

Disclaimer: Cycle-Rama is a fictional company created by the Maine SBDC to illustrate the major components of the Business Plan. It in no way depicts or represents any known company.

CYCLE-RAMA MARKETING PLAN

I. Market Analysis

The U.S. bicycle industry was a \$6 billion industry in 2010 (this includes the retail value of bicycles, related parts, and accessories through all channels of distribution), selling approximately 19 million bicycles, according to the National Bicycle Dealers Association 2011 Industry Overview (NBDA; www.nbda.com). The industry has benefited greatly as Americans have become more aware of the positive effects associated with a healthy lifestyle. Bicycling is an excellent cardiovascular exercise and a great stress reliever. A recent industry trade publication showed that 94.5% of those who ride bicycles do so for recreation or fitness. The sport is continuing to grow as more and more people become aware of its health benefits. The Bicycle industry, and Cycle-Rama in particular, is positioned to cash in on this trend.

Cycle-Rama is a specialty bicycle retailer featuring high quality merchandise, and also offering additional customer services such as bike fitting, expert assembly, and repair. The approximately 4,800 specialty bicycle retailers in the U.S. commanded roughly 16% of the market in terms of unit sales in 2010, but accounted for 47% of the dollars, a dominant dollar share (NBDA; www.nbda.com).

The industry is a seasonal business that can be impacted by poor weather conditions, as well as changes in the economy. Fortunately, the economy in Abbotville is strong with an unemployment rate of 3.6% and a median family income of \$42,047 (U.S. Census Bureau, www.census.gov). Additionally, the demand for bicycles nationwide has increased as people look for more affordable means of transportation. Approximately 5.2% of those who ride bicycles do so as a means of transportation.

It is also important to note that Abbotville has two bicycle associations, the Abbotville Mountain Bike Association (AMBA) and Citizens for a Healthy Lifestyle (CHL). The AMBA has about 200 members who are serious trail riders and take advantage of Abbotville's many miles of trails. In fact, Abbotville is home to Bear Mountain State Park, which is known for having the best mountain biking trails in the state. The CHL has about 100 members who are more casual riders that do mostly intermediate trail riding.

II. Target Market

The profile of the Cycle-Rama customer consists of the following geographic, demographic, psychographic, and behavior factors:

Geographics

Our immediate geographic market is the Abbotville area, with a population of 31,473. However, we will include the 145,917 people that make up the major population surrounding Abbotville, ME (U.S. Department of Commerce- Bureau of Economic Analysis) as part of our overall target area.

Demographics

Our general target market is male and female aged 6-65, but we have segmented our market into two smaller and more identifiable groups:

- Families with children that have an average income of \$35,000 or higher
- The avid rider, male and female, aged 21-44 with an average income of \$45,000 or higher

Psychographics

- Health and fitness is a priority
- Enjoys watching sporting events
- Competitive and competes in sporting events
- Enjoys recreational activities
- Enjoys being outdoors and staying physically active
- He or she reads one or more of the following magazines:
Sports Illustrated, Mountain Biking Weekly, Biking for the Family, Serious Cycling

Behaviors

- Takes pride in how they look and feel
- Regularly shops at sporting goods stores
- Enjoys reading the sports section of the newspapers
- Shops at high end retailers with higher quality merchandise
- Watches sports on TV and listens to sports radio
- Works out at local gym or health center

III. Situational Analysis

We feel that Abbotville's demographic characteristics and location make it an ideal place to open a bicycle shop. The city has a large population of children and young adults, segments of the population that are heavy users of bicycles. Also, with a large state university only one mile away, we expect to attract a number of college customers. Abbotville has a population of approximately 31,473, with a median age of 36. However, Cycle-Rama will consider the 145,917 people in and surrounding Abbotville as part of its overall target market.

SWOT Analysis for Cycle-Rama: This is an analysis of Cycle-Rama's strengths, weaknesses, opportunities and threats.

Strengths

- Biking is a simple, low-impact means of exercise, which people of all ages can enjoy
- Sells a variety of high quality specialty bikes, namely mountain, road, comfort, hybrid and children's bicycles
- Provides excellent customer service including: bike fittings, training and instruction on proper use, safety tips and repair
- Sells a wide variety of bicycle accessories and parts
- Only bicycle specialty retailer in Abbotville
- Conveniently located on Main Street, where there is sufficient foot traffic
- Owners have extensive experience in retail sales and bicycle industry

Weaknesses

- Prices are relatively high
- Challenges of the seasonality of the business
- Access to Capital

Opportunities

- Increasing trend of active lifestyle
- Area is experiencing population growth
- State Government has budgeted significant money for the construction of bicycle-specific facilities such as bike paths and road improvements
- Local university located 3 miles from retail store

Threats

- Online bicycle sales as well as catalogue sales and service
- Price pressure from mass merchants and large discount chains
- Fluctuations in the economy that affect discretionary spending

Analysis of the competition

Cycle-Rama's current local competition includes the following:

- George's Department Store - large nationwide discount retailer offering limited selection of bicycle and bicycle accessories located approximately 2 miles south of Cycle-Rama; products directed at those seeking inexpensive product; offers no instruction on safe and proper use of bicycles and does not do repairs.
- Sports R US - sporting goods retail chain located 3 miles west of Cycle-Rama; rarely have more than 7 or 8 bicycles in stock at any given time; offers no services with bicycles; have been experiencing significant financial problems in the past year and are looking to close 9 of their stores.
- Cykel Shop - only independent bicycle shop in the area, but located 15 miles west of Abbotville; small operation with no more than 30 bicycles in stock and limited selection of bicycle accessories; shop has been slow to adapt to trends developing in the industry and just recently started selling mountain bikes, which accounted for 28.8% of bicycle sales in 2010 (NBDA; www.nbda.com).

Summary of competition

Each of our direct competitors has a limited selection of bicycles and does not service the bicycles they sell. Abbotville does not have an independent bicycle dealership and those wishing to purchase a higher quality product or who want to service their bicycles have been forced to travel elsewhere. We feel that Cycle-Rama will fill a niche in Abbotville. We will be the only store in town which not only sells bicycles but services them as well.

NOTE: *The majority of the information on the competition was gathered by researching the local yellow pages (or by visiting www.bigyellow.com) and by actually visiting the competitor's location.*

IV. Marketing Objectives and Strategy

As we are a new company, Cycle-Rama's first marketing objective will be to get information about our products and services out to our customers. Our second objective will be to develop strong brand name recognition and loyalty among these customers. Our third marketing objective will be to increase yearly sales by 5%.

Our marketing strategy is based on becoming the resource of choice for local bicycle users. We will provide products for the casual biker who enjoys occasional recreational activity, for kids of all ages, and for the hardcore enthusiast. Our strategy is based on superior performance in the following areas: product selection, product quality and customer service (including repairs and tune-ups).

- ***Product Strategy*** - Cycle-Rama will sell five types of high quality and high performance bicycles: 1) Mountain bikes, including front suspension, full suspension, and no suspension, 2) Road bikes, 3) Comfort bikes geared toward the recreational user, 4) Hybrid bikes that perform on and off road, and 5) Youth bikes for kids 6 and older. Cycle-Rama will carry 5 brands of bicycles: Trek, Specialized, Giant, Raleigh America, and Haro Bikes, all of which are top sellers in the specialty retail market. Trek and Specialized combined capture more than half of the specialty retail market, with 32 and 22 percent, respectively, of total units sold (www.bicycleretailer.com).

In addition, Cycle-Rama will offer the following accessories: helmets, locks, clothing, shoes, racks, cycle computers, tires, tubes, wheels, saddles, gloves, hydration, lighting systems, pedals, pumps, tools and lubricants. In addition to these high quality products, Cycle-Rama will provide excellent, personalized, fun, one-of-a-kind customer service including, proper bike fittings, instruction on safety and proper use and repairs. According to a survey of 613 bicycling enthusiasts by International Cycling Works, 62% of cyclists purchase the majority of cycling products from the local bike shop (www.bicycleretailer.com).

- ***Pricing Strategy*** - Product and service pricing is based on offering high value to our customers. The price range for tune-ups and repairs will vary accordingly, but the following is a list of price ranges for our five types of bicycles:

- Mountain - \$200 to \$1,200
- Road - \$200 to \$1,200
- Hybrid - \$150 to \$1,200
- Comfort - \$150 to \$600

- Youth - \$125 to \$400

Cycle-Rama wants to be the retailer of choice for bicycle professionals and enthusiasts, but it also wants to appeal to cost-efficient buyers. Thus, we will set up a pricing orientation with roughly half of our products in the inexpensive range (\$200 to \$599) and the other half in the expensive range (\$600 to \$1,200).

- **Place/Location Strategy** - All products will be distributed through the retail store located at the corner of heavily traveled Main Street and Bourne Avenue in downtown Abbotville. All repairs and service will be provided at this location. However, we will create a website for our business that will allow users to contact the store and view our complete list of products and services.
- **Promotion Strategy** - We will market our business using the following mediums: social media/digital marketing such as email marketing, Facebook and use of an app, business website, television, radio, and newspaper advertisements, printed promotional materials and promotional events. Email marketing will be used to connect with customers and potential customers and promote sales and events. Facebook will feature our events and sales and other related bike information and news. Using Facebook we can promote the business to a broad audience as well as target very specific audiences. We can create an app or incorporate one that will have a link that will identify close bike trails through GPS. The app will also enable our customers' mobile check-in and out for bike maintenance appointments. Our television and radio advertisements will be aired on local stations. We will place newspaper advertisements in two of the local papers and the local university's paper. Our website will be up and running by opening day. We will also utilize print advertisements such as fliers and post cards to promote special sales events. And finally, we will sponsor three competitors in the Abbotville Days Festival Mountain Bike Race held every July. To sponsor these individuals, we will pay the entry fees and all they have to do is wear our Cycle-Rama jersey and insignias. Our grand opening is scheduled for April of 2012. We will extensively advertise our grand opening using the local media. We intend to raffle off a new mountain bike at our opening in the hopes of attracting a large crowd.

V. Forecast and Marketing Budget

Sales Forecast

Since this will be Cycle-Rama's first year in business we had to estimate our sales based on national industry averages. According to recent research by the NBDA (www.nbda.com), the average specialty bicycle retailer has gross sales of \$550,000 per year. Bike sales accounted for 47% of the gross sales revenue, while parts and accessories accounted for 35.1%, bike repair accounted for 11.4%, bike rental for 1.6%, and the "other" category (which includes the sale of fitness equipment) accounted for 4.9% of sales revenue. Since Cycle-Rama will not offer bike rentals or fitness equipment, these two categories were excluded. That leaves us with revenues from bike sales, parts and accessories and bike repair. By taking the industry percentages for each of these three categories and multiplying it by total industry revenue of \$550,000, we get the revenue for each category. However, we then subtracted 25% from each of these totals to get our projected sales revenue for bike sales, parts and accessories, and bike repair. We did this because we understand that national industry averages might not accurately reflect the specialty retail market in Maine. We also wanted to be conservative with our forecasting, considering that this will be our first year in

business and it might take a while for sales to grow. Thus, our projected sales revenue for our first year of business is \$385,687.

The following information supports our belief that there is sufficient demand for a bicycle specialty store in the Abbotville area: Cycle-Rama will be the only specialty bike retailer in this part of the state, giving us a great opportunity to capitalize on this market; Abbotville has a strong family presence, accounting for 52.4% of the population (US Census Bureau, www.census.gov), and families are fairly large consumers of bicycles; Abbotville also has a local university whose students will not only take advantage of the many recreational trails in the city, but also use bicycles for transportation; Abbotville is a biker friendly city with many trails for all different skill levels that attract bicycle enthusiasts from all over the state; our bike shop will provide a full line of bicycle parts and accessories, providing items that no other bicycle specialty store or mass market retailer in the state can match; our shop will also offer bicycle repair services, including tune-ups, which again is a service that is hard to find in Abbotville or the surrounding communities; results from a survey of 100 residents taken at one of the downhill races in Abbotville indicated that there was significant demand for bicycling products and services; Abbotville is home to two bicycle associations, the Abbotville Mountain Bike Association (AMBA- 200 members) and Citizens for a Healthy Lifestyle (CHL- 100 members); and finally the strong performance of the state and local economy was also considered when forecasting sales revenue. Forecasting sales from 2012 to 2013 and 2013 to 2014, we assumed a 5% increase in sales, knowing that sales of bicycles nationwide increased by approximately 6% in 2010 (NBDA; www.nbda.com).

Sales Forecast

Sales	2012	2013	2014
Bicycles	\$193,875	\$203,569	\$213,747
Parts/Accessories	\$144,787	\$152,026	\$159,627
Repair	\$47,025	\$49,376	\$51,844
Total Sales	\$385,687	\$404,971	\$425,220

Monthly Sales Forecast for 2012

Our grand opening is set to take place on April 1st, 2012. Cycle-Rama will see a large demand for repair and tune-up services as people take their bikes out of the garage and get them ready for the warm weather months. People will also shop for the latest line of bicycle accessories and apparel. Sales revenues will grow in May and June as our advertising campaign starts to take shape and more people learn about our business. Sales revenues will peak in the month of July at \$28,250. As the summer nears to a close in August sales start to slightly decrease and dramatically tail off in September and October. We will see sales revenue of roughly \$7,750 during the months of November and December reflecting holiday purchases. We expect sales revenues to drop to \$3,250 in January, the lowest point of the year. Sales will continue to be low in February and March before they dramatically increase as the warm weather arrives.

The owners of Cycle-Rama, Michael and Laurie Ross, will hire two part-time employees to help handle the increased demand from April through September. Laurie Ross will handle bike repair and tune-up services. Michael and Laurie will not employ workers during the off-season to save money on personnel costs.

Marketing Expense Budget

Marketing expenses are to be budgeted at approximately 1.76% of total sales (Retail Sports Goods rate found in Financial Studies of Small Business, 13th Edition). However, we increased our marketing budget to 3.62% of sales (roughly double the industry standard) to cover the initial marketing expenses associated with starting a new business. For example, we will spend an additional \$2,000 in 2012 to pay for the production and filming of our television commercial. After 2012, we will only have to pay for the air time on local cable television, which is approximately \$2,000. Also, we will spend \$2,900 in April of 2012 to cover the cost of creating our business website. After this initial startup fee, we plan on spending approximately \$100 a month to update and maintain the website. After 2012 our marketing expense budget returns to 1.76% of sales.

Marketing Expense Forecast

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Television Ads	\$4,000	\$2,000	\$2,000
Radio	\$2,000	\$1,000	\$1,250
Newspaper Ads	\$1,500	\$1,000	\$1,000
Web/Social Media/Digital Marketing	\$4,000	\$1,000	\$1,000
Promotional Events	\$2,000	\$2,000	\$2,000
Printed Promotional Materials	\$500	\$120	\$250
Total Sales and Marketing Expenses	\$14,000	\$7,120	\$7,500
Percent of Sales	3.62%	1.76%	1.76%

Monthly Expense Budget

Marketing expenses are to be budgeted so more money is spent during the warmer months of the year, a time when bicycle use is at its highest. Please note that our April marketing budget is extremely high because of the initial expense of creating our business website. After this initial start-up cost, we plan on spending roughly \$100 a month to cover the cost of maintaining the web page. Also, our July marketing budget is inflated because of the \$1,500 we spend on sponsoring 3 competitors in the Abbotville Days Festival Mountain Bike Race. Finally, the month of December is also slightly inflated because of the marketing expenses we incur to promote sales during the holiday shopping season.