monthly Sales Break-even	\$11,579
Assumptions:	
Average Per-Unit Revenue	\$45.00
Average Per-Unit Variable Cost	\$2.25
Estimated Monthly Fixed Cost	\$11,000

4.2 Sales Forecast

The first month will be used to set up the store-front and train the employees. During the end of the first month and during the second month the rental fleet of bicycles will be assembled. There might be a few rentals of bikes, but the majority of the sales will be from the rental of snowshoes. Sales will incrementally increase each month. Revenue will switch from snowshoes to bicycles around April and back in November.

It is forecasted that the busiest month during the winter will not be as high as busy months for the bicycles in the summer.

The snowshoes will be rented as a way to eliminate the seasonal nature of a bicycle rental facility. It provides stability and revenue during the down season. Additionally, rental snowshoes are very easy to maintain as there is virtually no maintenance required.

Monthly Sales Forecast

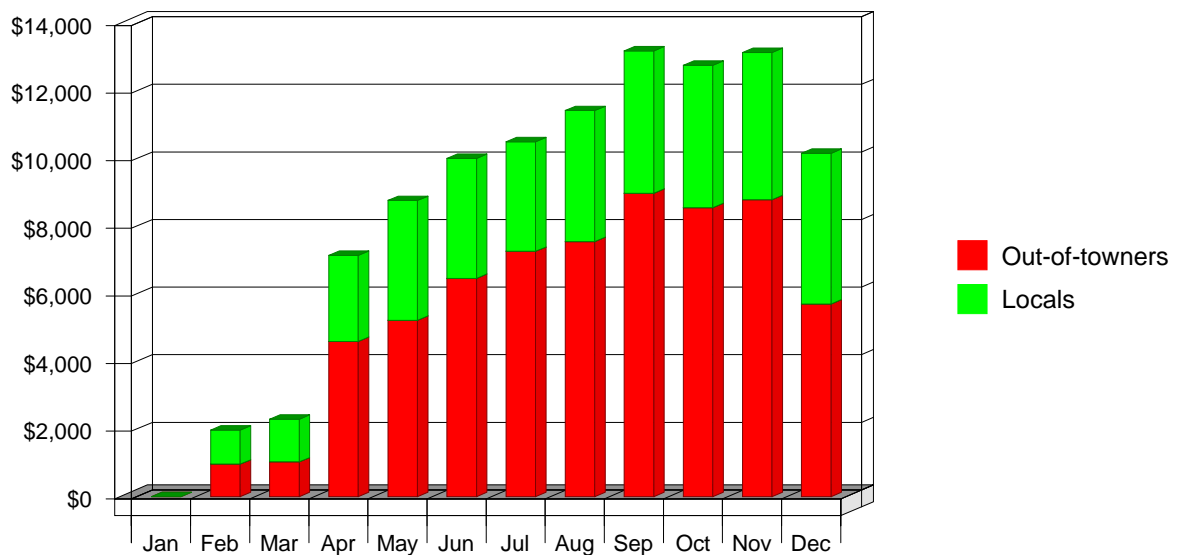


Table 4.2: Sales Forecast

Sales Forecast			
Sales	2001	2002	2003
Out-of-towners	\$65,044	\$96,547	\$102,458
Locals	\$36,258	\$54,545	\$59,014
Total Sales	\$101,302	\$151,092	\$161,472
Direct Cost of Sales	2001	2002	2003
Out-of-towners	\$3,252	\$4,827	\$5,123
Locals	\$1,813	\$2,727	\$2,951
Subtotal Cost of Sales	\$5,065	\$7,555	\$8,074

4.3 Expense Forecast

Marketing expenses are budgeted so they are ramped up during the first few months of the cycling season, and then again during the first few months of the winter season.

Monthly Expense Budget

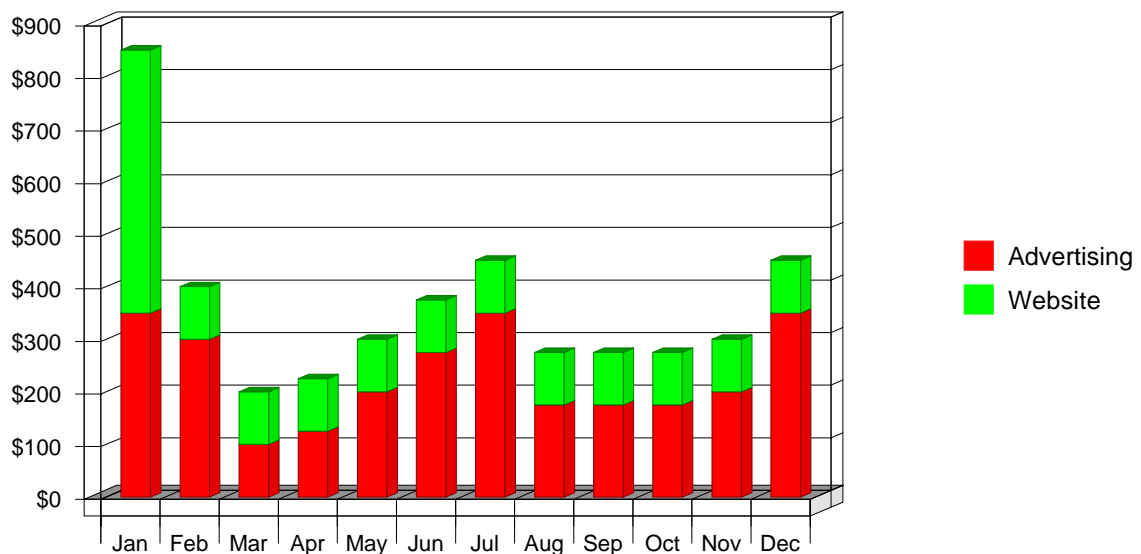


Table 4.3: Marketing Expense Budget

Marketing Expense Budget	2001	2002	2003
Advertising	\$2,775	\$5,000	\$6,000
Website	\$1,600	\$1,200	\$1,200
<hr/>			
Total Sales and Marketing Expenses	\$4,375	\$6,200	\$7,200
Percent of Sales	4.32%	4.10%	4.46%
Contribution Margin	\$91,862	\$137,337	\$146,198
Contribution Margin / Sales	90.68%	90.90%	90.54%

5.0 Controls

The purpose of Velocipede/Snowpede's marketing plan is to serve as a guide for the organization.

The following areas will be monitored to gauge performance:

- Revenue: monthly and annual.
- Expenses: monthly and annual.
- Repeat business.
- Customer satisfaction.

5.1 Implementation Milestones

The following milestones identify the key marketing programs. It is important to accomplish each one on time and on budget.

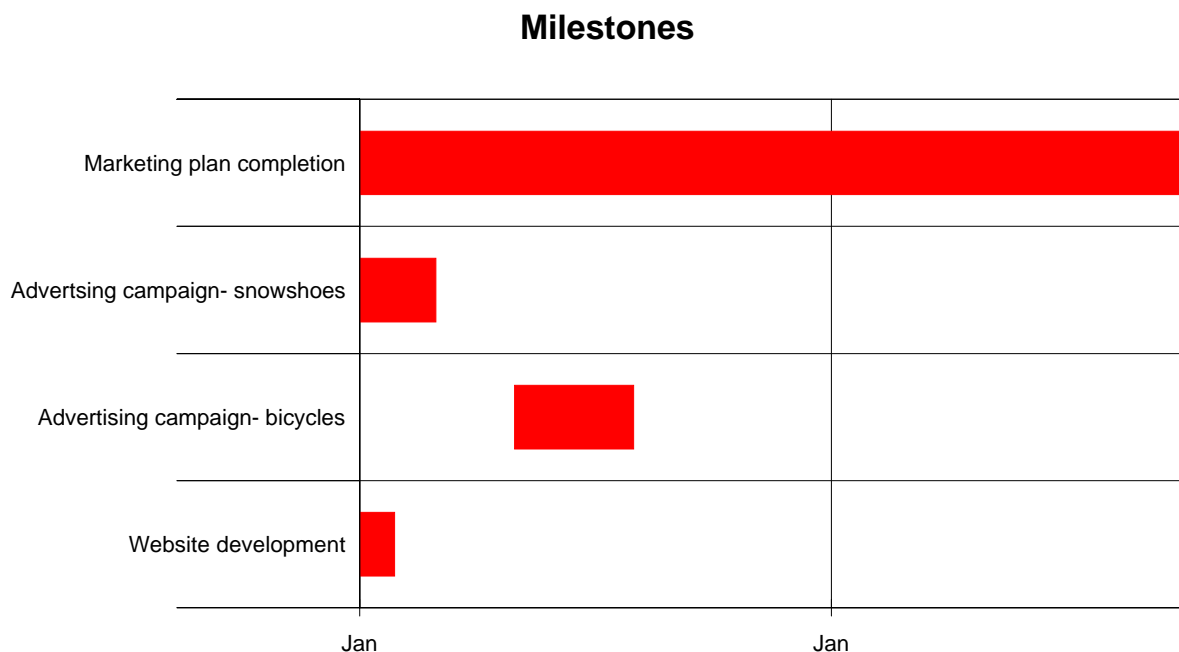


Table 5.1: Milestones

Milestones	Plan					
Milestone	Start Date	End Date	Budget	Manager	Department	
Marketing plan completion	1/1/01	4/1/99		Dan	Marketing	
Advertising campaign- snowshoes	1/1/01	3/1/01		Dan	Marketing	
Advertising campaign- bicycles	5/1/01	8/1/01		Dan	Marketing	
Website development	1/1/01	ongoing		outsourced	external	
Totals			\$0			

5.2 Marketing Organization

Dan Jalopee is primarily responsible for the marketing activities. Dan will rely on outside creative help and will also outsource the development and maintenance of the website.

5.3 Contingency Planning

sDifficulties and risks:

- Problems generating company visibility.
- Poor weather conditions.
- A refocusing of a competitor's business model to become significantly more customer-centric.

Worst case risks may include:

- Determining the business cannot support itself on an ongoing basis.
- Having to liquidate equipment to cover liabilities.

Appendix: Velocipede/ Snowpede Borrow Bank

Table 4.2 Sales Forecast

Sales Forecast	Plan											
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Out-of-townners	\$0	\$958	\$1,025	\$4,587	\$5,214	\$6,457	\$7,254	\$7,545	\$8,974	\$8,547	\$8,782	\$5,701
Locals	\$0	\$1,005	\$1,265	\$2,547	\$3,545	\$3,545	\$3,245	\$3,874	\$4,212	\$4,212	\$4,354	\$4,454
Total Sales	\$0	\$1,963	\$2,290	\$7,134	\$8,759	\$10,002	\$10,499	\$11,419	\$13,186	\$12,759	\$13,136	\$10,155
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Out-of-townners	\$0	\$48	\$51	\$229	\$261	\$323	\$363	\$377	\$449	\$427	\$439	\$285
Locals	\$0	\$50	\$63	\$127	\$177	\$177	\$162	\$194	\$211	\$211	\$218	\$223
Subtotal Cost of Sales	\$0	\$98	\$115	\$357	\$438	\$500	\$525	\$571	\$659	\$638	\$657	\$508

Appendix: Velocipede/ Snowpede Borrow Bank

Table 4.3 Marketing Expense Budget

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Advertising	\$350	\$300	\$100	\$125	\$200	\$275	\$350	\$175	\$175	\$175	\$200	\$350
Website	\$500	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
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Total Sales and Marketing Expenses	\$850	\$400	\$200	\$225	\$300	\$375	\$450	\$275	\$275	\$275	\$300	\$450
Percent of Sales	0.00%	20.38%	8.73%	3.15%	3.43%	3.75%	4.29%	2.41%	2.09%	2.16%	2.28%	4.43%
Contribution Margin	(\$850)	\$1,465	\$1,976	\$6,552	\$8,021	\$9,127	\$9,524	\$10,573	\$12,252	\$11,846	\$12,179	\$9,197
Contribution Margin / Sales	0.00%	74.62%	86.27%	91.85%	91.57%	91.25%	90.71%	92.59%	92.91%	92.84%	92.72%	90.57%