

## West Town Bikes

### Bike Shop Start-up

#### Initial Thoughts

##### Introduction - Overall Questions to Answer:

- Who are XXX customers?
- Where are the customers located?
- What are the customers' needs and resources?
- Is the service or product essential to the customers?
- Can the customer afford the service or product?
- Where can XXX create a demand for the service or product?
- Can XXX compete effectively in price, quality and delivery?
- How many competitors provide the same service or product?
- What is the general economy of the XXX service or product area?
- What areas within the bicycle market are declining or growing?

In a way, the owner of a bike shop start-up often has the same concerns as a new parent:

- Will it be successful?
- Who has done this before and can advise?
- Where will XXX get the financing? What help is available, and how much will it cost?

Successful bike shop start-ups plan for every phase of success. Thomas Edison said, "Genius is 1 percent inspiration and 99 percent perspiration." To enhance XXX's chances for success, it needs to generate a little bit of that perspiration to eliminate the most common mistakes new business owners make. According to the experts, most novices should spend a great deal of time researching their potential businesses and the marketplace.

**Phase One – Initial Questions:** Before developing a *Bike Shop Business Plan* XXX must be able to answer four basic questions

- What niche or void will XXX fill?
- What services or products will it sell in the bike shop?
- Is this idea practical especially in terms of XXX's NFP status, and will it fill a need?
- Who is XXX's competition? In other words, what is XXX's advantage over existing bike shop? Can XXX deliver a better quality service? Can it create a demand that supports long-term sustainability?

And once XXX has answered these then consider:

- What skills and experience does XXX bring to the bike shop start-up?
- What will be its legal structure?
- How will its business records be maintained?
- What insurance coverage will it need?
- What equipment or supplies will it need?
- How will XXX compensate bike shop employees?
- What are XXX resources?
- What financing will XXX need?
- How will the space be organized?
- What will XXX name it?

**Phase Two:** Some questions XXX will be able to answer on its own. For others, careful research is required. There are many sources available for making informed decisions.

- trade association studies,
- journal articles and
- trade shows;
- regional planning organization studies on growth trends;
- banks,
- realtors and insurance companies; and
- customer surveys in the XXX market area, which West Town Bikes can conduct on its own or which may already exist.

**Phase Three - The Business Plan:** The XXX Business Plan should cover the business basics from goals to management, from marketing to operations. A business plan is a blueprint for success; so don't scrimp on the details. A good business plan covers the following areas:

### **Executive Summary**

- Describe in detail the business and its goals.
- Identify the business ownership and the legal structure.
- Discuss skills and experience XXX brings to the business.
- Identify advantages XXX has over its FP and NFP competitors.

### **Operations**

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring and personnel procedures.
- Discuss insurance, lease or rent agreements, and issues pertinent to the business.
- Account for the equipment necessary to produce products or services.
- Account for production and delivery of products and services.

## Marketing

- Describe XXX product or service.
- Identify customer demand for product or service.
- Identify market, including its size, location and demographics.
- Explain how product or service will be advertised and marketed.
- Explain XXX pricing strategy.

**Special Note - Understanding the XXX Market:** Market evaluation is critical and provides the basic data that will determine if and where XXX can successfully sell its product or service. This process involves defining goals, scrutinizing competition and customer base, as well as interviewing potential suppliers. The information collected can help, if necessary, adapt the product or service to better meet customer needs. Market research can help:

- create primary and alternative sales approaches to a given market,
- make profit projections from a more accurate database,
- organize marketing activities,
- develop critical short- and mid-term sales goals and establish the market's profit boundaries, and
- identify what makes your business different from similar businesses with similar products.

## Financial Management

- Explain the source and amount of initial equity capital.
- Estimate start-up costs.
- Project operating expenses.
- Develop a monthly operating budget for the first year.
- Develop an expected return on investment and monthly cash flow for the first year.
- Provide projected income statements and balance sheets for a two-year period.
- Discuss XXX break-even point.
- Explain XXX personal balance sheet and method of compensation.
- Discuss who will maintain accounting records and how the records will be kept.
- Provide "what if" statements that address alternative approaches to problems that may develop.

***We also found this on-line from the National Bicycle Dealers Association Cost of Doing Business Survey, expressed as a percentage of gross annual sales:***

**AVERAGE EXPENSES FOR SPECIALTY BICYCLE RETAILERS**

Payroll Expenses — 20.5%

Occupancy Expenses — 7.7%

Advertising/Promotion — 3.0%

Auto and Delivery — 0.5%

Depreciation — 0.9%

Insurance — 0.8%

Licenses/Other Taxes — 0.5%

Professional Services — 0.5%

Office Supplies/Postage — 1.2%

Telephone — 0.6%

Travel/Entertainment — 0.4%

Other operating expenses— 1.3%

**TOTAL OPERATING EXPENSES — 37.7%**

**NET INCOME BEFORE TAX — 4.2%**

**GROSS MARGIN ON BICYCLE SALES — 36%**

**GROSS MARGIN ON CLOTHING SALES — 43%**

**GROSS MARGIN OTHER EQUPT. — 48.1%**