

**MARKETING PLAN
FOR**

The XYZ Bikes Company

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Presented to:
AAA Bank
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Introduction

Executive Summary

XYZ Bikes Co. located in Hometown, USA, is a specialty retail shop offering a full line of high performance bicycles and accessories. The XYZ Bikes Co. prides itself on the combination of quality product lines, interactive customer service, and a knowledgeable sales staff. As a result, they have successfully met the needs of their existing markets: students, locals and tourists. The XYZ Bikes Co. plans to grow its annual customer base by 10% over the next five years in direct correlation with the increasing student enrollment at Smart University. At the same time The XYZ Bikes Co. plans to increase the square footage of the shop to house a more diverse bike line in order to better capture the market. The XYZ Bikes Co. will also focus on improving its already successful marketing approach. By investing more money in marketing programs, this plan is expected to yield 16% increase in total sales and 10% increase in total net profits for the projected year.

Mission

The XYZ Bikes Co. intends to become the preferred bike shop among the student population and the locals in Hometown, USA.

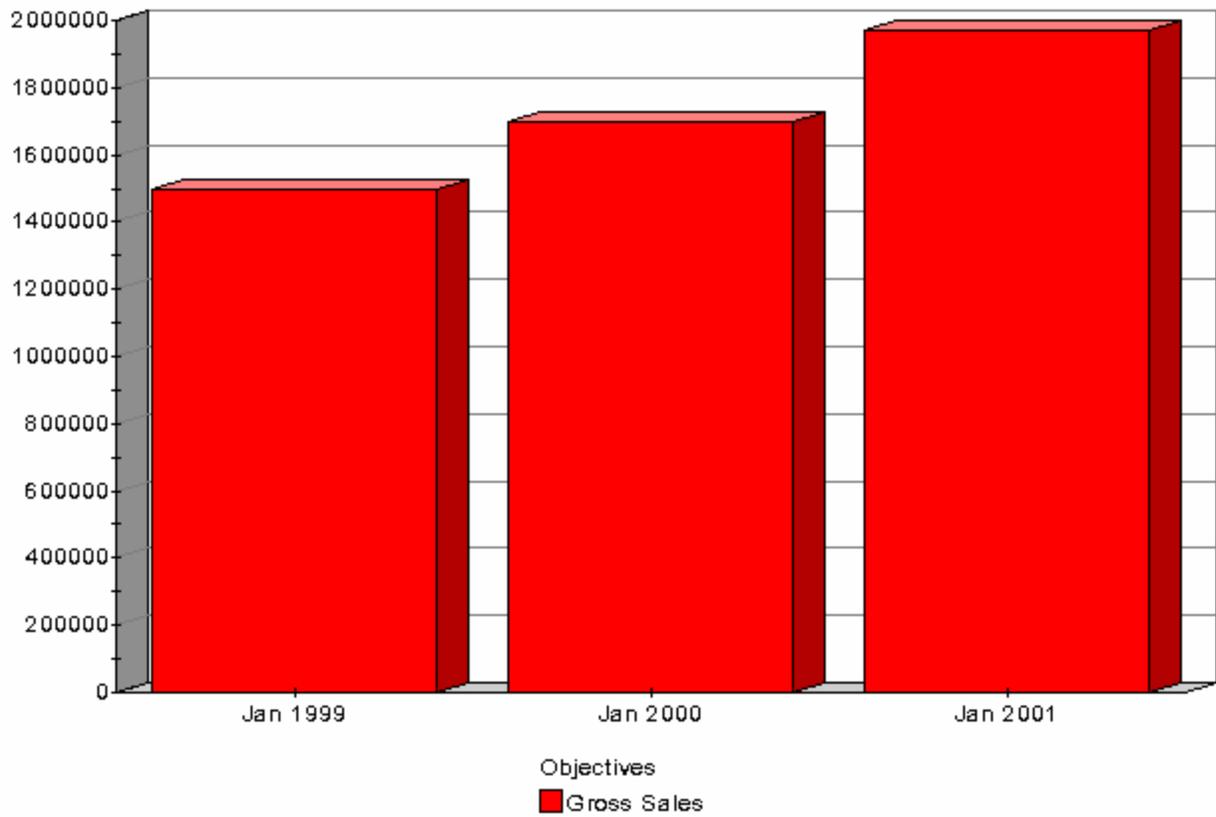
Objectives

The owners have two overall objectives; the first is to increase sales in accordance with the increase in student enrollment. The second is to increase profit margins by expanding the square footage to house more bicycles (bicycles are the highest profit margin product line). The retail space adjacent to The XYZ Bikes Co. became vacant in January 19xx, when the T-shirt shop occupying the space relocated. This vacancy presents an attractive opportunity, given the growth projections for Hometown, USA over the next five years. The ability to house more bicycles allows the owners to offer a more diverse bike line for the differing needs of their customers.

The projected year goals for XYZ Bikes Co. are to increase sales by 16% and at the same time increase profit margins by 10%. By expanding square footage to house more profitable goods and aggressively targeting the increasing number of students enrolled at Smart University, these goals are very attainable.

Objectives

Description	Last Year	This Year	Projection
	Jan 1999	Jan 2000	Jan 2001
Gross Sales	\$ 1,494,500	\$ 1,700,000	\$ 1,972,000
Growth Rate	---	14 %	16 %
Market Share	20 %	25 %	28 %



The Business

Business Background

The XYZ Bikes Co. is a 4,000 square foot retail store specializing in high performance bicycles and road gear (accessories). The store is located in Hometown, USA, and is a full service bike shop offering a wide range of bicycles and accessories as well as servicing new and used bicycles. The XYZ Bikes Co. is a sole proprietorship and has been in operation under the current owner for 5 years. Hometown, USA is a town located in the mid-west with a population of 100,000, 50% of which are students. XYZ Bikes Co.'s primary target market has always been the students of Smart University. The secondary market consists of locals, ranging in age from 7-50.

The XYZ Bikes Co. changed owners in 19XX. The current owner, John Smith, is a graduate of Smart University and worked at the XYZ Bikes Co. (formerly known as XXX Bicycles) part-time during his four years of schooling. Mr. Smith has always been an active rider and participated in and won many local and national bicycling races. He was also a team member in the AAA Bike Rally in 19XX. He has been active in forming junior bike races in Hometown and his reputation for organizing and participating in these bicycling events has flourished over the last five years. His shop has been featured in local and university newspapers.

Mr. Smith's interest and success in biking have proved to be a strong asset for the shop. His personal involvement in the biking sub-culture has resulted in a very active and hands-on environment. Through personal biking ventures Mr. Smith has gained his expert reputation which has spilled over in to the business. His well known presence in the local market has served the company well for public relations activities.

Product/Service Description

The XYZ Bikes Co. offers a wide range of mountain, speed and dirt bikes as well as a variety of bicycling accessories such as helmets, bags, gloves, locks, racks, etc. The bike lines range from lower end bikes such as AAA BIKE and BBB BIKE to higher end lines such as CCC Bike and DDD Bike.

The XYZ Bikes Co. also prides itself on the full service and maintenance guarantee offered with all new and used bicycles. With every new bike purchase, the customer is given 90 days free maintenance and repair and 10% off all accessories for one year.

Distribution

XYZ Bikes Co.'s business, as with most retail businesses, relies on the physical retail shop for its primary means of distribution. Advertising and promotional efforts can help to attract the customer but ultimately there is no way of controlling the number of customers that frequent XYZ Bikes Co. What is controllable is how the sales staff treats the customer once they walk through the door. Aggressive inside sales and knowledgeable interaction is critical to keeping the customer loyal to XYZ Bikes Co. As a secondary distribution approach, vendor catalogs are available to the consumer for special orders on most bike lines.

Marketing Personnel

XYZ Bikes Co.'s owner and sales staff have historically been an aggressive sales and marketing team. The owner is very selective in hiring his employees. He requires a person with an established biking background with demonstrated interest in the bicycle industry. The owner and sales staff work diligently to verbally market their offerings and to create strong name recognition throughout campus and in town. John Smith, the owner, has a strong marketing background from his schooling. He also has some hands-on marketing experience from his years of working part-time at XXX Bicycles and his last 5 years of ownership of XYZ Bikes Co.

Macro environmental Analysis

Economic Analysis

The national economy has been strong and gaining momentum for the last three years. The national unemployment rate has been hovering at around 4%, a relatively low level, for two years. Although stock indices such as the Dow Jones 500 have displayed some volatility in the last year, most experts featured on the High Street Panel in the March 19xx issue of Economic Trends Today forecast stable and increasing corporate earnings.

On a regional level, the Midwest region of the United States continues to experience rapid expansion and prosperity. In response to the increased number of people moving to the mid-west region, the region has become more business-focused. Unemployment is continually declining as new job creation has been on a constant rise. The younger generation has especially taken to the mid-west migration. According to the March 19xx issue of An Educational Analysis, the average number of applications submitted to mid-west Universities has increased by 15% over the last two years. This increase is expected to rise consistently over the next five years. Moreover, the economic outlook for the nation, the Mid-West, and especially the University towns in the Mid-West, is extremely favorable for the next five years.

Industry Analysis

The outdoor exercise and sporting industry has experienced a strong surge in the last ten years. The 2 billion dollar a year market includes sports enthusiasts ranging from professional runners and cyclers to leisure walkers and skaters. The biking industry accounts for about 25%, or \$500 million, of the outdoor sporting industry. The biking industry is growing by 6% per annum which is roughly \$30 million per year. The one-time leisure activity has expanded into a widespread, competitive sport across the world.

A notable trend in the industry involves the increase in women bikers and their demands for high performance bicycles. Sport and Leisure Monthly is quoted as saying that in 19XX women made up 40% of the biking market.

The outdoor sporting industry breaks out in the following manner:

- 30% Running
- 25% Bicycling
- 15% Walking
- 15% Swimming
- 5% Roller Blading
- 10% Other

The demographic breakdown of bikers by age and sex is as follows:

- 40% males between the ages of 18-35
- 10% males under the age of 18
- 7% males over the age of 35
- 30% females between the ages of 18 and 35
- 7% females under the age of 18
- 6% females over the age of 35

The biking industry faces significant seasonal trends. The sport's peak naturally falls within the spring and summer months due to outdoor weather conditions. However, with the increased offering of cold weather road gear, the fall and winter months have not kept cyclers indoors as much as in the past.

Legal Analysis

The sport of bicycling opens the door for many types of injuries. Several large chain bike shops have faced liability issues in recent years. A large percentage of the pending lawsuits are results of child injuries accompanying bike falls. One particular lawsuit was recently settled in Country Road, USA which is 60 miles west of Hometown. A 13 year old boy fell from his bicycle head first and suffered a major concussion. He was hospitalized for 7 days. The bike shop from which the boy's father purchased the bike had failed to explain the safety procedures and proper equipment necessary for any individual that rides, regardless of age. The judge found the shop guilty of not fulfilling their duty as a full service bike shop. The XYZ Bikes Co. believes its current full-service approach and emphasis on safety gear provides protection from potential suits related to safety.

In the past 3 years ten states have passed legislation requiring all bikers to wear head gear and the trend seems to be increasing. The XYZ Bikes Co. is an outspoken supporter of head gear legislation.

Socio-Cultural Analysis

In the last 5-10 years a definite trend toward outdoor sporting and leisure has emerged. With the increasing awareness of the physical risks associated with stress, more and more people are taking time out to enhance their quality of life outside the office. Biking has become a popular means of relieving stress, a secondary source for local transportation, and a way for the average person to get involved in the thrill of sporting competition.

Even though there will always be alternate activities competing with the sport, the biking trend has seen a favorable increase over the last five years and is broadening to include new market segments, such as the female market.

The June 19xx issue of The Active Cycler reflects the proven trend toward an increased market for cyclers in all geographic regions of the country and of all age groups. With the ongoing enhancements to the design and comfort level of bicycles, retailers are keeping their eye on the masses gearing toward this sport.

Technological Analysis

The design of high performance bikes is constantly evolving. As the designers and suppliers in the biking industry continually survey and fulfill the market's needs, the biking vendors endeavor to keep up with the improvements in biking design. The outcome of these efforts is the state-of-the-art bike offering lightweight handling, comfort, fast speed and better performance. These technological advances affect both the low and high end bike lines which keeps the price variance constant. XYZ Bikes Co. 's just in time (JIT) inventory structure is a direct result of the ongoing technological advances in the industry. The less inventory they have on hand, the less they will find it necessary to discount prices to sell "obsolete" merchandise.

Market Analysis

Market Definition

The potential market involves a wide-range of people with an interest in outdoor sporting, including the most obvious group – those people with an interest in the sport of biking. This group includes young people who bike as a means of fulfilling playtime, students who bike as a means of transportation, competitive riders whose passion for the sport keeps them on wheels at any spare moment, and weekend riders whose goal is enjoy the outdoors.

Over the past several decades the biking industry has grown into a \$500 million a year industry. The sport of biking, although an old past time, has been widely commercialized, as witnessed in the 1996 Olympics and weekly coverage on ESPN. This commercialization has made biking somewhat of a trend in the 90's, both in the United States and around the world.

The core of the biking industry consists of the avid rider whose constant dollars spent on biking equipment is viewed as an investment. The avid rider consists mostly of males ranging in age from 18-35. The percentage of avid female riders has risen in the last 3 years as more women are participating in the once traditionally male sport.

The biking industry represents a large geographical area that virtually spans the globe. The XYZ Bikes Co. is locally focused on serving the market in the Hometown area. Possible expansion would remain within a 60-90 mile radius pending the saturation of XYZ Bikes Co. 's current market.

Market Segmentation

For XYZ Bikes Co. as with any business, there are many possible categories by which the market could be segmented. This section will form the basis for XYZ Bikes Co.'s current market segmentation.

XYZ Bikes Co.'s primary target market is the student population of almost 50,000 at Smart University. This group is divided into 2 sub-markets. The first sub-market consists solely of the 12,000 new college freshmen that enroll at SU each year. Smart University anticipates and is planning for a 10% increase in freshman enrollment consistently over the next 5 years. In observing the biking industry as a whole, males between the ages of 18-35 make up 40% of the market and females between the ages of 18-35 make up 30% of the market. Since the average freshman is at the age of 18 or 19, this segment is a very desirable market. Another factor that makes this sub-market desirable is this group's reliance on bicycles as a primary means of transportation. This is a direct result of the heavy parking restrictions placed upon freshman students at Smart University.

The second sub-market consists of the remaining classes of students. These remaining students also fall within the ages of the largest market share in the industry. However, these students form a separate sub-market from the freshman class since they do not rely as heavily on bicycles as their primary means of transportation.

The secondary target market consists of locals from Hometown and nearby towns. The people in this segment range in age from 7 to 50. This market tends to be professionals, married, college graduates and middle to upper class citizens. Although this segment is not the key target market in light of XYZ Bikes Co.'s campus-focused approach, it has consistently

contributed 20-25% of gross sales. Generally this market is in a better position to spend money on larger ticket items, since they are likely to have more disposable income than the typical student.

Customer Needs & Requirements

The needs and requirements in the biking industry as a whole vary depending on the customer. For young children, who are just learning how to ride a bike, the primary needs are safety, sound construction and value. For the competitive cyclist, the primary needs are technological superiority, lightweight construction and reliability.

Within XYZ Bikes Co.'s primary target market, customer requirements also vary greatly. Through years of working with and among the student population, the XYZ Bikes Co. staff believes it has a strong understanding of the specific requirements of each of the various categories of student buyers. Potential customers who have been involved in competitive biking for years require high-end bikes with state-of-the-art features. Mr. Smith, a competitive biker himself, is especially in tune with the needs of the serious cyclist. He continually trains his staff so that they are well-equipped to educate customers on the latest trends and technology in competitive cycling. Potential customers who view bikes simply as a means of transportation are looking for durable, comfortable bikes that are competitively priced. In general, all customers require bicycles and cycling accessories that are attractive, safe and reliable.

The XYZ Bikes Co. endeavors to meet the needs of a wide range of buyers by offering comprehensive bike lines from reputable, brand name manufacturers. In addition, the XYZ Bikes Co. stocks an extensive line of safety gear, as well as trendy and state-of-the-art accessories.

Competitors

The various aspects of the marketplace and how it relates to XYZ Bikes Co.'s business have been discussed up to this point. Now each of the shop's specific competitors will be evaluated and compared with XYZ Bikes Co. . The following table (Competition) will provide a synopsis of the competitive environment.

DEF Bikes

The highly reputable Outdoor Sports Shop is XYZ Bikes Co.'s most challenging competitor. The Outdoor Sport Shop is a well known chain in the Mid-West with a broad focus in sports-related products. This chain offers a wide variety of outdoor sporting equipment ranging from bikes to camping gear to skis. They have been in business longer and have a much higher profile than XYZ Bikes Co. . While this retail chain has an excellent overall equipment offering and a solid reputation, The XYZ Bikes Co. stands strong behind the concept that their focused bike shop offers the consumer, and especially the student market, valuable benefits. XYZ Bikes Co. 's staff is required to be well-versed in every aspect of the cycling industry so that they can give each customer in-depth help with their specific biking requirements. In contrast the staff of DEF Bikes is required to have only a basic level of knowledge for each product area, since the store's product offering is so broad. More importantly, whereas The XYZ Bikes Co. endeavors to be part of the student "scene" via its location, atmosphere and activities, DEF Bikes is a community-based chain that does not have campus atmosphere or appeal. Even though most retailers in this area plan to prosper from the forecasted increase in student population, The XYZ Bikes Co. believes their plan to specifically target the freshman population is a unique

approach. If DEF Bikes does target this market along with XYZ Bikes Co. , a contingency plan has been developed (see the Description of Risks and Contingency Plans sections).

LMN Bikes

LMN Bikes is an established vendor who has been in business for 30 years. While this vendor shares the same overall business structure, The XYZ Bikes Co. offers a much more advanced line of bicycles. LMN Bikes has failed to keep up technological advances in the biking industry. They do have bicycle lines that range from low to high end bikes, but many are obsolete designs. The owners of this shop are older and not as knowledgeable about the latest and greatest trends in the cycling world. This shop tends to attract more of the older local market than the younger student market. The one great advantage this shop has is their location, which is 3 blocks from campus. The advantage “location, location, location” would apply for this competitor if they focused more toward the younger generation. However, The XYZ Bikes Co. has much higher name recognition among the student population and is generally regarded as the place to go for biking gear, even though it is further from campus than LMN Bikes. If this shop does decide to update their product offering to more effectively target the student market, The XYZ Bikes Co. has developed a contingency plan (see Description of Risks and Contingency Plans section).

ABC Bikes

The least threatening of the biking competitors is ABC Bikes. They employ a large commodity approach and discount price structure for their entire product line. While they definitely possess the price advantage, they do not offer either the high performance bike lines or the service that the XYZ Bikes Co. and its key competitors offer. Furthermore, ABC Bikes is located 15 miles away from Smart University and thus is not at all convenient for students (especially those without cars who represent the primary target market). This retail store does not represent a serious threat to The XYZ Bikes Co. in the targeted markets at this time.

Competitive Analysis

Description	XYZ Bikes Co.	DEF Bikes	LMN Bikes	ABC Bikes
Business Type	Bike Shop	Outdoor Sports Shop	Bike Shop	Retail Store
Size of Business	Medium	Large	Medium	Large
Number of Employees (payroll)	9	25	7	65
Years in Business	5	15	30	5
Market Share	Market Share	35%	22%	10%
Last Year Sales	\$ 1,494,500	\$10,000,000	\$1,200,000	\$25,000,000
Growth Rate	0%	12%	8%	10%
Advertising Budget	\$30,000	\$200,000	\$20,000	\$750,000
Greatest Strength	Products, Reputation	Product Variety	Relations w/ locals	Price Point
Key Weakness	Dependence on Student Market	Lack of focus	Outdated bike lines	Low End Bikes
Price	Moderate-High	Moderate	Moderate-High	Low
Quality of Service	Superior	Moderate	Moderate-High	Low
Profitability	High	High	High	Moderate
Advertising Effectiveness	Moderate	Moderate-High	Low	High
Strength of Sales Force	Superior	Moderate	Moderate-High	Moderate-Low
Standing in Industry	High	High	High	Low
Future Potential	Superior	Superior	High	Moderate
Seriousness of Competition	High	High	Moderate	Low

Issues and Opportunities

Strengths

The main strengths of The XYZ Bikes Co. are as follows:

- The owner has an impeccable reputation in cycling as well as in coordinating cycling events for the community.
- The XYZ Bikes Co. strongly promotes safe riding with every new bike sale thus encouraging the sale of safety gear and protecting the shop from lawsuits such as the one mentioned earlier in this plan.
- The XYZ Bikes Co. has been featured repeatedly in local and campus newspapers, and their excellent customer service has been consistently highlighted.
- The owner is very young and was once a student of Smart University. He is therefore able to better communicate with the shop's target markets and determine their needs.
- The original owner of the XYZ Bikes Co. purchased the shop 30 years ago and sold the business to Mr. Smith at a very reasonable price, resulting in a very low mortgage and a low fixed cost structure.
- Because of their low fixed cost structure, The XYZ Bikes Co. can afford to pay the part-time employees \$1.00 an hour more than its competitors. This results in more experienced employees and a low turnover percentage.

Weaknesses

The main weaknesses of the XYZ Bikes Co. are as follows:

- Customer demand is cyclical due to a decrease in student population during summer months.
- LMN Bikes is a 1/4 mile closer to campus than the XYZ Bikes Co. and walking is the only means of transportation for many of the potential student customers.
- The XYZ Bikes Co. will have to hire 2-3 more employees to support the expansion. As the shop grows, Mr. Smith's focus will become more managerial and he will have less time to devote to hands-on selling and event organizing.

Opportunities

The main opportunities facing The XYZ Bikes Co. include:

- Expansion of the current shop by 1500 square feet due to the shop next door going out of business. This expansion would give the XYZ Bikes Co. the ability to generate more bike sales by offering a wider variety of brands and adding 40-50 more bicycles to the showroom floor. Because bicycles are the shop's highest profit margin item, this should result in increased profits for XYZ Bikes Co. .
- An average of 12,000 students in the target market next year, with this amount increasing by 10% for each following year. Since heavy parking restrictions are placed on the freshmen students, biking is the number one means of transportation for this market.

Threats

The main threats facing The XYZ Bikes Co. include:

- Since the other competing shops are well aware of the dramatic increases in student enrollment, chances are high that they are planning to sell and advertise more aggressively to the student market.
- There have been several proposals for a student parking deck that would house vehicles for all students, including freshmen.

Resulting Issues

The main issues that must be addressed by this plan include:

- Should the XYZ Bikes Co. expand the shop by 1500 square feet (at a cost of approximately \$35,000 in the first year and \$30,000 each year thereafter) in order to improve their product offerings and take advantage of the projected growth in the target market?
- Since successfully marketing to the 12,000 new freshman each year is critical to XYZ Bikes Co. 's expansion plans, how can The XYZ Bikes Co. best reach this market?
- If the expansion is not complete by fall semester, should The XYZ Bikes Co. attempt to offer the expanded bike line through a catalog or should they just sell the existing bike line?

Goals

Financial

The owner has set the following goals for the projected year:

- Increase Sales Revenue 16%
- Increase Total Net Profit 10%

Financial Goals

Description	Last Year	This Year	Projection
	Jan 1999	Jan 2000	Jan 2001
Sales Revenue	\$ 1,494,500	\$ 1,700,000	\$ 1,972,000
Sales Unit Volume	5949	6156	6462
Average Contribution Margin / Unit	\$ 81	\$ 86	\$ 93
Total Fixed Cost	\$ 257,000	\$ 300,000	\$ 347,000
Total Net Profit	\$ 224,869	\$ 229,416	\$ 253,966
Average Profit Margin / Unit	\$ 37.80	\$ 37.27	\$ 39.30

Marketing

The owner has set the following marketing goals:

- Maintain current market share percentage for the next year as the overall industry grows 6%
- Increase sales to the target market segment (freshmen) from 15% to 30%

Marketing Goals

Description	Feb 2000	March 2000	April 2000	May 2000	June 2000	July 2000	Aug 2000	Sep 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001
Overall Market Share	25 %	25 %	25 %	25 %	25 %	25 %	25 %	26 %	27 %	28 %	28 %	28 %
# of Products/Services Available	110	112	112	115	115	145	145	150	150	150	150	150
Sales Closure Rate	35 %	35 %	35 %	35 %	35 %	35 %	35 %	35 %	35 %	35 %	35 %	35 %
Repeat Purchase Rate	70 %	70 %	70 %	70 %	70 %	70 %	70 %	70 %	70 %	70 %	70 %	70 %
Number of Distribution Channels	2	2	2	2	2	2	2	2	2	2	2	2
Number of Target Segments	3	3	3	3	3	3	3	3	3	3	3	3
Number of Customers	400	400	400	400	400	400	400	400	400	400	400	400

General Marketing Strategy

Target Market

The XYZ Bikes Co. is targeting the following market for its expansion plans:

The heavily populated student market in Hometown, USA including male and female consumers that range in age from 18-25. Specifically, the XYZ Bikes Co. plans to target the incoming freshmen, since generally they depend on bicycling as their primary form of transportation.

Positioning

XYZ Bikes Co.'s location, atmosphere and activities position it as the only bike shop in town who takes care of the students. Through discount programs, student financing, recycled packaging, sales promotions and colored employee shirts in the university colors, The XYZ Bikes Co. will succeed in its endeavor to be the shop of choice among students.

On a global level, The XYZ Bikes Co. distinguishes itself from the competition by providing a full service bike shop with expert sales staff, along with the most technologically advanced bicycle offerings.

At this time, none of XYZ Bikes Co.'s key competitors specifically focus on meeting the needs of the student market while at the same time providing strong cycling expertise and extensive product selection.

Specific Marketing Strategy

Product, Branding, Packaging Strategy

The XYZ Bikes Co. offers a wide range of name brand bicycles and accessories, commonly referred to as road gear. These are the brands that are most commonly demanded by the avid and amateur riders. The name brands currently offered are:

- AAA BIKE
- CCC Bike
- BBB BIKE
- DDD BIKE
- LIGHTENING BOLT
- Easy Rider

These bikes have earned their reputation for quality, comfort, performance and competitive pricing. As a direct result of the planned expansion (see Distribution Strategy section), The XYZ Bikes Co. will enlarge the current bicycle offerings to add a wider variety of brands. The shop's new square footage will be used to display an additional 40-50 bicycles. The increased offerings will be aggressively marketed via advertising, direct mail, and personal selling strategies.

Over the years, The XYZ Bikes Co. owners have determined their product offering through consumer interaction. When the current owner bought this shop five years ago he felt strongly about the concept of consumer interaction. He therefore decided to change the shop's name to The XYZ Bikes Co. (pronounced "the spoken rider"). The name reflects two key ideas that the owner would like to convey. The first is the concept of the simplicity of the bike and the rider. This image sets the shop apart from some of its competitors, who offer a wide range of outdoor sporting equipment. The second idea involves the importance of listening to the consumer's needs and wants. Customer input is a critical element in the success of the shop. The XYZ Bikes Co. logo also supports the concept of the bike and the rider in the simplest form, which is a side profile of a stick figure on a bicycle. In the logo, the wheels and spokes are disproportionate to the rest of the bike. The enlarged wheels and spokes accentuate the first half of the shop's name. The rider in the logo is completely geared up with a biking helmet, shorts, gloves, and padding. The rider is dressed this way both to demonstrate the importance of safety on the road and to serve as an advertising tool for the complete line of accessories offered at the shop.

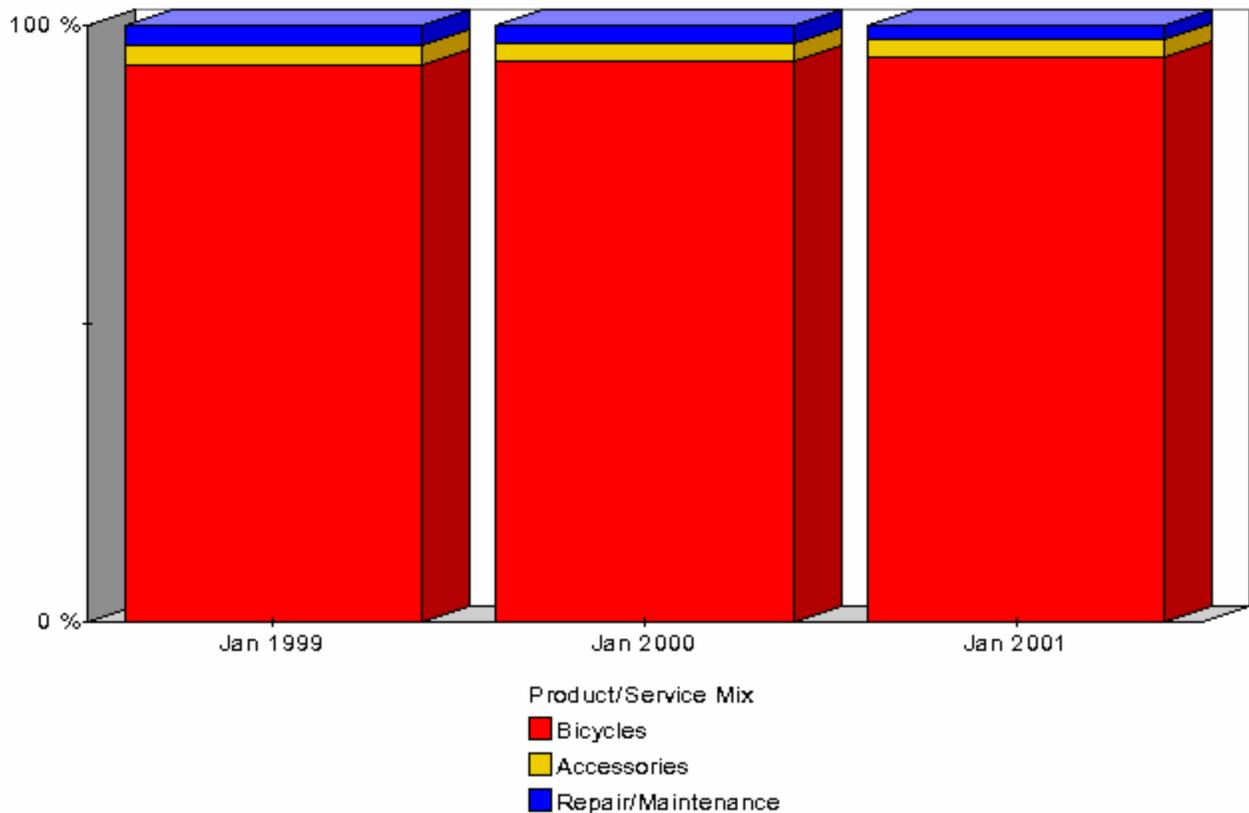
In order to further appeal to the student market, The XYZ Bikes Co. plans to redesign their packaging. The XYZ Bikes Co. will use recycled bags with no logo or name to lower overhead costs and appeal to the environmentally-conscious population. This concept will be reviewed throughout the first year by surveying the customers regarding their opinions on the new packaging. If the recycled bags do not appear to be an effective marketing tool, The XYZ Bikes Co. will return to their current packaging design with their name and logo.

In addition, Mr. Smith plans to have shirts made for all employees to wear during work hours to even further the focus on the student market. The colors will reflect the school colors, gold

and black. The logo, in black, will be enlarged and printed on the back of the shirt. The shirts represents a minimal cost to the business and should prove to be an effective marketing tool.

Product/Service Mix

SALES						
Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
Bicycles	\$ 1,395,000	93 %	\$ 1,597,000	94 %	\$ 1,870,000	95 %
Accessories	\$ 49,500	3 %	\$ 53,000	3 %	\$ 57,000	3 %
Repair/Maintenance	\$ 50,000	3 %	\$ 50,000	3 %	\$ 45,000	2 %
TOTAL	\$ 1,494,500	100 %	\$ 1,700,000	100 %	\$ 1,972,000	100 %
Growth Rate	---		14 %		16 %	



Pricing Strategy

In determining the pricing strategy for XYZ Bikes Co. , the key factor to consider is the primary target market, which consists of students. Because of the limited funds of most college students, the primary deciding factor for a student in purchasing a bicycle is price. This market factor has resulted in competitive pricing between the 3 bike shops in Hometown, USA. The markup on bikes is 30-40% and for accessories 40-50%. The price range for bikes is \$300 to \$600 depending on the quality of bike purchased. Accessories range anywhere from \$10 for a water bottle to \$100 for a bike rack.

When purchasing a new bike from XYZ Bikes Co. , the consumer is given 90 day service at no charge and 10% off all accessories for one full year. The cost to the shop for the 90 day free service offered with all new bikes is built into the price of the bike. As stated earlier, bikes carry a 30-40% profit margin, and 3% of this margin is allocated to the labor cost of service. Accessories carry a 40-50% profit margin, 5% of which is attributed to the 10% discount offered to all new bike customers.

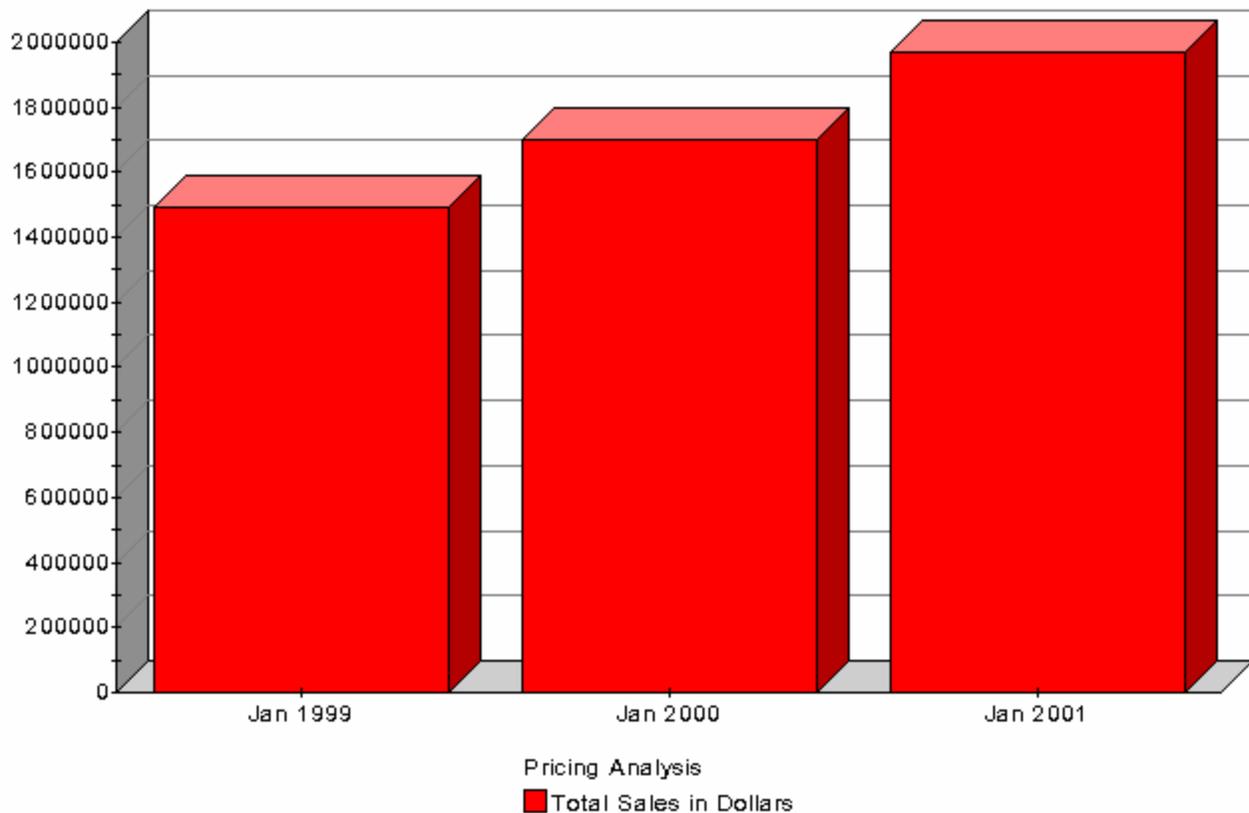
The consumer has the option of paying via cash, check, credit card or one year financing at 18% finance charge. Credit cards and the financing option better enable most students to purchase large ticket items. The only drawback to the shop-sponsored financing option is that most students at this age do not have established credit so when applying for financing most students are required to have a co-signer, typically their parents.

Along with the bike lines and accessories, The XYZ Bikes Co. offers maintenance and repair on all new and used bikes. The service sector of the business does not draw as much of a profit margin as the product lines, but is a critical part of the business offering.

Next year The XYZ Bikes Co. will introduce a new volume discount plan to attract local area families to the shop. Any family who purchases 2 or more bikes at the same time will receive a 10% discount off of both bikes. This discount will not apply to students.

Pricing Analysis

Description	Last Year	This Year	Projection
	Jan 1999	Jan 2000	Jan 2001
Bicycles			
Total Sales in Dollars	\$ 1,395,000	\$ 1,597,000	\$ 1,870,000
Price / Unit	\$ 425	\$ 450	\$ 475
Total Sales in Units	3282	3549	3937
Variable Cost / Unit	\$ 295	\$ 315	\$ 335
Contribution Margin / Unit	\$ 130	\$ 135	\$ 140
Accessories			
Total Sales in Dollars	\$ 49,500	\$ 53,000	\$ 57,000
Price / Unit	\$ 40	\$ 45	\$ 46
Total Sales in Units	1238	1178	1239
Variable Cost / Unit	\$ 24	\$ 28	\$ 29
Contribution Margin / Unit	\$ 16	\$ 17	\$ 17
Repair/Maintenance			
Total Sales in Dollars	\$ 50,000	\$ 50,000	\$ 45,000
Price / Unit	\$ 35	\$ 35	\$ 35
Total Sales in Units	1429	1429	1286
Variable Cost / Unit	\$ 10	\$ 12	\$ 12
Contribution Margin / Unit	\$ 25	\$ 23	\$ 23
TOTALS FOR ALL PRODUCTS OR SERVICE TYPES			
Total Sales in Dollars	\$ 1,494,500	\$ 1,700,000	\$ 1,972,000
Average Price / Unit	\$ 251	\$ 276	\$ 305
Total Sales in Units	5949	6156	6462
Avg. Variable Cost / Unit	\$ 170	\$ 190	\$ 212
Avg. Contribution Margin / Unit	\$ 81	\$ 86	\$ 93



Distribution Strategy

The XYZ Bikes Co. is located in downtown Hometown, 1 mile from Smart University. The shop is a 4,000 square foot specialty store housing up to 200 bikes and a full inventory of road gear. There is an 800 square foot shop that is dedicated to repair and maintenance. All bikes remain on the show floor so that no bikes go unseen when a customer enters the shop. Accessories, on the other hand, are inventoried at a minimal level. There are only 400 square feet allocated for accessory inventory, so just in time (JIT) inventory is the method of choice. The shop sells, on average, 70 bikes a week.

The XYZ Bikes Co. plans to expand their shop by adding 1,500 square feet. The added yearly cost of this expansion is \$30,000. The cost for the additional mortgage incurred by the expansion will be financed through XYZ Bikes Co.'s existing mortgage company. As part of the expansion, The XYZ Bikes Co. will have to hire 2-3 additional part-time employees. The one-time cost for this expansion will be only \$5,000, since the construction required is minimal.

The XYZ Bikes Co. allows for special orders on most bike lines. Vendor catalogs are available to the consumer for this type of sale. The consumer is required to pay 50% of the cost at the time of order, almost guaranteeing the shop the sale once the bike has arrived.

XYZ Bikes Co.'s return policy for bicycles is restricted to manufacturing defects. Once a consumer has purchased a new bike and ridden it, under normal circumstances, the only

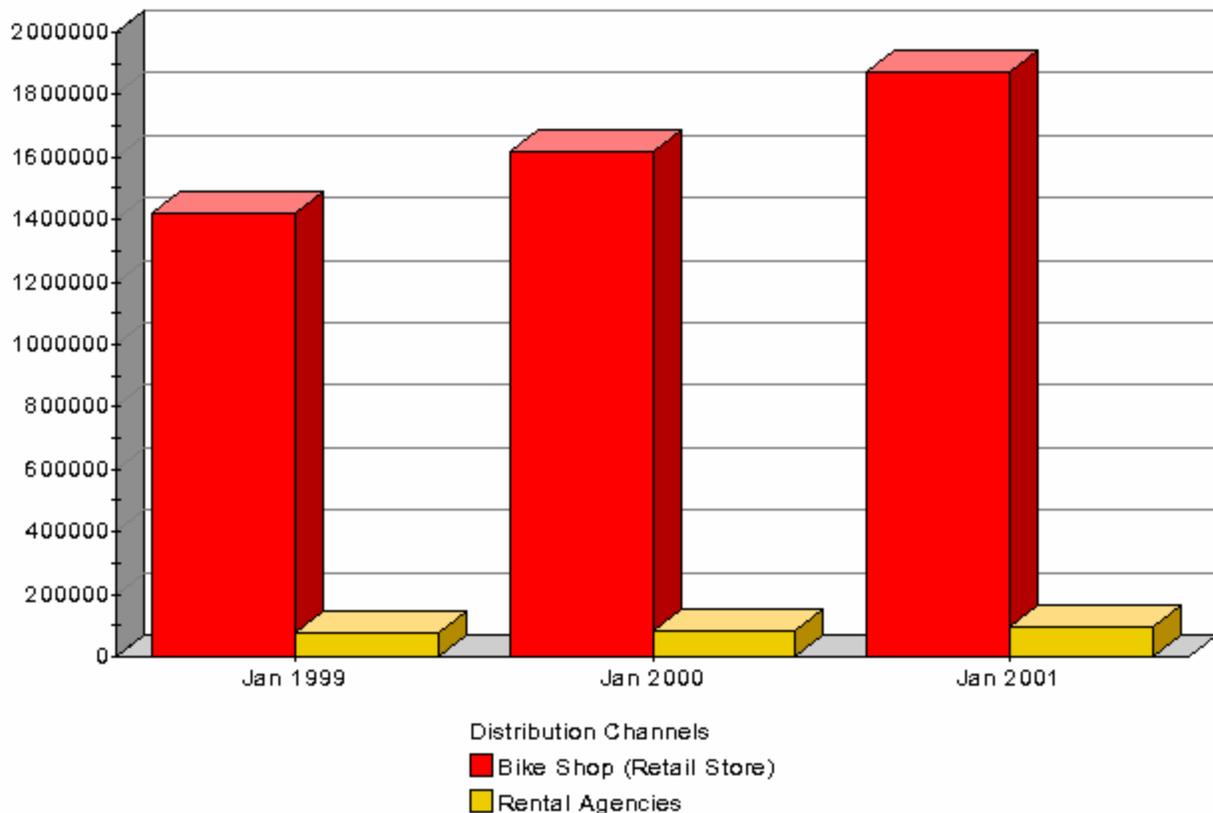
reason for return would be manufacturer defect. If this happens, the owner is able to return the bike to his supplier for credit on his next order. This policy has been successful, because, for the most part, customers who are purchasing a large ticket item spend time evaluating the offerings from the competitors and suppliers before making an investment. The XYZ Bikes Co. rarely sees impulse buyers on this type of product.

Accessories are returnable within 30 days of purchase with a receipt for cash or credit. As with the biking suppliers, accessory suppliers generally give the shop owner credit for returned merchandise.

These two return policies have been in effect over the last five years and have proven to be effective.

Distribution Channels

Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
Bike Shop (Retail Store)	\$ 1,419,77 5	95 %	\$ 1,615,00 0	95 %	\$ 1,873,40 0	95 %
Rental Agencies	\$ 74,725	5 %	\$ 85,000	5 %	\$ 98,600	5 %
TOTAL	\$ 1,494,50 0	100 %	\$ 1,700,00 0	100 %	\$ 1,972,00 0	100 %



Personal Selling Strategy

In general, a business in the retail industry primarily focuses their selling efforts within a given establishment. Once a potential customer has entered this establishment it is up to the selling personnel to ensure full customer attention and communication to improve the chances of a sale. The XYZ Bikes Co. takes no exception to this general theory. Given this, it is imperative that XYZ Bikes Co.'s sales representatives are experienced and knowledgeable about the bike lines and how they compare. Employees expect their job responsibilities to consist of selling, teaching, demonstrating, and asking questions of their customers to gain an understanding of the customer's needs. At all times each employee must be aware of competitor's lines, pricing, promotions, and trends.

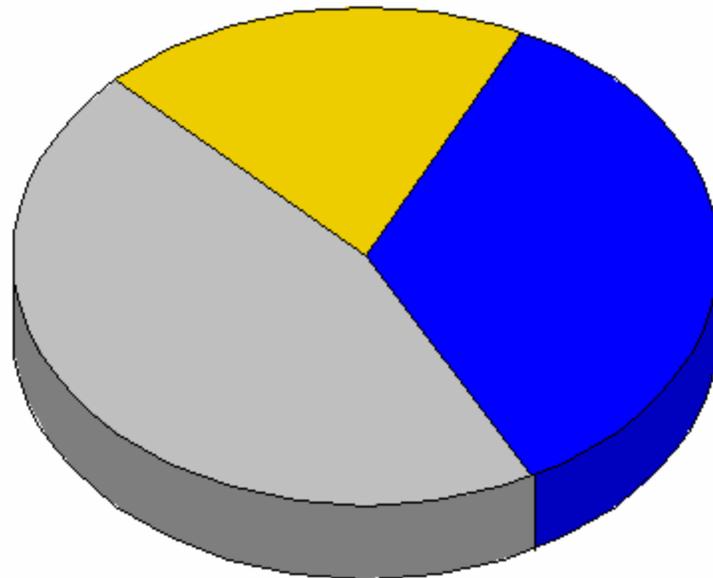
The XYZ Bikes Co. is very adamant about the knowledge and experience the sales staff brings to the team to better determine the needs of the consumer. They require the sales personnel to read and study biking publications to keep abreast of the latest offerings and technological advances. The staff is trained to ask questions and give appropriate feedback to the customer before they invest their money.

This year, in order to further motivate the staff, The XYZ Bikes Co. will expand the incentive sales plan. Each sales associate will aim towards individual sales goals, which will be established by Mr. Smith. These goals will be tracked on a weekly basis and monthly bonuses will be awarded as appropriate. These bonuses range from discounts on items within the shop

to monetary rewards. In addition, individual sales will be reviewed on a quarterly basis and the sales associate whose sales reflect the highest profit margin will be awarded a check in the amount of 2% of that individual's profit contribution.

Personal Selling Budget

Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
Monthly Bonuses	\$ 1,200	55 %	\$ 1,200	31 %	\$ 1,500	30 %
Quarterly Incentives	\$ 0	0 %	\$ 1,700	44 %	\$ 2,268	45 %
Discount Program	\$ 1,000	45 %	\$ 1,000	26 %	\$ 1,300	26 %
Total Budget	\$ 2,200	100 %	\$ 3,900	100 %	\$ 5,068	100 %
Growth Rate	---			77 %		30 %



Personal Selling Budget
 ■ Jan 1999
 ■ Jan 2000
 ■ Jan 2001

Advertising Strategy

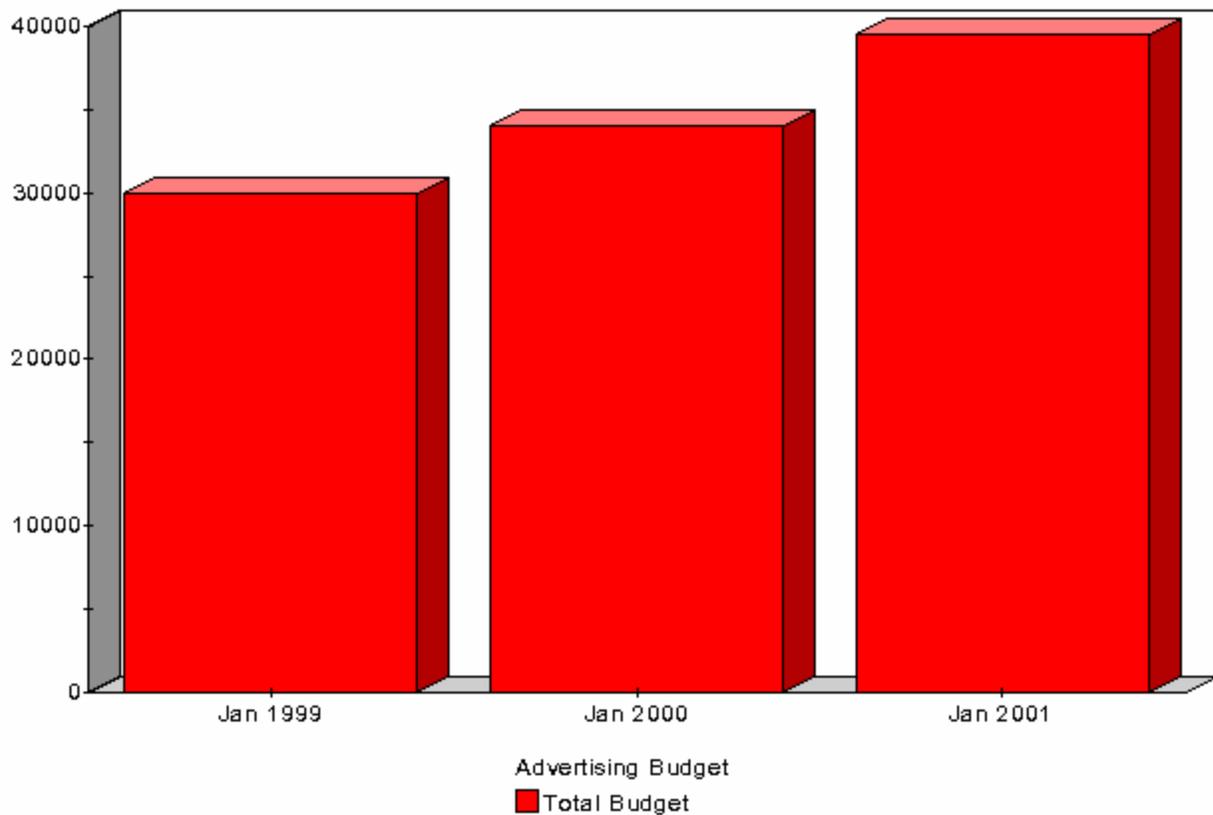
XYZ Bikes Co.'s advertising efforts include monthly newspaper ads (local and university), radio spots on local and university stations, print advertising in the yellow pages, and brochures and flyers which are housed in the student union on campus and distributed to student mail boxes at the university post office. To better reach the increasing number of students, the XYZ Bikes Co. would like to expand their efforts by creating an Internet web site (which represents a cost effective way to reach a large number of students), creating billboards to be posted at the

football stadium during home games, and creating full color collateral pieces which will better demonstrate the wide variety of bike lines available at the shop.

The advertising budget is currently 2% of gross sales. The XYZ Bikes Co. plans to maintain this relative percentage by increasing total advertising expenditures 16%. This increase should correlate directly to projected gross sales increases. The table below (Advertising) represents effort from the past and projections for next year.

Advertising Budget

Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
Yellow Pages	\$ 12,000	40 %	\$ 12,000	35 %	\$ 12,000	30 %
The Mountain Times	\$ 1,000	3 %	\$ 1,500	4 %	\$ 1,500	4 %
The Student Reporter	\$ 600	2 %	\$ 1,500	4 %	\$ 1,500	4 %
Campus Radio Station	\$ 3,400	11 %	\$ 4,000	12 %	\$ 4,000	10 %
WSMU-Local Radio Station	\$ 10,000	33 %	\$ 12,000	35 %	\$ 12,000	30 %
Brochures	\$ 2,000	7 %	\$ 2,000	6 %	\$ 3,000	8 %
Flyers	\$ 1,000	3 %	\$ 1,000	3 %	\$ 1,000	3 %
Billboards	\$ 0	0 %	\$ 0	0 %	\$ 2,500	6 %
Web Site	\$ 0	0 %	\$ 0	0 %	\$ 2,000	5 %
Total Budget	\$ 30,000	100 %	\$ 34,000	100 %	\$ 39,500	100 %
Growth Rate	---			13 %		16 %

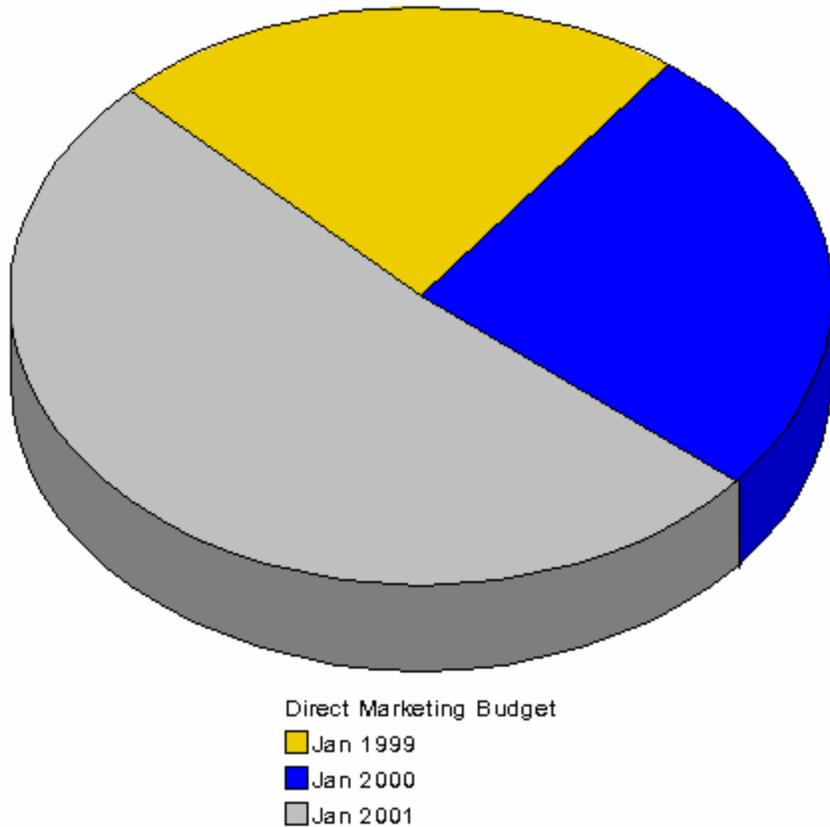


Direct Marketing Strategy

Historically, the marketing efforts have been focused on distribution of flyers. In correlation with the increased advertising efforts, the XYZ Bikes Co. feels it necessary to increase their direct marketing efforts to provide higher quality brochures and collateral pieces to better capture their market. The current spending for direct marketing will be doubled in the next year. The XYZ Bikes Co. will execute two mailing campaigns, one in the fall, welcoming students back and introducing the freshman discount program, as well as the new slogan "For the Ride of Your Life." The second campaign will take place in the spring, celebrating the end of winter and introducing the spring product line. This campaign will also announce the second freshman discount program. The table below (Direct marketing) represents the direct marketing efforts from the past and projections for next year.

Direct Marketing Budget

Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
General Direct Mail Campaign	\$ 1,096	100 %	\$ 1,235	100 %	\$ 2,470	100 %
Total Budget	\$ 1,096	100 %	\$ 1,235	100 %	\$ 2,470	100 %
Growth Rate	---		13 %		100 %	



Sales Promotion Strategy

The XYZ Bikes Co. will execute a sales promotion effort for the first 4 weeks of each semester to enhance all other marketing efforts related to targeting the new freshman class. All freshmen will be offered a 10% discount on all inventories in the shop. They will be required to bring student ID to show proof of class.

In addition, The XYZ Bikes Co. will extend the 90 day service guarantee to 180 days for all freshmen who purchase a bicycle during the 1st semester. The increased bike sales and resulting higher profits the shop expects to realize through this promotion should outweigh the cost of providing additional free days of service.

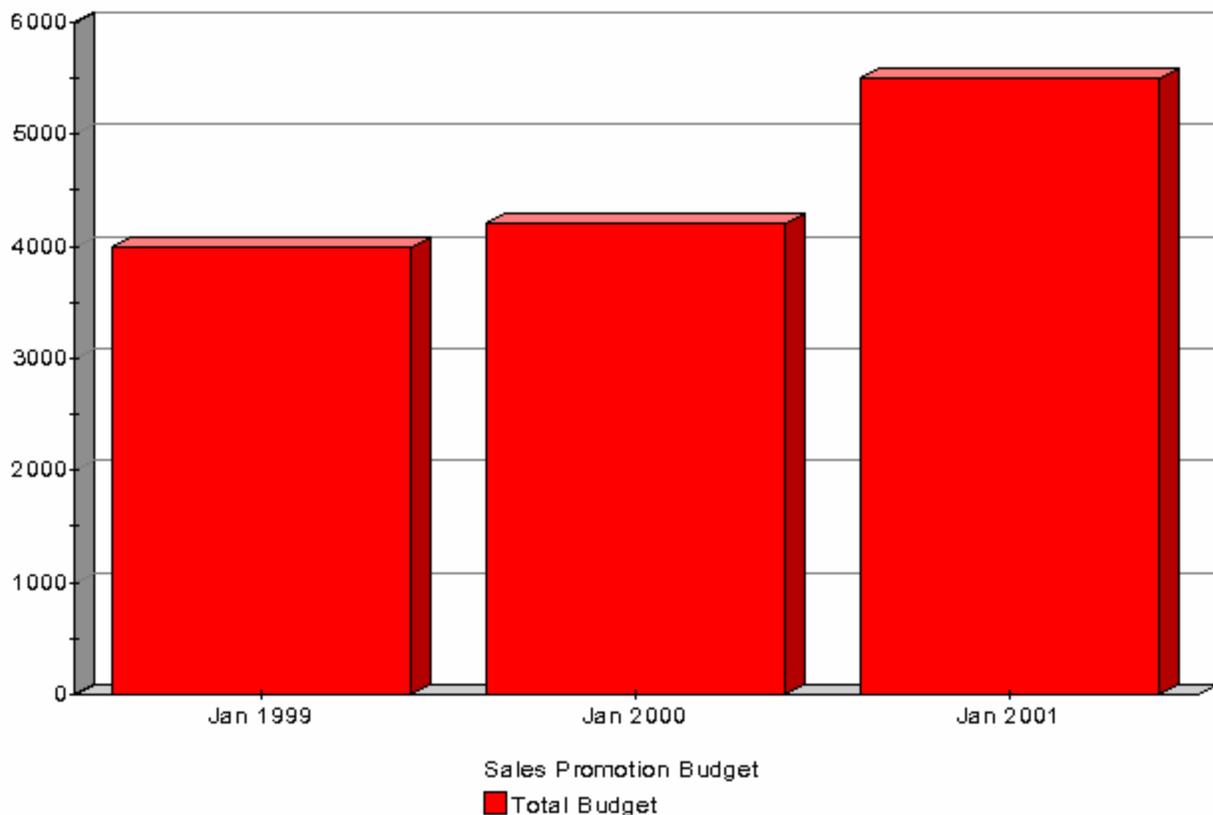
One of the other promotional events planned for the fall is a drawing. Two name boxes will be placed on campus, one in the student union, the other in the cafeteria. The name card requires name, campus address and birthday. These demographics will be used later in the year for direct mailing campaigns. The drawing will be held the beginning of November and the winner will be awarded with a 19xx CCC Bike. This promotion's purpose is to gain name recognition among new and existing students as well as develop targets for a direct mail database.

The XYZ Bikes Co. experiences a large drop in sales in January and February, just after the holiday spending season. These are the coldest months of the year and most consumers do not feel the need to purchase outdoor equipment at this time. To help boost sales during this time, The XYZ Bikes Co. will offer a free biking helmet with every new bike purchase (a \$70-\$100 value). This should help motivate consumers to purchase a bike during the winter season.

One last promotional effort is to participate in the regional tradeshow held in Rolling Hills, USA, 90 miles outside Hometown. This show brings in vendors within a 300 mile radius and gives Mr. Smith and his staff the opportunity to see upcoming bike designs first-hand and also to evaluate the competition.

Sales Promotion Budget

Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
Accessory Give Away with New Bike	\$ 2,000	50 %	\$ 2,000	48 %	\$ 2,000	36 %
Regional Trade Show	\$ 2,000	50 %	\$ 2,200	52 %	\$ 2,500	45 %
Name Drawing for New Bike	\$ 0	0 %	\$ 0	0 %	\$ 1,000	18 %
Total Budget	\$ 4,000	100 %	\$ 4,200	100 %	\$ 5,500	100 %
Growth Rate	---			5 %		31 %



Publicity and Public Relations Strategy

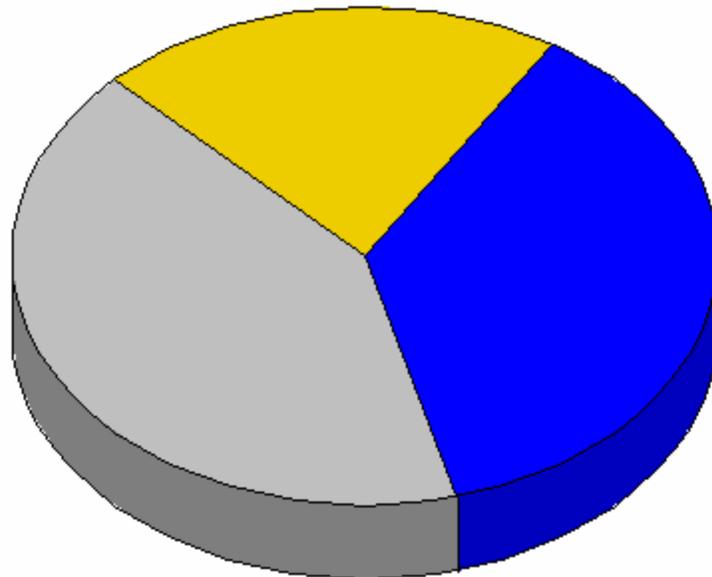
The XYZ Bikes Co. has primarily focused on local biking events in Hometown, USA. They have been a strong supporter of bike races for all ages over the past five years. For the last two years, the XYZ Bikes Co. has created a summer junior bike team, called The Junior Spokesmen. The Junior Spokesmen, consisting of kids ranging in age from 6 to 15, participates in races against outlying counties. This junior league has proven to be a successful means of publicity for XYZ Bikes Co. Summer sales tend to drop since most college students leave town for 3 months, but the publicity generated by junior league has helped keep sales at a profitable level. From a PR standpoint, the junior bike team has also helped The XYZ Bikes Co. establish good relations with the permanent citizens of Hometown, USA.

The XYZ Bikes Co. has enjoyed a great deal of free publicity that is generated from the annual Weekend Bike Tour, which is coordinated by the Help for MS organization and sponsored by local retailers and restaurants. This event raises a significant amount of both awareness and money for multiple sclerosis (MS). Local governmental officials, outdoor sporting figures, sports personalities, and celebrities attend the event. As a result, the press typically delegates a large amount of print space and air time to this event. Last year the Mountain Times spoke very highly of the event and its organizers, including XYZ Bikes Co. All of the shops' personnel who are in town are required to attend this event. Last year the owner and 2 of his sales associates created their own team to participate in the event, raising \$3,000 in pledges.

Every Christmas, The XYZ Bikes Co. donates 3 of the lower end bicycles to Bikes for Kids, a program that distributes donated toys to the under-privileged children in Hometown. This donation offers a tax deduction and, more importantly, helps to keep good relations with the community.

Publicity and Public Relations Budget

Description	Last Year	% of	This Year	% of	Projectio n	% of
	Jan 1999	Sales	Jan 2000	Sales	Jan 2001	Sales
AAA Bike Tour	\$ 750	43 %	\$ 1,000	33 %	\$ 1,200	35 %
AAA Bike League	\$ 1,000	57 %	\$ 1,000	33 %	\$ 1,000	29 %
Bikes for Kids	\$ 0	0 %	\$ 1,000	33 %	\$ 1,200	35 %
Total Budget	\$ 1,750	100 %	\$ 3,000	100 %	\$ 3,400	100 %
Growth Rate	---		71 %		13 %	



Publicity and Public Relations Budget
 ■ Jan 1999
 ■ Jan 2000
 ■ Jan 2001

Specific Marketing Program(s)

Product, Branding, Packaging Programs

The XYZ Bikes Co. intends to implement the following product/service programs within the next year:

1. Add five new bike lines to XYZ Bikes Co. 's existing product base. These additional lines were determined through conducting informal surveys over the last 3 months, evaluating the competitors, and researching industry publications that describe the top-selling bicycles in detail.
2. Redesign packaging to make it "environmentally-friendly."
3. Plan and design survey to evaluate packaging changes.
4. Design, order and distribute the new t-shirts with the Smart University colors.

Product/Service, Branding, Packaging Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Manage Collateral Changes	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
Design and Order New Bags	B. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Design and Order Employee Shirts	Acme Shirts	xx/xx/20xx	xx/xx/20xx	behind schedule
Coordinate New Slogan for Advertising Medias	C. Smith	xx/xx/20xx	xx/xx/20xx	on schedule

Pricing Programs

The XYZ Bikes Co. intends to implement the following pricing programs within the next year:

1. Plan and implement new volume discount program for families purchasing two or more bikes at the same time.

Pricing Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Plan Discount Promotion for Freshmen	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule

Distribution and Placement Programs

The XYZ Bikes Co. intends to implement the following distribution programs within the next year:

1. Work with architect to finalize expansion plans.
2. Hire and manage contractors for construction and finishing work.
3. Plan use of the new space.
4. Plan and manage hiring process for additional employees that need to be hired as a result of the expansion.
5. Prepare catalog sales plan as contingency if expansion is behind schedule.

Distribution and Placement Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Expansion planning and related activities	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Reallocation of space; added product line	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
Expansion design and blueprints	AAA Architects	xx/xx/20xx	xx/xx/20xx	on schedule
Plan and manage hiring process	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Prepare Catalog sales plan	B. Smith	xx/xx/20xx	xx/xx/20xx	on schedule

Personal Selling Programs

The XYZ Bikes Co. intends to implement the following personal selling programs within the next year:

1. Establish monthly incentive bonus system for the sales associates. The bonus criteria will be based upon percent to sales goal.

Implement a quarterly incentive program that rewards the individual who has the most profitable sales in the given quarter. The sales associate whose sales reflect the highest profit margin will be awarded a check in the amount of 2% of that individual's profit contribution.

Personal Selling Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Schedule monthly sales goals for employees	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Establish bonus criteria for incentive system	A. Hill	xx/xx/20xx	xx/xx/20xx	behind schedule
Create profit margin tracking system	A. Hill	xx/xx/20xx	xx/xx/20xx	behind schedule

Advertising Programs

The XYZ Bikes Co. intends to implement the following advertising programs within the next year:

- Place advertisements in The Mountain Times.
- Place advertisements in The Student Reporter.
- Place advertisement in the local Yellow Pages.
- Place radio spots on WSMU, the local radio station.
- Place radio spots on the campus radio station.
- Place ads via a billboard in the football stadium during home games.
- Design new brochures and flyers for the fall quarter.
- Create a new web site.

Advertising Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Design and place ads for The Mountain Times	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
Design and place ads for The Student Reporter	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Update Yellow Pages ad	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
Design flyers and brochures for the first quarter	Quality Collateral	xx/xx/20xx	xx/xx/20xx	behind schedule
Coordinate direct mail campaign for the fall semester	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Create and place radio spots for WSMU	Acme Radio-Ads	xx/xx/20xx	xx/xx/20xx	on schedule
Create and place radio spots for campus	C. Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
Design billboard ads for stadium	B. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Place billboard ads for stadium	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Create new XYZ Bikes Co. Web Site	Hoast.Com	xx/xx/20xx	xx/xx/20xx	on schedule

Direct Marketing Programs

The XYZ Bikes Co. intends to implement the following direct marketing programs within the next year:

1. Conduct two large direct mail campaigns. The mailing list will consist mainly of the student population and will be distributed to the campus mail boxes. The freshman discount promotion and the new slogan, "For the Ride of Your Life" will be introduced in this piece.

Direct Marketing Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Obtain Student Mailing List	C. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Coordinate Mailing Schedule with Printer	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule

Sales Promotion Programs

The XYZ Bikes Co. intends to implement the following sales promotion programs within the next year:

1. Plan and execute two discount promotions, one in fall and one in spring for all incoming freshman. This discount promotion will offer all freshman 10% off all inventory in the shop.
2. Plan and implement the extension of the standard 90 day service guarantee to 180 days for all freshmen who purchase a bicycle during the 1st semester.
3. Conduct two name draws, one in fall and one in spring for a bike give-away. The winners will receive a 19XX CCC Bike bike.
4. Offer accessory give away in January and February with all new bike sales. This promotion will offer a free biking helmet with any new bike purchase, to help with sales during the winter months.
5. Participate in the annual regional trade show to be held in Rolling Hills, USA.

Sales Promotion Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Create execution plan-accessory give away	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
Coordinate drawing #1	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
Coordinate drawing #2	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule

Publicity and Public Relations Programs

The XYZ Bikes Co. intends to implement the following publicity and public relations programs within the next year:

1. Continue the very successful AAA Bike League during the summer months.
2. Participate and volunteer for the annual Help For AAA Bike Tour. Plan for next year includes new uniforms for the team and the setup of a food booth.
3. Donate 3 bicycles for the annual Bikes for Kids hosted by local Catholic Church.

Publicity and Public Relations Programs

Action Item	Responsibility	Start Date	Complete Date	Progress
Coordinate team uniforms for MS Tour	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Submit registration form for team in MS Tour	C. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
Establish food booth for MS weekend	A. Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
Create plan for pledges for MS Tour	C. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Determine product donation for Bikes for Kids	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
Coordinate AAA Bike League Activities	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule

Risk Analysis and Planning

Description of Risks

Every business faces risks in today's economy and The XYZ Bikes Co. is no exception. There are three major risks currently facing The XYZ Bikes Co. that have the potential to significantly impact the business. The first risk is competition with DEF Bikes and LMN Bikes. Although The XYZ Bikes Co. believes their marketing approach is a unique one, there is still the chance that these two competitors will target the freshmen market.

Another risk is the possibility of the expansion plans being delayed. Due to the projected increase in the student population, the construction vendors in Hometown have been booked with new buildings and dormitories. Thus the chances of schedule delays are somewhat probable. The XYZ Bikes Co. plans to distribute a direct mail piece within the first few days of school to get a jump start with the impressionable students. If the expansion is not complete, The XYZ Bikes Co. will not be able to house the bikes they plan to advertise and could possibly lose business to competitors.

One last risk is the possibility of a new parking deck being built on campus within the next school year. This deck would significantly reduce the parking restrictions placed on the freshman population. If the proposal for this deck is approved and built, the concept of segmenting the student market to focus on freshmen will no longer be valid.

Contingency Plans

Although unlikely, there is a chance that the competitors may decide to focus their marketing attention towards the freshman class. If this does happen The XYZ Bikes Co. has developed the following contingency plan. The XYZ Bikes Co. will lower their markup on bicycles by 5% to capture the competitive pricing edge. As stated earlier in this plan, pricing is a key deciding factor not only for the average consumer but especially for the student market. If The XYZ Bikes Co. offers the same high performance bike lines as the competitors but at a lower price point, they should be able to maintain their leadership in the student market.

Another risk is the possible delay in the completion of the shop's expansion. Currently all plans appear to be ahead of schedule, but construction issues may cause delays. The XYZ Bikes Co. has developed the following temporary solution in the event of this delay. One of the attractive factors of the planned expansion is the added diversity in the bike offerings. The XYZ Bikes Co. plans to advertise these expanded offerings at the start of the school year. Instead of changing the advertising plan or timing, The XYZ Bikes Co. will offer catalog sales, requiring 50% down payment on all orders. The shop will guarantee a delivery time of 5 days or less, or the customer will receive 10% off the total price of the bicycle. If the customer is not happy with the bicycle once it arrives in the shop, he or she may choose another bike or get a full refund on their deposit. Any bikes that are not purchased will be kept in inventory for the eventual expansion.

The last risk is the proposed student parking deck. The school board is currently reviewing the proposal and they will decide by December 19xx whether or not they plan to proceed with this deck. Although the proposal is unlikely to be accepted due to University space constraints and local zoning restrictions, it is still a risk. If the proposal is accepted, The XYZ Bikes Co. will refocus their targeted segment market to cover all students. This plan would take effect in 19xx. The advertising and pricing efforts would be refocused to target the entire student market.

Research & Development

The CCC Bike sales representative for Hometown has been a long time friend of John Smith. He has offered Mr. Smith five prototypes of their new state of the art bike before it hits the market. The vendor claims this new CCC Bike bike is supposedly $\frac{1}{4}$ the weight of the light weight bikes on the market today. If all goes well during this new release, Mr. Smith has the potential to capture a large portion of the market before his competitors have the chance to respond.

Marketing Research

As part of their philosophy of listening to the consumer and serving their needs, The XYZ Bikes Co. will conduct a survey on campus asking students questions about their biking preferences, how often they ride, why they ride, and what appeals to them when choosing a bike vendor. These questions should help the XYZ Bikes Co. gain a better understanding of the concerns and attitudes of the student market.

Implementation and Control

Sales Forecast

The following table (Sales Forecast) provides a twelve month sales forecast for XYZ Bikes Co.

Sales Forecast for Projected Year

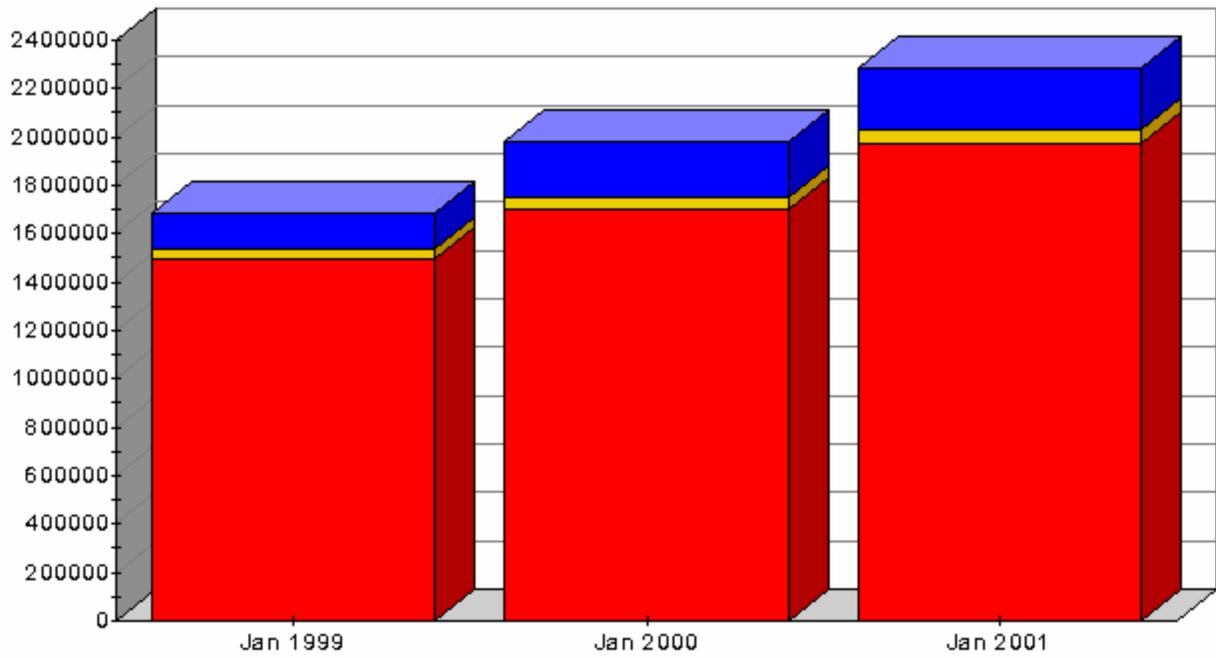
Description	Year Total	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
		2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2001
Bicycles													
% of Sales by Month	101 %	4 %	4 %	7 %	9 %	9 %	7 %	7 %	8 %	12 %	12 %	10 %	12 %
# Units	3937	157	157	276	354	354	276	276	315	472	472	394	472
Revenue	\$ 1,870,000	\$ 74,800	\$ 74,800	\$ 130,900	\$ 168,300	\$ 168,300	\$ 130,900	\$ 130,900	\$ 149,600	\$ 224,400	\$ 224,400	\$ 187,000	\$ 224,400
Accessories													
% of Sales by Month	101 %	4 %	4 %	7 %	9 %	9 %	7 %	7 %	8 %	12 %	12 %	10 %	12 %
# Units	1239	50	50	87	112	112	87	87	99	149	149	124	149
Revenue	\$ 57,000	\$ 2,280	\$ 2,280	\$ 3,990	\$ 5,130	\$ 5,130	\$ 3,990	\$ 3,990	\$ 4,560	\$ 6,840	\$ 6,840	\$ 5,700	\$ 6,840
Repair/Maintenance													
% of Sales by Month	101 %	4 %	4 %	7 %	9 %	9 %	7 %	7 %	8 %	12 %	12 %	10 %	12 %
# Units	1286	51	51	90	116	116	90	90	103	154	154	129	154
Revenue	\$ 45,000	\$ 1,800	\$ 1,800	\$ 3,150	\$ 4,050	\$ 4,050	\$ 3,150	\$ 3,150	\$ 3,600	\$ 5,400	\$ 5,400	\$ 4,500	\$ 5,400
Total													
Total Units		258	258	453	582	582	453	453	517	775	775	647	775
Total Revenue		\$ 78,880	\$ 78,880	\$ 138,040	\$ 177,480	\$ 177,480	\$ 138,040	\$ 138,040	\$ 157,760	\$ 236,640	\$ 236,640	\$ 197,200	\$ 236,640

Marketing Budget & Income Statement

The following table (Marketing Budget and Income Statement) provides a detailed presentation of the company's planned marketing expenditures and a summary of the company's financial projections including revenues, expenses, and resulting profits.

Marketing Budget and Profit and Loss Statement

Description	Last Year	This Year	Projection
	Jan 1999	Jan 2000	Jan 2001
EARNINGS			
Sales	\$ 1,494,500	\$ 1,700,000	\$ 1,972,000
MARKETING ACTIVITY EXPENSES			
Product Branding Expenses	\$ 500	\$ 0	\$ 0
Product Packaging Expenses	\$ 750	\$ 750	\$ 1,000
Distribution Expenses	\$ 0	\$ 0	\$ 1,000
Promotion Expenses			
Personal Selling	\$ 2,200	\$ 3,900	\$ 5,068
Advertising	\$ 30,000	\$ 34,000	\$ 39,500
Direct Marketing	\$ 1,096	\$ 1,235	\$ 2,470
Sales Promotion	\$ 4,000	\$ 4,200	\$ 5,500
Publicity and Public Relations	\$ 1,750	\$ 3,000	\$ 3,400
Total Marketing Expenses	\$ 40,296	\$ 47,085	\$ 57,938
Other Non-Marketing Expenses	\$ 1,300,000	\$ 1,420,915	\$ 1,659,062
NET INCOME	\$ 154,204	\$ 232,000	\$ 255,000
Net Margin Percentage	10 %	14 %	13 %
Marketing Expenses as a Percentage of Sales	3 %	3 %	3 %



Marketing Budget and Profit and Loss Statement

- Sales
- Total Marketing Expenses
- NET INCOME

Monitoring of Programs

The following table (Program Schedule) provides a summary overview of all the marketing programs scheduled to be enacted in the coming year.

Program Schedule (A)

Program	Action Item	Responsibility	Start Date	Complete Date	Progress
Product/Service, Branding, and Packaging					
	Manage Collateral Changes	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
	Design and Order New Bags	D. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Design and Order Employee Shirts	Acme Shirts	xx/xx/20xx	xx/xx/20xx	behind schedule
	Coordinate New Slogan for Advertising Medias	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Pricing					
	Plan Discount Promotion for Freshmen	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Distribution					
	Expansion planning and related activities	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Reallocation of space; added product line	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Expansion design and blueprints	Acme Architects	xx/xx/20xx	xx/xx/20xx	on schedule
	Plan and manage hiring process	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Prepare Catalog sales plan	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Personal Selling					
	Schedule monthly sales goals for employees	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Establish bonus criteria for incentive system	A. Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Create profit margin tracking system	A. Smith	xx/xx/20xx	xx/xx/20xx	behind schedule

Program Schedule (B)

Program	Action Item	Responsibility	Start Date	Complete Date	Progress
Advertising					
	Design and place ads for The Mountain Times	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
	Design and place ads for The Student Reporter	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Update Yellow Pages ad	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Design flyers and brochures for the first quarter	Quality Collateral	xx/xx/20xx	xx/xx/20xx	behind schedule
	Coordinate direct mail campaign for the fall semester	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Create and place radio spots for WSMU	Acme Radio Ads	xx/xx/20xx	xx/xx/20xx	on schedule
	Create and place radio spots for campus	C. Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Design billboard ads for stadium	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Place billboard ads for stadium	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Create new XYZ Bikes Co. Web Site	Hoast.Com	xx/xx/20xx	xx/xx/20xx	on schedule
Direct Marketing					
	Obtain Student Mailing List	C. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Coordinate Mailing Schedule with Printer	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
Sales Promotion					
	Create execution plan-accessory give away	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Coordinate drawing #1	A. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
	Coordinate drawing #2	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
Publicity and Public Relations					
	Coordinate team uniforms for MS Tour	A. Smith	xx/xx/20xx	xx/xx/20xx	on schedule

	Submit registration form for team in MS Tour	C. Smith	xx/xx/20xx	xx/xx/20xx	ahead of schedule
	Establish food booth for MS weekend	A. Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Create plan for pledges for MS Tour	C. Smith	xx/xx/20xx	xx/xx/20xx	on schedule
	Determine product donation for Bikes for Kids	John Smith	xx/xx/20xx	xx/xx/20xx	behind schedule
	Coordinate AAA Bike League Activities	John Smith	xx/xx/20xx	xx/xx/20xx	on schedule