

**The Bike Kitchen Business Plan**

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# The Bike Kitchen

## Business Plan

December 10, 2012



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## **Disclaimer**

Sydney Kjellander and Joshua Harrison were members of the Bike Co-op at the time this plan was made, but held no active role in the Co-op or the Bike Kitchen. Both of them have used the Bike Kitchen facilities previously. No other member of the team had any association with the Bike Kitchen previous to the making of this business plan.

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## **I. EXECUTIVE SUMMARY**

### *A. THE BUSINESS*

The Bike Kitchen is a social enterprise bike shop located in the basement of the Student Union Building (SUB) on the UBC campus. Its primary purpose is to generate profits to support its parent organization, the non-profit AMS Bike Co-op, and its cycling advocacy and accessibility programming. The Bike Kitchen offers repair services, rentals, refurbished bikes, new and used bike parts and a limited selection of new bicycle accessories. In addition it also provides the space for a number of the Bike Co-op's community services.

### *B. THE OPPORTUNITY AND STRATEGY*

In September 2015, the Bike Kitchen will be moving to a more visible, more convenient and larger location in the SUB. This new space opens up a number of new business opportunities for the Bike Kitchen, including the potential to increase retail offerings, provide a higher quality of service and a catalyst to improve their brand image. In addition, there is an immediate opportunity to transition to a new business model – separated from the operations of the Bike Co-op – to both facilitate management and more clearly communicate their value proposition to customers. Lastly, there is an opportunity to better segment the market, and target year round customers in order provide more consistent net income and deliver greater impact towards their community goals.

### *C. THE TARGET MARKET AND PROJECTIONS*

The UBC campus population consists of over 60,000 Staff, Faculty and Students, over half of which own a bike. 8% of this population regularly commutes to campus by bicycle. In addition,

a portion of the campus population renews itself regularly due to incoming and outgoing students, which prevents market saturation and maintains high seasonal demand for bikes and related accessories.

#### *D. THE COMPETITIVE ADVANTAGES*

The Bike Kitchen receives free rent, utilities, and other support from the AMS. These subsidies allow the Bike Kitchen to provide some of the lowest rates in the City as well as offer unique educational programs, Do-It-Yourself (DIY) repair, and other community services. Their central location at the SUB, in the center of the UBC campus, provides the Kitchen access to the large captive market of the campus population.

#### *E. THE ECONOMICS AND PROFITABILITY*

Over the 5 year plan period containing future expansion recommendations, our financial analysis shows the plan to be healthy with good net income potential. Although the Bike Kitchen has stable yearly revenues of approximately \$250,000, increasing costs have eroded their net income by approximately 40% over the last few years. This is mainly due to the gradual increase in employee wage expenses in conjunction with operations that are at capacity and cannot generate additional revenues to match wage increases.

The expansion break-even scenario was calculated showing that revenue growth of 54% is needed in order to support the increased expenses post-expansion. A revenue increase of at least this much is well supported by the large captive market on campus, high unmet demand at the Bike Kitchen, and strong evidence in the market research that increased service offerings will provide value to the target market.

## **II. THE INDUSTRY AND THE BUSINESS**

### *A. THE INDUSTRY*

In the past 20 years, Canadians and British Columbians have become more conscious about health, and their carbon footprint. Many commuters have been choosing bicycles over cars in efforts to fit exercise into their busy schedules or even deliberately reduce their negative impact on the environment. In 2011, unit sales of road bikes in Canada grew by 25%, while all other segments exhibited stagnation or negative growth. The average unit price increased from approximately \$1070 to \$1105 per road bike and the size of the road bike market grew from \$26.5 million in 2010 to \$34.1 million in 2011. The total size of the bike market in Canada in 2010 was estimated to be \$251 million (Bicycle Trade Association of Canada, 2011).

The bicycle shop industry in the Greater Vancouver Area is built around selling and servicing bicycles and related goods. It is mainly comprised of independent bike shops and can be characterized as mature, with slow-growth and relatively low barriers to entry due to the low capital requirements and unregulated industry. The increase in the general popularity of cycling in Vancouver, coupled with mayor Greg Robertson's pro-cycling initiatives has resulted in an increased number of bicycle stores. In November 2012, there were 37 bicycles shops operating within the City of Vancouver boundaries.

Independent bicycle stores within their respective segments largely deal with the same suppliers and mostly compete through product differentiation and quality of service, with the exception of

the low budget segment where large-scale retailers compete on price. Stores that do not carry exclusive and high value merchandise, compete on location and convenience of access (transportation routes, high foot-traffic) as well as service quality.

### *B. THE BUSINESS AND THE CONCEPT*

The Bike Kitchen is the full-time storefront of the UBC AMS Bike Co-Op. It is located on the lower level of the Student Union Building. It rents, services, refurbishes and sells used bikes, also offering repair instructions and other educational courses. The store is run by one full-time manager along with part-time student employees and volunteers.

The goal of the business is to provide affordable bicycles and related services to the campus and Point Grey community while increasing awareness and reducing the number of discarded bicycles through refurbishment of donated and abandoned units since its founding in 1997. Making profits is a secondary goal to its primary purpose of serving the community. The Bike Kitchen regularly hosts educational sessions for men and women that are organized by the AMS Bike Co-Op. Educational activities are expected to continue but will from now on be directly funded and hosted using the funds and facilities of the Bike Co-Op.

The store is expected to move into bigger premises on the same level of the building in 2015, which will be renovated with support from UBC. As a venture of a student society, The Bike Co-Op offers annual membership for the price of \$15, which gives members the privilege of using purple and yellow bikes at no charge within the campus area.

The AMS Bike Co-Op was founded in 1998 and is run by the Board of Directors, which is comprised of AMS members. The number of members of the Bike Co-Op hovers around 200 annually due high turnover rates as graduating classes stop commuting to campus. (UBC Bike Co-op, 2012)

### *C. PRODUCTS AND SERVICES*

The Bike Kitchen provides refurbished bikes and a limited selection of new and used parts for various bike repair needs along with a limited selection of cycling accessories, such as helmets and locks. The store also rents tools and floor space to customers who wish to work on their bikes independently. Novice cyclists can learn to repair or build their own bicycles with the help of the store mechanics. Those who do not like getting their hands dirty can drop their bikes off for service at a competitive price.

### *D. GROWTH STRATEGY*

The Bike Kitchen and The Bike Co-Op set an ambitious goal for the following 5 years, assuming that they can considerably expand their customer base with the move into the bigger premises and expanding the Bike Kitchen's product and service offering. Its goals for the next 5 years include:

- Hiring a full-time business development oriented store manager.
- Expanding the product line by adding bicycle apparel, new bicycles and a wider selection of parts and bike accessories. Moving closer to a full service bike shop while maintaining its core social purpose.

- Building a stronger business model to make the store self-sufficient with consistent profitability. The goal of this is to allow the Bike Kitchen to fully support the Bike Co-Op, removing the need of AMS funding to the Co-Op.
- Increasing operational revenue by at least 100% following the move into the more conveniently located bigger premises with double the floor space and increased exposure to the student foot-traffic.

### **III. Market Research and Analysis**

#### *A. CUSTOMERS*

The Bike Kitchen's primary target customers are people who regularly commute to campus by bike and need bike repair services, parts and accessories. A secondary target customer group are people who live on campus, regularly use their bike, and would be interested in the Bike Kitchen's services.

#### *B. SURVEY ANALYSIS*

Two surveys were administered to gauge the awareness and perceptions of the Bike Kitchen, as well as preferences of the attractive year round bicycle commuter segment. The first survey was administered face to face to 44 cyclists, mainly students, at bicycle racks around campus. The second survey was distributed online to 43 commuter cyclists among staff, faculty, and mainly graduate students at the Sauder School of Business, Centre for Interactive Research on Sustainability (CIRS) building and the Resource Management and Environmental Studies (RMES) program. See Appendix A, Table 1 for a breakdown of the survey and respondent types.

In general, the responses between the two surveys were comparable, with one notable exception. When asked about their perception of the service at the BK, over twice as many face-to-face respondents indicated with a 5/5 as did online respondents, possibly reflecting a form of participant bias or a difference in the service expectations of the two survey groups.

The survey results suggest that awareness of the Bike Kitchen is not an issue with current bike commuters, with over 93% having heard of the shop and 80% having been to it. However there is room for improvement in the level of service provided, with only 59% perceiving the service at the Bike Kitchen to be Good or Very Good, and over 43% of respondents indicating that quality of service was the most important factor in deciding on a bike shop to use. In terms of new initiatives at the Bike Kitchen, there was only moderate support for New Bikes (41%) and slightly more interest in cycling clothing (49%). Individual comments highlighted that existing cyclists already have bikes and are not in the market for new ones; that respondents expect better selection and prices from other stores (MEC in particular for cycling clothing), and that a number of respondents are more interested in refurbished rather than new bikes. On the other hand, there was very strong interest in a new same-day repair service (93%).

Overall the survey results suggest that investing in improved service levels, both in terms of quality and consistency of service, and in creating a same-day repair service offering, would be the best way to satisfy the needs of cycle commuters. Other initiatives, such as advertising and increased product offerings, may be better targeted towards new students to campus who are just getting into cycling. A summary of the survey results are included in Appendix A, Table 3.

### *C. MARKET SIZE AND TRENDS*

According to the UBC Transportation 2011 survey, the overall size of the UBC population as of November 2011 was 62,793 people. Approximately 54%, or 33,908, own a bicycle. Approximately 8%, or 5,023 commute to campus regularly by bike and 11%, or 6,907 ride a bike on campus once a week or more. Of the regular bike commuters, there are over twice as many Faculty members as there are Graduate Students or Staff, and three times as many Grad Students as there are Undergrads. The campus market changes and is renewed annually with the arrival of new students, and the graduation of current students. This dynamic reduces market saturation, maintaining peak seasonal demand for bicycles and related accessories at the start of each school year in September.

Both UBC Transportation and the City of Vancouver Transportation Department, have Transportation Plans that encourage the growing social trend towards increased cycling through improved bike routes, facilities, safety and awareness. Between the increasing popularity of cycling and the initiatives to encourage cycling to Campus, the market for the Bike Kitchen is likely to grow. Potential threats to this growth are the improved convenience or lowered cost of other transportation alternatives – such as a potential Skytrain line to campus – which could decrease the number of bicycle commuters. This effect was seen in 2004 with the introduction of the U-Pass, after which the number of daily bicycle trips to campus dropped by almost half (UBC Transportation, 2005).

#### *D. COMPETITION AND COMPETITIVE ADVANTAGE*

The Bike Kitchen's low cost structure, through AMS partnership benefits (free rent and utilities) allow the Bike Kitchen to provide some of the lowest service rates in the city as well as offer unique educational programs, Do-It-Yourself (DIY) repair, and other community services. Its

central location on campus is also a significant advantage as it makes it the most convenient bike shop for the majority of the campus population.

There are no other bike shops in the main area of campus; however, More Bikes is located in the new residential development – Westbrook Village, near 16<sup>th</sup> and Westbrook Mall. Off campus the nearest bike stores are The Bike Gallery and West Point Cycles, both located on 10<sup>th</sup> Ave, west of Alma. All three of these independent bike stores charge higher prices, are less convenient, and do not offer the community bike shop services that the Bike Kitchen does. None of them guarantee same day service. See Appendix A, Figure 1 for a Blue Ocean Strategy Graph of the Bike Kitchen's unique offerings in comparison to their competition.

MEC, although relatively far from campus, is included as a competitor due to its lower than industry average prices and direct targeting overlap of cycle commuters. Our Community Bikes is the only competition for DIY bike repair, but is located far of campus and as such isn't a convenient location for most students and faculty (Appendix B, Table 3 and 4 for a breakdown of competitor's prices).

#### *E. ESTIMATED MARKET SHARE AND SALES*

The size of the Bike Kitchen of only 2800 square feet, is a limiting factor to operations and limits sales growth prior to the move. However, once it moves into the 4500 square foot retail space, with 1000 square foot storage/work area, it will have almost double the capacity for increased sales. Sales over the last few years have been steady with revenues of about \$250,000, but still well below the average U.S. specialty bike retailer, with average sales of approximately \$867 thousand per year with a typical size of 5000 square feet (NBDA, 2011). Adjusted for square footage, this figure would be \$486,000 per year for a size of store similar to the Bike Kitchen.

Given the large customer base of the UBC population, and that current demand currently exceeds capacity (the current location frequently has to turn customers away), there is a significant potential for sales growth from the store expansion. This potential is further improved through targeted marketing and focusing of product and service offerings for the desired target markets.

#### *F. ONGOING MARKET EVALUATION*

Customer data - such as Student, Staff or Faculty - should be collected during sales to help evaluate if the primary target market is being reached. See the Operating Plan for more details.

### **IV. THE ECONOMICS OF THE BUSINESS**

#### *A. ANNUAL GROSS AND OPERATING MARGINS*

Shown in calculations in Appendix C, Table 1 during the last two years, the gross margin represented on average 61.5% of the annual revenues. The fixed costs represented on average 46.5 % of the revenue with an average net income of 15%. The degree of operating leverage is approximately 4, which means that net income will increase \$4 for every new dollar of revenue. This is due to our assumption that wages are a fixed cost. As one of the two major expenses (the other being COGS), having wages as a fixed cost creates this high operating leverage. This creates risk discussed in the Risk and Financials section, where if revenues do not grow with the expansion, the high operating leverage creates the potential for large losses.

#### *B. CONTRIBUTION MARGINS DIVIDED BY REVENUE SOURCES*

Appendix C, Table 2 shows calculations of the Margins divided by revenue sources. The revenue streams for The Bike Kitchen are sales of new parts and used parts, repair services, rental bike services and other miscellaneous revenues. This analysis shows that the gross margin for the sale of used parts, repair and rent services exceeds 90% and the gross margin on the sale of new parts is considerably lower at 34%. However, as the fixed costs are not traceable to each of the revenue sources, the services and sale of used parts have very high gross margins since the cost structure of these are almost completely wages.

## **V. MARKETING PLAN**

### *A. Market Size*

Refer to Market Size and Trends section for macro data. One key objective of The Bike Kitchen is to facilitate the growth commuter trips to campus made using bicycles.

### *B. Target Market*

The most favorable customers are bike commuters, as they require less education from store staff, are less price sensitive, and would provide consistent revenue year-round. People who live on-campus are attractive as they would be inclined towards the Bike Kitchen's products and services because of the convenience of location. Seasonal cyclists are revenue generators during the peak seasons, when demand is at its highest. A final segment are the incoming students, who may not yet have bikes, who drive demand for bikes and related accessories at the start of each school year.

### *C. Market Positioning*

With several bike stores in Vancouver’s west end, The Bike Kitchen needs to differentiate itself in this competitive market and leverage its location advantage. It should focus on working towards fulfilling the following positioning statement.

*Positioning Statement*

The Bike Kitchen is the most convenient store for all your UBC cycle commuting needs, because it is located on campus and offers good quality products and services at reasonable prices.

*D. Current Marketing Initiatives*

Please refer to Appendix B, Table 1 for a detailed description of the current marketing initiatives.

The marketing initiatives have been focused on the month of September, when the store is already at full capacity, making it difficult to measure the direct impact and effectiveness of these marketing strategies.

**Marketing/Advertising Budget**

	<b>2010 - 2011</b>	<b>% of Revenues</b>	<b>2011 - 2012</b>	<b>% of Revenues</b>	<b>2012 - 2013 YTD</b>	<b>% of Revenues</b>
Revenues	\$265,008	100	\$249,190	100	\$160,391	100
Advertising	\$300	0.11	\$2,437	0.98	\$441	0.28

The advertising budgets for the past financial years do not exceed 1% of total revenues. The highest was in 2011 – 2012, when the budget was 0.98% of the revenues. Also, in 2011 – 2012, it is interesting to note that although the budget increased by 712% from the previous year, the

revenues decreased by 6%. This showcases the difficulty of measuring the direct impact and effectiveness of advertising on revenues. However, this also illustrates the need for consistent advertising strategies. It is advised that the store leverage its partnerships that provide free mediums of advertising.

In conjunction with the store expansion in 2015, we have budgeted advertising costs as \$2,500 to promote the new location, revamped line of products/services and brand building.

#### *E. Overall Marketing Strategy*

Taking into account the Bike Co-op's shared and long standing value of non-profit community focus, the marketing strategy should not be perceived by the consumers as a transition to a purely for-profit business. It should be reflective of the community bike shop that it is. Its primary objective is to inculcate a culture of cycling and making and fixing your own bikes.

The Bike Kitchen wants to offer its products and services at an affordable price point in a convenient location. Once it moves into the new space, the recommendation is to offer new bicycles and increased retail.

#### *F. Marketing Strategies*

##### *Name*

The name 'Bike Kitchen' does not clearly indicate the primary business of the store. As there is not a substantial advertising budget available, the name should be succinct and should communicate the nature of the core business. A name such as 'UBiCycles' would be apt for the new location.

##### *Signage*

The Student Union Building is located centrally and is one of the busiest buildings on campus. The location of the Bike Kitchen is not at eye level, and the current signboard is fairly inconspicuous. Currently, the space around the entrance should be made more attractive by painting the entranceway with bright colors and bicycle iconography. A contest could be held to award the best artwork to be painted on the entranceway. This strategy is relatively inexpensive and effective promoting brand renewal. Once the transition into the new location is completed, there should be a new conspicuous signboard representative of the new store UBiCycles.

### *Branding*

Branding is an important part of any organization. It creates an image in the customer's mind of the organization as a whole. All bicycles leaving the store should have a sticker attached with the Bike Kitchen's name and logo. Placing the stickers on existing bike racks and cages and any proposed new ones, will help create higher customer awareness. Another branding technique would be to provide Bike Kitchen branded cycling apparel and accessories. Cycling apparel with the UBC logo on it can showcase the endorsement of the Bike Kitchen by UBC.

To create an independent identity in the consumers mind, The Bike Kitchen should to dissociate itself from any marketing communications that mention The Bike Co-op or The Bike Hub. Although all fall under the purview of the Alma Mater Society (AMS), The Bike Kitchen should be perceived as an independently run bike store and should work towards rebuilding its brand perception and delivering a consistent message, while avoiding dilution. This is at the core of our recommended name change to UBiCycles in order to create distance between the Co-Op and it's social enterprise.

### *Advertising*

Advertising on UBC Connect before new academic year begins would be effective to get incoming students familiarized with the store's operations. This is particularly applicable to international students, who are given additional information about the city and the campus. Additionally, campus tours conducted by the administration staff or current students are other techniques that could be helpful in providing exposure to the store.

Additional advertising suggestions include:

- Creating short videos in collaboration with the UBC Film Society and advertising these videos in the Norm Theater. A contest could be held, awarding the author of the winning idea with a minimum prize and film credits. This would help generate buzz around the project as well
- Advertising in all campus residences, specifically targeting students new to Vancouver or Canada
- There are a variety of workshops conducted in the common rooms of on-campus residencies. An option could be to offer fun and brief workshops on bike awareness, safety and maintenance.
- Promote covered bike parking right outside the Bike Kitchen's entrance. This will add an aura of professionalism to the store and reinforce the perception of quality service
- Initiate a monthly-themed Critical Mass Bike Ride to or around campus. This would provide a social fun environment.
- Since The Bike Kitchen can advertise via UBC Digital Signage at no cost because of its Co-op status, maximum advantage should be taken of this medium

- A mutually beneficial relationship is under development between the Ubysey, wherein The Bike Kitchen receives advertising space in exchange for providing bicycles to deliver the newspaper. Advertisements should be placed during off-season to promote year-round bicycling

### *People*

The employees and volunteers working with the Bike Kitchen are representatives of the organization. To create a sense of professionalism, on-duty employees should be provided with Bike Kitchen vests to be worn over normal clothing. This helps to distinguish an employee from a customer, and improving the customers' perception of the store.

### *Other Recommendations*

One of the current marketing initiatives includes outreach booths at Kitsilano Farmer's Market and UBC Farm. This generates minimal revenue and negligible in-store traffic. It is recommended that this initiative be discontinued, as there are possibilities to channel these resources elsewhere.

## **VI. OPERATING PLAN**

### *A. OPERATING CYCLE*

The store will primarily rely on the demand generated during the academic year as its location on campus means customer traffic is cyclical throughout the year. It will operate year round as in the summer term there is still demand generated by students who commute to campus using

bicycles and the various participants of conferences held in the Point Grey area who frequently need to use rental bicycles for long periods of time.

The store hours during the regular academic year will be Monday to Friday, 7:00 am – 6:00 pm and during the summer season - Monday to Friday, 9:00 am - 4:00 pm due to lower traffic in the area and in the Student Union Building. Currently, the store operates from 10:00 am to 6:00 pm Monday to Friday, 11:00 am to 6:00 pm on Saturdays and closes for all holiday weekends. All products and services will be available year round; however, the store will operate with reduced staff during the summer.

#### *B. LOCATION*

The store is to be relocated within the old SUB – the building with the highest rate of foot-traffic on campus, located in the proximity of both bus loops. Using part-time student workers and volunteers will allow the Bike Kitchen to continue utilizing a lean cost structure by paying less than average full-time hourly wages. The location of the store will offer a convenient place for students to work flexibly while balancing their course load. By offering store credit in exchange for hours of volunteer work and other perquisites (e.g. waiving the membership fee or giving free access to tools and floor space) the management of the Bike Kitchen should be able to keep employee turnover rates relatively low during the academic year. Even with its central location, attracting traffic is a significant challenge at the moment due to the obscured location of the store in the basement of the SUB. Appropriate advertising and placement of signs will be necessary (see Marketing Plan section). The move into the new premises in the autumn of 2015 will provide the Bike Kitchen with increased level of daily foot-traffic.

### *C. FACILITIES AND IMPROVEMENTS*

See Market Research and Analysis for description of the operational benefits of increased floor space.

### *D. PROCUREMENT AND INVENTORY MANAGEMENT*

The main sources of inventory for the Bike Kitchen are the donated and abandoned bicycles which then get refurbished and prepared for subsequent sale. Due to the existence of anti-fencing laws, the business is unable to pay for old and used bicycles which limits its procurement capabilities. The store management is limited in its ability to replenish the inventory at the level of a full profit-oriented Independent Bike Dealer (IDB), due to relatively low cash reserves, but it manages to obtain its selection of products for its members at very competitive prices.

To eliminate the bottleneck caused by insufficient quantities of donated bicycles, it is recommended that the store hire a part-time employee to patrol the campus, identify abandoned bicycles and report them to the UBC Plant Operations and the UBC Transportation Planning in order to facilitate quicker removal and subsequent inventory replenishment as opposed to the current semi-annual basis.

A store employee monitors and replenishes the parts inventory on the ad hoc basis, placing one to five orders per week with one or more of the Bike Kitchen's ten suppliers.

To reach the base case sales level indicated in Appendix F, Table 1 the Bike Kitchen must be able to adequately address the procurement restrictions and increase its floor capacity to 10 bike

stands for customers and 2 for the shop staff to work on refurbished bikes following its relocation in 2015.

During the coming year, the following systems of inventory management should be employed (see Master Schedule section for duration of each stage):

- Stage 1 - Continuous Review System: Assuming there are only variable ordering costs, the inventory level for all products should be checked daily and orders should be placed every time the inventory for a specific product falls reaches or falls below its calculated reorder point. It is important at this stage of adjusting the business model that the Bike Kitchen maintains sufficient levels of inventory for all its products and avoids stock-outs in order to estimate demand with a higher degree of accuracy. For the duration of the stage, it is imperative that the store employees accurately enter data on a daily basis in order to generate a database that would provide sufficient empirical evidence to forecast demand in the subsequent stage.
- Stage 2 – News Vendor Model. Based on the data accumulated during the previous stage, the store manager calculates the optimal levels of inventory by deciding on the right balance between the fill rate (percentage of demand satisfied) and the cost of overstocking along with the reduced level of working capital.

#### *E. TRANSPORTATION*

The suppliers that provide the Bike Kitchen with merchandise are responsible for delivering the goods such as parts, accessories and new bicycles. The store manager however, has to borrow a

vehicle from the Alma Mater Society on the per-need basis to collect donated bicycles around Vancouver in order to periodically replenish the inventory.

#### *F. COST AND QUALITY CONTROL*

At the moment, the demand generated by the store, and the order sizes are not sufficiently big to negotiate volume discounts with distributors. Planned capacity increase in 2015 will potentially allow the Bike Kitchen to renegotiate its supply contracts for better credit terms and purchasing prices. The sensitivity analysis in the financials section shows the importance of cost control for the sustainable health of the business.

Quality control is to be performed by the store manager or senior bicycle mechanic at the time of order delivery. Additional quality control is performed by mechanics before the installation of a part on a bicycle.

## **VII. MANAGEMENT TEAM AND HUMAN RESOURCES**

### *A. Organization*

Appendix D, Figure 1 shows the current Organization Chart of the Bike Kitchen. It is horizontally structured with the General Store Manager and many part-time bike technicians.. The description of the actual functions for each position is the following:

- **General Manager:** The General Manager is responsible for leading and controlling the operations of the business which includes training and supervising bike technicians,

service quality control, sales, customer service and administrative tasks such as inventory control, payrolls, accounting and marketing.

- **Bike Technicians:** Bike technicians' general functions are: Servicing bikes, conducting check-ups, supervising and providing instructions for Build Your Own Bike (BYOB) program. Bike technicians also assist with sales and administrative tasks as requested by the General Manager.

### *B. Proposed Organization Chart*

Appendix D, Figure 2 shows the proposed organization chart that is to be implemented when the Bike Kitchen expands to the new location. Under this scenario, our proposal contemplates an increase in the number of part-time bike technicians from 6 to 8, based on the knowledge that the number of bicycle stands will increase from 7 to 12. Also, as there is an expected increase in volume of service, a full-time General Manager and a Store Manager should be hired to attend to administrative tasks, along with a dedicated salesperson and a part-time store Sales Representative to assist the management on the sales of bikes, parts, clothing, and accessories during peak hours. A detail description of the proposed functions for each position is the following:

- a. **General Manager:** The General Manager's main responsibilities are to lead and control the operations of the business, train and supervise bike technicians and to ensure the Bike Kitchen is adhering to the required quality standards
- b. **Store Manager:** The store manager's main responsibilities are to ensure a high level of customer service, monitor sales, assist customers and attend to the administrative tasks of

inventory control, payrolls, accounting and marketing. The Store Manager will report to the General Manager

- c. Bike Technicians: Bike technicians service bikes, conduct check-ups, offer technical assistance and support to customers in the Build Your Own Bike program. Bike technicians also assist with sales if requested by the Store Manager
- d. Store Sales Representative: The Store Sales Representative helps the Store Manager with in-store sales of clothing, new and used bikes sales and general customer service during store peak hours.

## **VIII. OVERALL SCHEDULE**

See Appendix E for the overall schedule.

## **IX. CORPORATE SOCIAL RESPONSIBILITY**

### *A. SOCIAL ENTERPRISE*

The Bike Kitchen exists as the social enterprise of the Bike Co-Op. Inherent is the mission of The Bike Kitchen is the support of the co-op membership through community bike services and bike programs that promote cycling awareness on campus.

As a social enterprise the Bike Kitchen operates with non-profit ideals. The net income generated each year is dispersed to employees through bonuses and the remainder to the Bike Co-Op to support its operations.

### *B. ENVIRONMENTAL RESPONSIBILITY*

The main environmental impact of the Bike Kitchen is through its promotion as cycling convenient alternative to hydrocarbon and electricity based transportation. This business plan focuses on new initiatives to focus more directly on the core segment of cycle commuters. Through these initiatives The Bike Kitchen will be focusing its efforts directly on fulfilling its vision increased cycling to and around campus.

The Bike Kitchen has initiatives and partnerships with other campus groups such as The Ubysey, that allow these groups to deliver items around campus using the Bike Kitchen's transport bicycles. Small initiatives such as this help lower the overall carbon footprint of the university as small amount. The more important impact of these initiatives is raising awareness that alternatives are possible and completely viable.

### *C. CSR MEASUREMENT*

It is recommended that the Bike Kitchen focus CSR measurement through customer service. The current operations of the Bike Kitchen are such that the demand is not being met. Many customers come in looking for refurbished bikes only to be turned away due to stock-outs. Focused on the vision, the primary efforts of the Bike Kitchen should work towards meeting this demand, and getting more people on bicycles. When these potential customers leave, the opportunity to increase ridership may be lost. Therefore the key CSR measurement should simply be keeping track of demand (see procurement and inventory management), realizing that meeting demand means maximizing the CSR impact of the Bike Kitchen.

## **IX. CRITICAL RISKS, PROBLEMS AND ASSUMPTIONS**

There are four general risks, the first is commercial risk, the second is operational, the third is partnership and the fourth is people.

#### *A. COMMERCIAL*

The critical commercial risk highlighted for the Bike Kitchen is the one that is tied to the assumption that increased space, retail offerings and staff will increase sales. The corresponding risk is that this assumption does not hold after the expansion of the Bike Kitchen into its new space, and the increased costs are not covered by increased sales.

There are a number of specific risks that fall under this increased cost risk. For example: increased service hours, increased retail and program offerings. For each of the specific risks, we have detailed a key action or mitigation to the risk that can be implemented before the full expansion into the new space.

An example of a critical cost risk is the plan to sell new bikes. This will increase inventory cost, reduce working capital and move the Bike Kitchen into a market it has not played in before. The mitigation for this risk is to pilot the offering of new bikes for sale next September on a small scale. The suggestion is to bring in ten new bikes at a cost of \$400 - \$500 per unit and determine from the actual demand for new bikes and the consumer preferences. This pilot will offer good market information before a larger commitment is needed.

#### *B. OPERATIONAL*

The key operational risk in this new plan revolves around the proposal for same-day turnaround service. This proposal is a vital value proposition to the core segment of daily UBC bike commuters. The risk of this service offering is the exposure to demand variability. On any

given day the demand for this service will have a large standard deviation compared with the mean. To mitigate this variability we are proposing employees as flexible process cells able to work as mechanics and sales assistants. This flexibility offers management a level of ability in dealing with this demand variability.

### *C. PARTNERSHIPS*

The partnerships with the Bike Co-Op and AMS provide substantial benefit to the Bike Kitchen through its fully subsidized rent and utilities in the SUB. Without these subsidies the Bike Kitchen would not be a profitable business. The risk to the Bike Kitchen is that with expansion and a change of its business model to become more of a full service bike shop, these partnerships may be called into question. In addition, the Kitchen's suppliers have significant power in the relationship (See Appendix H for Porter's Five Forces Industry Analysis) and with the change to the Kitchen the suppliers may exert pressure on prices and retail options.

### *D. PEOPLE*

With this change in business model and corresponding expansion plan, continuity of key people is very important. Organizational knowledge in The Bike Kitchen as a small social enterprise is mainly kept in the heads of staff. This is risky at any point, however, it is especially risky considering the expansion plans as the loss of key personnel would have a large impact on the successful implementation of the plan.

The highlighted mitigation of this is to be clear on each of the staff's value propositions. Why are they motivated to help deliver this change? Depending on each of the staff's motivation it is advised to incentivize key staff to ensure continuity through expansion in 2015.

## **X. THE FINANCIAL PLAN**

### *E. FINANCIAL ANALYSIS*

Financial analysis of this business plan started with the last three years of financial statements for the Bike Kitchen and then forecasted five years forward given the recommendations in this business plan. Appendix F details the proforma statements and the scenario and sensitivity analysis.

### *F. FINANCIAL PROJECTIONS*

Base, mid, and high case projections have been created. Key assumptions to these plans are:

Common to all

- Underlying growth rate of 3% p.a. for all revenues and costs
- Costs to move into the new space in 2015 will be \$60,000. This has been split as \$20,000 each for general moving expenses, \$20,000 of supplies expenditure and \$20,000 of equipment expenditure. These charges are one time charges associated with the move and do not persist into future years
- The rental fleet is cycled every year, meaning 10 bikes are purchased in May, rented through the summer and then sold in September

Base Case

- The base case assumes revenue growth associated with the move in 2015 as a doubling of service revenue and used sales, and a 60% increase in new sales.
- The base case expenses increase accordingly to support these revenues and are rooted in the fundamentals of the plan. Overall staffing levels increase from six to eleven people. Therefore wages and benefits increase by 11/6. Cost of goods sold increases by 60% in conjunction with new sales. The other expenses increase by the 3% growth rate recognizing that these expenses will not increase in conjunction with the move, due to economies of scale
- With this base case projection, The Bike Kitchen will be well positioned for a steady flow of profits that will sustain its increased services to members

#### Low Case

- The low case scenario has the same basic assumptions as the base case except the key difference that revenues do not increase in conjunction with the move (i.e. revenues are the same in the new store as they would have been in the old store). In this case, the wages and benefits expenses increase to recognize the new staff that will be hired. This low case recognizes the key risk that the new space will require more staff, but does not guarantee increased revenues. The probability of this outcome is small based on our market research and the planned mitigations. Also, if revenues are not materializing as intended when moved into the new store, staffing reductions are always an option to decrease losses. See the sensitivity section below regarding the importance of wages expense.

#### High Case

- The high case scenario recognizes the potential upside of the move that might be gained through increased efficiencies and optimization.
- In this case the service and used sales revenues increase by 150% and the new sales revenues increase by 100% in the move from the old store to the new store. This high case is justified by the potential new daily service offering, increased retail and increased dedicated bike stands for refurbishing bikes.

### *G. SENSITIVITY ANALYSIS*

A sensitivity analysis has been performed on the key revenue generators and key expenses for The Bike Kitchen. This tornado chart (Appendix F, Figure 1) shows the impact to net income by varying these inputs by +/- 20%. The expense inputs are the most important to net income. Varying wages expense by +/- 20% impacts net income by almost +/- 90%. This really emphasizes the importance of efficiently managing staffing levels to match demand. Varying COGS by 20% shows an impact of almost 70% on net income. This shows the importance of contractual terms with suppliers (prices, shipping, A/P) and inventory management.

The other three factors all have a lesser impact on net income and are all revenue factors. This illustrates how important cost control is and where the relative focus should be in terms of cost control and revenue generation. That being said the most leveraged revenue generator is service. This shows that a variation of 20% in service levels will impact net income by 50%.

In Summary, over the 5 year plan period containing future expansion recommendations, our financial analysis shows the plan to be healthy with good net income potential. Although the Bike Kitchen has stable yearly revenues of approximately \$250,000, increasing costs have eroded their net income by approximately 40% over the last few years. This is mainly due to the

gradual increase in employee wage expenses in conjunction with operations that are at capacity and cannot generate additional revenues to match wage increases.

The expansion break-even scenario was calculated showing that revenue growth of 54% is needed in order to support the increased expenses post-expansion. A revenue increase of at least this much is well supported by the large captive market on campus, high unmet demand at the Bike Kitchen, and strong evidence in the market research that increased service offerings will provide value to the target market.

**Word Count: 6530 words**

## **XII. REFERENCES**

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## **XI. APPENDICES**

### **APPENDIX A: MARKET RESEARCH**

Table 1: Bike Commuter Survey Population

Survey type	Type of respondent	# of respondents	% of Total
Face to Face	Student	41	93%
	Staff	2	5%
	Faculty	1	2%
	total	44	100%
Online Survey	Student	28	65%
	Staff	8	19%
	Faculty	7	16%
	total	43	100%
Combined	Student	69	79%
	Staff	10	11%
	Faculty	8	9%
	<b>Total</b>	<b>87</b>	100%

Table 2: Most Important Factor in Deciding on a Bike Shop to Use

Survey Type	Convenience	Low Prices	Quality of Service
Face to Face	10	12	17
Online	13	10	20
Combined	23	22	37
% of Total Respondents	<b>26%</b>	<b>25%</b>	<b>43%</b>

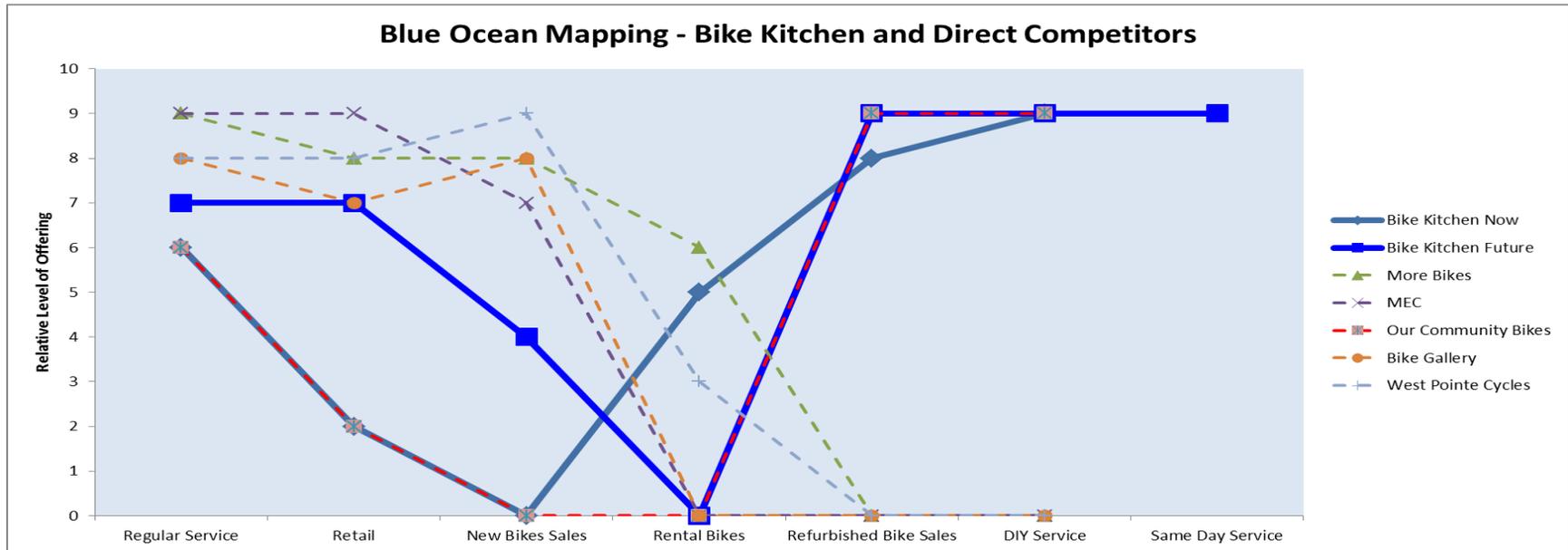
Table 3: Summary of Positive Responses to Survey Questions by survey type.

Survey Type	Type of Commuter Cyclist		Heard of Bike Shop in SUB	Been to BK	Perceive Service at BK to be Good to very Good	Willing to Use Repair Service at BK	Interested in Same Day Repair	Willing to Shop for New Bike	Willing to shop for Bike Clothes	Most Important Factor in deciding on a Bike Shop to use		
	Seasonal / Weather Dependant	Year Round								Convenience	Low Prices	Quality of Service
Face to Face	4	29	41	36	27	36	N/A	23	21	10	12	17
Online	20	20	40	34	24	31	40	13	22	13	10	20
Combined	<b>24</b>	<b>49</b>	81	70	51	67	N/A	36	43	23	22	37
% of Total Respondants	<b>28%</b>	<b>56%</b>	<b>93%</b>	<b>80%</b>	<b>59%</b>	<b>77%</b>	<b>93%</b>	<b>41%</b>	<b>49%</b>	<b>26%</b>	<b>25%</b>	<b>43%</b>

Note: Positive response is defined as indicating a 4 or 5 on a number scale, or indicating Likely to Very Likely

Note: "No response" is counted as a negative response.

Figure 1: Blue Ocean Strategy for the Bike Kitchen



## APPENDIX B. MARKETING PLAN

Table 1: Current Marketing Initiatives

Initiatives	Description	Medium
AMS Insider	Campus Newsletter	Print
CiTR	UBC Radio Station	Radio
Discorder	Magazine	Print
Outreach Booths at Kitsilano Farmer's Market and UBC Farm	Shared initiative with Cycling Resources Centres	Personal
Booths on Imagine Day, Clubs Day, and during the start of September	Some conducted by paid volunteers	Personal
International Student Orientation Amazing Race		Event
The Ubysey	Campus Newsletter	Print
Norm Theatre	Campus cinema	Advertising
UBC Digital Signage	Information disseminated via TVs on campus	Advertising

Table 2: Implementation schedule for proposed marketing strategies

Task	Description	Schedule
Name change	Should clearly reflect operations. Eg. 'UB Cycles' or 'Campus Bikes'	New location
New Signboard	With the new name, a relevant tagline, and colorful.	New location
Social Media	Facebook and Twitter could be used in 2014, providing sufficient time to promote the new location and transitioning into a new brand image.	One year prior to transition
Website	The website should be revamped to promote the new location and products and services	Simultaneously with social media initiative
Stickers	Should be applied to every bike leaving its store and on bike racks/cages	Immediate
Advertise on UBC Connect and via campus tours	Should provide a brief description about the store and relevant links	April 2013 onwards
Uniform Vests	Vests should have the store's name and logo	Immediate
Short advertisement	In collaboration with UBC Film Society to advertise in the Norm Theater	Early 2013
Informative workshops	Workshops on bike awareness, safety, and maintenance in campus residencies	Early 2013
Trial bikes	Offering trial bikes on rental during off-season for a week	Early 2013
Critical Mass Bike	Monthly bike ride with maximum possible participants	March 2013 onwards
The Ubysey	Advertise during off-peak seasons	When partnership is finalized

Table 3: Comparison of competitor's prices and hours of operation

Services	Bike Kitchen	Mountain Equipment Co-op	The Bike Gallery	West Point Cycles	More+ Bikes	Our Community Bikes
<i>All figures are in \$ amounts</i>						
<b>Full tune-ups</b>	35 - 50 - 150	35 - 45 - 65 - 140	45 - 80 - 180	50 - 70 - 180	40 - 70 - 180	50 - 75 - 100
<b>Hours</b>	10 - 6	10 - 7	9:30 - 6	9:30 - 6	10 - 6	11 - 6
<b>Rentals</b>						
2 Hour Rate	16	NA	NA	16	20	
Daily Rate	25	NA	NA	30	35	
<b>DIY Rate (per hour)</b>	7.50	NA	NA	NA	NA	6
<b>DIY with Instructions (per hour)</b>	15	NA	NA	NA	NA	12
<b>mechanic rate</b>	50	60	60	60	60	50

\*Note: The lowest prices and longest hours of operation are highlighted

Table 4: Comparison of competitor prices for additional services

Services	Bike Kitchen	Mountain Equipment Co-op	The Bike Gallery
<i>All figures are in \$ amounts</i>			
<b>Tires</b>			
Tire Installation	6	10	7.50
Flat repair	6		
Tube	5	10	
<b>Brakes</b>			
Adjustment	8 - 10	10 - 20	
Pads or cable installation	10 - 15		10 - 25
Overhaul of existing system	15	15	
Setup	15 - 20		
<b>Gears</b>			
installation	8	9 - 10	
Installation of cables	10 - 15		
Setup of new system	15 - 20		
<b>Drivertrain</b>			
Clean & Lube	6		
Install or resize chain	6	10	10
Install chain & cogs	20		
Install chain, cogs, rings/cranks & pulleys	30		35
<b>Bearings</b>			
Adjust Hub, Headset, or Bottom Bracket	8	5 - 8	
Overhaul Hub, Headset, or Bottom Bracket	15 - 25	11 - 20	20
Install new cartridge Bottom Bracket	15		
<b>Wheels</b>			
True (straighten)	10 - 15	10 - 15	20
Spoke replacement	20		
Build a new wheel	35	25 - 35	45
<b>Accessories</b>			
Installation or rack, fenders	10	5 - 21	
Installation of other accessories (per hour)	35		

\*Note: Lowest prices are highlighted. Some prices unknown

## APPENDIX C. CONTRIBUTION MARGINS AND REVENUE SOURCES

Table 1: Annual Contribution Margins

	2010-2011		2011-2012		2012-1013 YTD	
Sales	\$ 265,008	100%	\$ 249,190	100%	\$ 160,391	100%
less Variable expenses	\$ 100,619	38%	\$ 97,627	39%	\$ 44,420	28%
Contribution Margin	\$ 164,389	62%	\$ 151,564	61%	\$ 115,972	72%
Lees Fixed Costs	\$ 119,501		\$ 119,599		\$ 68,317	
Net Income	\$ 44,888		\$ 31,965		\$ 47,654	
Degree of operating leverage	3.7		4.7		2.4	

Table 2: Contribution Margins divided by Revenue Sources

	2010-2011									
	New Parts		Used Parts		Service		Rentals		Misc Revenue	
Sales	\$ 145,828	100%	\$ 48,104	100%	\$ 52,758	100%	\$ 10,052	100%	\$ 8,266	100%
less Variable expenses	\$ 96,311	66%	\$ 1,889	4%	\$ 1,220	2%	\$ 1,009	10%	\$ 191	2%
Contribution Margin	\$ 49,518	34%	\$ 46,215	96%	\$ 51,539	98%	\$ 9,043	90%	\$ 8,075	98%
	2011-2012									
	New Parts		Used Parts		Service		Rentals		Misc Revenue	
Sales	\$ 139,689	100%	\$ 38,351	100%	\$ 53,899	100%	\$ 12,324	100%	\$ 4,927	100%
less Variable expenses	\$ 91,873	66%	\$ 2,438	6%	\$ 1,442	3%	\$ 1,741	14%	\$ 132	3%
Contribution Margin	\$ 47,816	34%	\$ 35,913	94%	\$ 52,457	97%	\$ 10,582	86%	\$ 4,795	97%
	2012-2013 YTD									
	New Parts		Used Parts		Service		Rentals		Misc Revenue	
Sales	\$ 86,036	100%	\$ 21,652	100%	\$ 34,865	100%	\$ 10,831	100%	\$ 7,007	100%
less Variable expenses	\$ 41,353	48%	\$ 1,034	5%	\$ 1,121	3%	\$ 686	6%	\$ 225	3%
Contribution Margin	\$ 44,683	52%	\$ 20,618	95%	\$ 33,744	97%	\$ 10,146	94%	\$ 6,781	97%

## APPENDIX D. ORGANIZATION CHARTS

Figure 1: Bike Kitchen's current Organization Chart

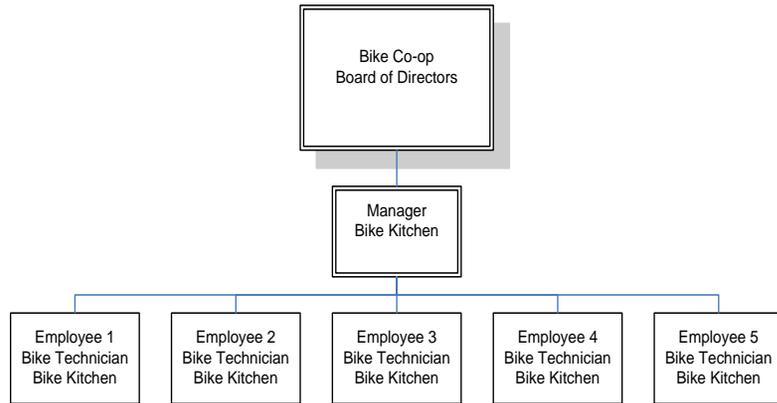
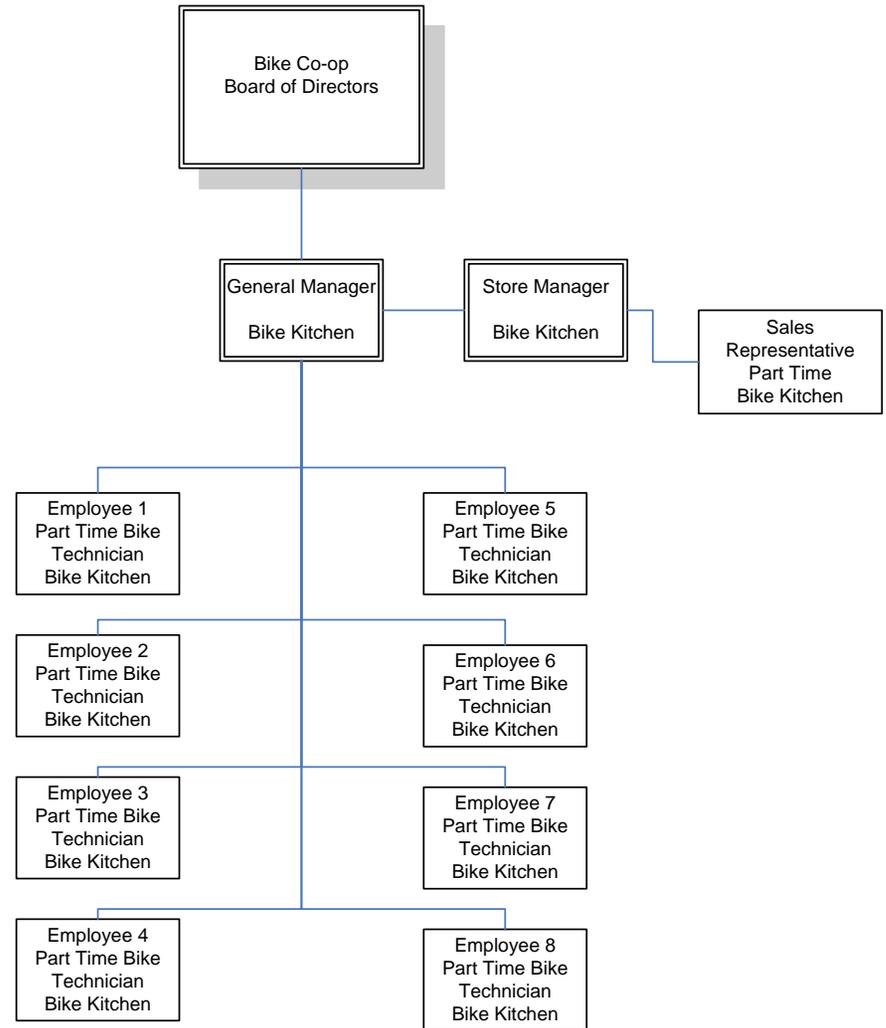


Figure 2: Bike Kitchen Proposed Organization Chart



## APPENDIX E: OVERALL SCHEDULE

Table 1: Overall Schedule

Year	Activities
<b>2013</b>	<ul style="list-style-type: none"> <li>• Sell the current rental fleet in September 2013 and renew fleet in May 2014</li> <li>• Information booths at the farmer's markets should be discontinued</li> <li>• Replace current signboard with a new one without any mention of The Bike Co-op</li> <li>• Paint entrance point</li> <li>• Spring cleaning of racks and old bikes locked up outside the entrance</li> <li>• Discontinue Facebook and other social media initiatives</li> <li>• Commence brand separation from The Bike Co-op</li> <li>• Optimize supplier quantity</li> <li>• Decouple The Bike Kitchen duties and The Bike Co-op duties</li> <li>• Free up staff to initiate changes</li> </ul>
<b>2014</b>	<ul style="list-style-type: none"> <li>• Test 'real' new bikes demand</li> <li>• Hire Store Manager</li> <li>• Collect data</li> <li>• Accrual based accounting</li> <li>• "What gets measured gets managed" (Fill Rate = 95%)</li> <li>• Simplify and clarify program offering</li> </ul>
<b>2015</b>	<ul style="list-style-type: none"> <li>• Name change to UBCycles 'A place of bikes'</li> <li>• New operating hours from 7 AM - 6 PM and same day service</li> <li>• More retail</li> <li>• Hire dedicated sales personnel staff and 3 new bike technicians</li> </ul>

## APPENDIX F. FINANCIAL ANALYSIS

Table 1: Base Case Scenario:

Base Case									
FiscalYear *	2010 - 2011	2011 - 2012	2012 - 2013 YTD	2012 - 2013 Y/E	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018
<b>REVENUES</b>									
Misc Revenue	\$ 8,266	\$ 4,927	\$ 7,007	\$ 11,491	\$ 11,836	\$ 12,191	\$ 12,556	\$ 12,933	\$ 13,321
Rentals	\$ 10,052	\$ 12,324	\$ 10,831	\$ 10,831	\$ 11,156	\$ 11,491	\$ 11,836	\$ 12,191	\$ 12,557
Service	\$ 52,758	\$ 53,899	\$ 34,865	\$ 57,179	\$ 58,894	\$ 60,661	\$ 121,322	\$ 124,961	\$ 128,710
New Sales	\$ 145,828	\$ 139,689	\$ 86,036	\$ 141,099	\$ 150,332	\$ 154,842	\$ 247,747	\$ 255,180	\$ 262,835
used Sales	\$ 48,104	\$ 38,351	\$ 21,652	\$ 35,509	\$ 36,575	\$ 37,672	\$ 75,344	\$ 77,604	\$ 79,932
<b>Total</b>	<b>\$ 265,008</b>	<b>\$ 249,190</b>	<b>\$ 160,391</b>	<b>\$ 256,109</b>	<b>\$ 268,793</b>	<b>\$ 276,856</b>	<b>\$ 468,805</b>	<b>\$ 482,869</b>	<b>\$ 497,355</b>
<b>EXPENSES</b>									
Wages	\$ 93,385	\$ 104,193	\$ 51,421	\$ 102,842	\$ 105,927	\$ 109,105	\$ 206,026	\$ 212,207	\$ 218,573
Benefits	\$ 10,858	\$ 12,294	\$ 6,106	\$ 12,212	\$ 12,579	\$ 12,956	\$ 24,465	\$ 25,199	\$ 25,955
Misc Exp	\$ 13,471	\$ 515	\$ 10,554	\$ 12,664	\$ 13,044	\$ 13,436	\$ 33,839	\$ 14,254	\$ 14,682
Interact Charges	\$ 3,024	\$ 3,053	\$ 1,802	\$ 3,604	\$ 3,712	\$ 3,824	\$ 3,939	\$ 4,057	\$ 4,178
Equipment	\$ 1,553	\$ 2,823	\$ 675	\$ 1,349	\$ 4,890	\$ 5,036	\$ 25,187	\$ 5,343	\$ 5,503
Supplies	\$ 3,103	\$ 3,616	\$ 3,357	\$ 6,714	\$ 6,916	\$ 7,123	\$ 27,337	\$ 7,557	\$ 7,784
COGS	\$ 92,939	\$ 88,135	\$ 38,586	\$ 89,303	\$ 95,482	\$ 98,347	\$ 157,355	\$ 162,076	\$ 166,938
Photocopies	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Shrinkage	\$ 1,435	\$ 159	\$ (204)	\$ (204)	\$ 164	\$ 169	\$ 338	\$ 348	\$ 359
Advert	\$ 300	\$ 2,437	\$ 441	\$ 882	\$ 909	\$ 936	\$ 2,500	\$ 2,575	\$ 2,652
Programs	\$ 41	\$ -	\$ -						
<b>Total</b>	<b>\$ 220,121</b>	<b>\$ 217,226</b>	<b>\$ 112,737</b>	<b>\$ 229,367</b>	<b>\$ 243,623</b>	<b>\$ 250,931</b>	<b>\$ 480,986</b>	<b>\$ 433,615</b>	<b>\$ 446,624</b>
<b>NET INCOME</b>	<b>\$ 44,888</b>	<b>\$ 31,965</b>	<b>\$ 47,654</b>	<b>\$ 26,742</b>	<b>\$ 25,170</b>	<b>\$ 25,925</b>	<b>\$ (12,181)</b>	<b>\$ 49,254</b>	<b>\$ 50,731</b>
* fiscal year from May 01 to April 30									

Table 2: Low Case Scenario:

<b>Low Case</b>									
<b>FiscalYear *</b>	<b>2010 - 2011</b>	<b>2011 - 2012</b>	<b>2012 - 2013 YTD</b>	<b>2012 - 2013 Y/E</b>	<b>2013 - 2014</b>	<b>2014 - 2015</b>	<b>2015 - 2016</b>	<b>2016 - 2017</b>	<b>2017 - 2018</b>
<b>REVENUES</b>									
Misc Revenue	\$ 8,266	\$ 4,927	\$ 7,007	\$ 11,491	\$ 11,836	\$ 12,191	\$ 12,556	\$ 12,933	\$ 13,321
Rentals	\$ 10,052	\$ 12,324	\$ 10,831	\$ 10,831	\$ 11,156	\$ 11,491	\$ 11,836	\$ 12,191	\$ 12,557
Service	\$ 52,758	\$ 53,899	\$ 34,865	\$ 57,179	\$ 58,894	\$ 60,661	\$ 62,481	\$ 64,355	\$ 66,286
New Sales	\$ 145,828	\$ 139,689	\$ 86,036	\$ 141,099	\$ 150,332	\$ 154,842	\$ 159,487	\$ 164,272	\$ 169,200
used Sales	\$ 48,104	\$ 38,351	\$ 21,652	\$ 35,509	\$ 36,575	\$ 37,672	\$ 38,802	\$ 39,966	\$ 41,165
<b>Total</b>	<b>\$ 265,008</b>	<b>\$ 249,190</b>	<b>\$ 160,391</b>	<b>\$ 256,109</b>	<b>\$ 268,793</b>	<b>\$ 276,856</b>	<b>\$ 285,162</b>	<b>\$ 293,717</b>	<b>\$ 302,529</b>
<b>EXPENSES</b>									
Wages	\$ 93,385	\$ 104,193	\$ 51,421	\$ 102,842	\$ 105,927	\$ 109,105	\$ 206,026	\$ 212,207	\$ 218,573
Benefits	\$ 10,858	\$ 12,294	\$ 6,106	\$ 12,212	\$ 12,579	\$ 12,956	\$ 24,465	\$ 25,199	\$ 25,955
Misc Exp	\$ 13,471	\$ 515	\$ 10,554	\$ 12,664	\$ 13,044	\$ 13,436	\$ 33,839	\$ 14,254	\$ 14,682
Interact Charges	\$ 3,024	\$ 3,053	\$ 1,802	\$ 3,604	\$ 3,712	\$ 3,824	\$ 3,939	\$ 4,057	\$ 4,178
Equipment	\$ 1,553	\$ 2,823	\$ 675	\$ 1,349	\$ 4,890	\$ 5,036	\$ 25,187	\$ 5,343	\$ 5,503
Supplies	\$ 3,103	\$ 3,616	\$ 3,357	\$ 6,714	\$ 6,916	\$ 7,123	\$ 27,337	\$ 7,557	\$ 7,784
COGS	\$ 92,939	\$ 88,135	\$ 38,586	\$ 89,303	\$ 95,482	\$ 98,347	\$ 100,941	\$ 103,970	\$ 107,089
Photocopies	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Shrinkage	\$ 1,435	\$ 159	\$ (204)	\$ (204)	\$ 164	\$ 169	\$ 338	\$ 348	\$ 359
Advert	\$ 300	\$ 2,437	\$ 441	\$ 882	\$ 909	\$ 936	\$ 2,500	\$ 2,575	\$ 2,652
Programs	\$ 41	\$ -	\$ -						
<b>Total</b>	<b>\$ 220,121</b>	<b>\$ 217,226</b>	<b>\$ 112,737</b>	<b>\$ 229,367</b>	<b>\$ 243,623</b>	<b>\$ 250,931</b>	<b>\$ 424,572</b>	<b>\$ 375,509</b>	<b>\$ 386,775</b>
<b>NET INCOME</b>	<b>\$ 44,888</b>	<b>\$ 31,965</b>	<b>\$ 47,654</b>	<b>\$ 26,742</b>	<b>\$ 25,170</b>	<b>\$ 25,925</b>	<b>\$ (139,410)</b>	<b>\$ (81,792)</b>	<b>\$ (84,246)</b>
* fiscal year from May 01 to April 30									

Table 3: High Case Scenario:

High Case									
FiscalYear *	2010 - 2011	2011 - 2012	2012 - 2013 YTD	2012 - 2013 Y/E	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018
<b>REVENUES</b>									
Misc Revenue	\$ 8,266	\$ 4,927	\$ 7,007	\$ 11,491	\$ 11,836	\$ 12,191	\$ 12,556	\$ 12,933	\$ 13,321
Rentals	\$ 10,052	\$ 12,324	\$ 10,831	\$ 10,831	\$ 11,156	\$ 11,491	\$ 11,836	\$ 12,191	\$ 12,557
Service	\$ 52,758	\$ 53,899	\$ 34,865	\$ 57,179	\$ 58,894	\$ 60,661	\$ 151,652	\$ 156,202	\$ 160,888
New Sales	\$ 145,828	\$ 139,689	\$ 86,036	\$ 141,099	\$ 150,332	\$ 154,842	\$ 309,684	\$ 318,975	\$ 328,544
used Sales	\$ 48,104	\$ 38,351	\$ 21,652	\$ 35,509	\$ 36,575	\$ 37,672	\$ 94,180	\$ 97,005	\$ 99,915
Total	\$ 265,008	\$ 249,190	\$ 160,391	\$ 256,109	\$ 268,793	\$ 276,856	\$ 579,908	\$ 597,305	\$ 615,224
<b>EXPENSES</b>									
Wages	\$ 93,385	\$ 104,193	\$ 51,421	\$ 102,842	\$ 105,927	\$ 109,105	\$ 206,026	\$ 212,207	\$ 218,573
Benefits	\$ 10,858	\$ 12,294	\$ 6,106	\$ 12,212	\$ 12,579	\$ 12,956	\$ 24,465	\$ 25,199	\$ 25,955
Misc Exp	\$ 13,471	\$ 515	\$ 10,554	\$ 12,664	\$ 13,044	\$ 13,436	\$ 33,839	\$ 14,254	\$ 14,682
Interact Charges	\$ 3,024	\$ 3,053	\$ 1,802	\$ 3,604	\$ 3,712	\$ 3,824	\$ 3,939	\$ 4,057	\$ 4,178
Equipment	\$ 1,553	\$ 2,823	\$ 675	\$ 1,349	\$ 4,890	\$ 5,036	\$ 25,187	\$ 5,343	\$ 5,503
Supplies	\$ 3,103	\$ 3,616	\$ 3,357	\$ 6,714	\$ 6,916	\$ 7,123	\$ 27,337	\$ 7,557	\$ 7,784
COGS	\$ 92,939	\$ 88,135	\$ 38,586	\$ 89,303	\$ 95,482	\$ 98,347	\$ 196,003	\$ 201,883	\$ 207,939
Photocopies	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Shrinkage	\$ 1,435	\$ 159	\$ (204)	\$ (204)	\$ 164	\$ 169	\$ 338	\$ 348	\$ 359
Advert	\$ 300	\$ 2,437	\$ 441	\$ 882	\$ 909	\$ 936	\$ 2,500	\$ 2,575	\$ 2,652
Programs	\$ 41	\$ -	\$ -						
Total	\$ 220,121	\$ 217,226	\$ 112,737	\$ 229,367	\$ 243,623	\$ 250,931	\$ 519,633	\$ 473,422	\$ 487,625
<b>NET INCOME</b>	<b>\$ 44,888</b>	<b>\$ 31,965</b>	<b>\$ 47,654</b>	<b>\$ 26,742</b>	<b>\$ 25,170</b>	<b>\$ 25,925</b>	<b>\$ 60,275</b>	<b>\$ 123,883</b>	<b>\$ 127,599</b>
* fiscal year from May 01 to April 30									





## APPENDIX G. SWOT ANALYSIS

### Strengths

- Location
- Convenience
- Captive Market
- Ease of access to market
- Free Rent / Utilities
- Funding from AMS
- Existing clientele and membership
- Campus Initiative support
- Community Brand

### Weaknesses

- Capacity
- Procurement / Supply
- Seasonality
- Management Structure
- Unclear non-profit governance model
- Physical access with a bike (stairs)

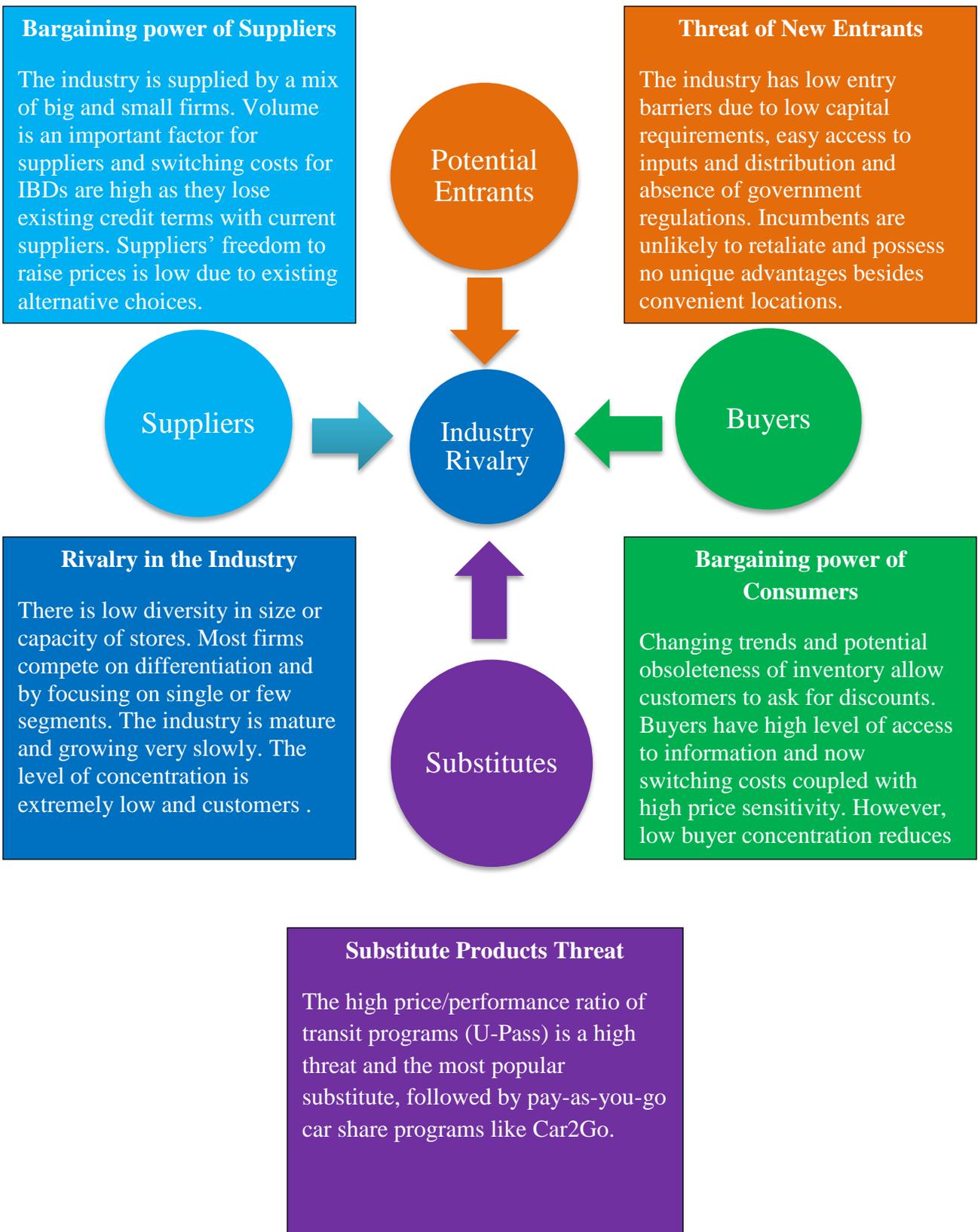
### Opportunities

- Relocation into larger space
- Product line expansion
- Joint venture - MEC, Ride-on Bikes, More Bikes, Our Community Bikes
- Joint supply procurement for lower rates
- Use membership to collect customer data

### Threats

- Other Bike Stores (More Bikes)
- Losing core customer base from switch to For-profit
- Loss of funding if detached from Co-op
- Inventory Risk
- For profit model could violate AMS club status and free rent etc.

## APPENDIX H. PORTER 5 FORCES



## APPENDIX I. MARKET STATISTICS

Table 1: Canadian Bicycle Retail Market:

Year	Volume (\$ million)	Growth
2007	196.2	-
2008	214.4	9.3%
2009	244.4	14%
2010	251.1	2.7%

Table 2: Market Segmentation by Category:

Bike category	% of total sales volume
<b>26" Bikes</b>	
26" Cruiser	0.94
26" Comfort	1.42
26" Rigid Mountain	0.12
26" Front Shock Mountain	16.90
26" Dual Shock Mountain	17.20
<b>Total 26" Bikes</b>	<b>36.58</b>
<b>Youth Bikes</b>	
20"/24" BMX/Freestyle	1.81
24" Juvenile	1.96
20" Juvenile	1.46
19" and below	1.41
<b>Total Youth Bikes</b>	<b>6.64</b>
Road Bikes	34.06
Hybrid Bikes	16.60
Tandems	0.11
E-bikes	0.19
29" Wheel	5.17
Miscellaneous	0.63
<b>Total All Bikes</b>	<b>100.00</b>