

Run KC

Logo

BUSINESS PLAN

Business Plan Prepared By

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Executive Summary

Venture Description

Run KC is a retail running shoe store offering footwear, apparel and accessories to serious and aspiring runners. The product line offered by Run KC has been carefully screened to assure that customers find satisfaction on the first try. Products are of a high quality in the mid to high price range.

Run KC differentiates itself from other running shoe store by the level of service provided during *and* after the sale. During the sale, Run KC provides gait analysis, individual fit assistance, carefully selected inventory and well trained staff to help runners select the best shoes and accessories to enhance their running experience. In addition, a customer file is kept on purchases, documenting preferences and interests to develop a history with each customer as well as a personal relationship. After the sale, the atmosphere of Run KC is similar to that of a club where individuals hang out, make friends and exchange information. The store offers training programs, boot camps and a running club. Involvement in local running events by staff and sponsorship of these events also strengthens relationships with runners.

Management will make the most of the current trend in which the major running shoe companies work directly with specialty shoe retailers to implement marketing plans to reach new runners and better serve existing customers. This relationship between the store, sales representatives and running shoe companies will assure that Run KC staff has direct access to manufacturers and therefore, access to products, product knowledge, trends and support.

Run KC staff will also receive up-to-date training on the latest technological advances relating to running shoes and running apparel. This will include training on fabric performance and functionality as well as technological advances related to shoes. Customers will have total confidence in the knowledge and the advice shared by staff.

Run KC is dedicated to helping runners be successful through an understanding of individual needs and through ongoing support.

Run KC is in the planning stage with a projected opening in January 2012 in Leawood, Kansas.

Management and Organization Plan

Run KC will be a Limited Liability Company registered in the state of Kansas. The LLC was selected to provide protection for the owner's personal assets and to allow the owner to maintain control of the business.

The Owner and Chief Executive Officer of Run KC will be Tim Clark. Since January 2003, Tim has been employed by Runner's Resource, a Boston Massachusetts based store featuring running shoes and apparel. His responsibilities have included sales, inventory management and customer service. Prior to Runner's Resource, Tim was a public accountant with TBJ, Ltd Accounting Firm. Tim received his BA in Accounting from Boston College, in May 2000.

Tim has been an avid runner for 15 years. He will provide expertise in the areas of

running, accounting and inventory management for Run KC. Independent consultants will be utilized to provide additional expertise in the areas of marketing, merchandising, HR functions and technology.

Run KC has an advisory board made up of a running shoe store owner, a retired running shoe sales representative, a banker with a business consulting background and a CPA. The infrastructure for Run KC includes an attorney, CPA, banker, insurance agent, IT consultant and a marketing consultant.

Marketing Plan

The National Sporting Goods Association's (NSGA) "Sporting Goods Market in 2010" reported retail sales dollars of running/jogging footwear at 2.36 billion in 2009 – an increase of 3% over 2008. Sales were projected to grow another 3% for 2010 totaling 2.42 billion. While these increases are weak compared to double digit percentage increases in this industry in 2004, they are strong in the current economy when most industries are reporting decreasing sales.

Experts indicate that while the running industry isn't recession proof, it does appear to be "recession resistant". According to the Physical Activity Council, running continues to increase because it is "inexpensive, can be done anywhere at any time, no membership fees required and no need for a partner." Running USA reports that when the economy reached "gloom and doom," the number of runners surged. In 2009, they reported a record number of both marathon and road race finishers and a 24% increase in half marathon finishers.

According to the NSGA, the specialty athletic footwear store continues to be one of the most popular vendors for running/jogging shoes. The greatest threat to retailers of running shoes is the Internet. To offset the trend of Internet shopping, major running shoe companies are providing support for specialty running shoe stores by partnering on running events, clubs and marketing efforts. Run KC management will maximize their relationship with the sales representatives to assure that staff has access to products, product knowledge, trends and support to pass along to customers. At Run KC, personal service and individual attention will be enhanced by this partnership to bring customers an experience which they consider to be worth more than any savings they might find online.

The most significant direct competition in the Johnson County area is the small, independent store that offers personal service. This includes the Greater Kansas City Athletic Company, Leawood Running Emporium and BROS Sports. The management of Run KC has identified the following weaknesses for these competitors: Greater Kansas City Athletic Company—growth has led them to hiring staff who don't have a strong interest in running and the product knowledge needed; Leawood Running Emporium – very limited hours; and BROS Sports – inventory limited to one brand. At Run KC, staff will be dedicated runners who will receive in-depth product training, the store will carry six of the top selling brands of running shoes and store hours will include evenings and Sundays.

The target market for Run KC will include runners and "wanna be" runners in the Johnson County area. According to Running USA, the average age of the typical runner is 38 (female) and 45 (male), 79% have a college degree and 73% have a household income over \$75,000. Demographic information for the Johnson County area indicates that residents of that area are a good match for the customer profile of the typical runner.

Run KC will have a visible presence where runners gather and will focus on relationship marketing using some of the following methods: sponsorships, exhibits, classes and seminars, promotional items, targeted ads at local events, direct mail and e-mail to existing customers, the Internet (web page and social media), and press releases.

Financial Plan

Total start-up costs for Run KC are \$138,077.

Sales projections have been estimated as follows:

Year 1 \$395,850; Year 2 \$523,800; Year 3 \$598,900

Income projections based on sales indicated above were determined to be:

Year 1 (\$27,842); Year 2 \$ 33,172; Year 3 \$43,489

One hundred ninety five thousand dollars is needed to insure a positive cash flow throughout the first three years. An initial investment of \$70,000 will be made by the owner. An additional \$125,000 will be secured through a loan from family.

Tim Clark, owner, plans to grow the business and open other locations in the metro area. When he reaches retirement age, he plans to sell the business.



Product / Service Plan

Description of Product/Service

Run KC is a retail running shoe store offering footwear, apparel and accessories to serious and aspiring runners. The product line offered by Run KC has been carefully screened to ensure that customers find satisfaction on the first try. Products are of a high quality in the mid to high price range.

Run KC differentiates itself from other running shoes store by the level of service provided during *and* after the sale. During the sale, Run KC provides gait analysis, individual fit assistance, carefully selected inventory and well trained staff to help runners select the best shoes and accessories to enhance their running experience. In addition, a customer file is kept on purchases, documenting preferences and interests to develop a history with each customer as well as a personal relationship. After the sale, the atmosphere of Run KC is club-like and offers runners a place to hang out with one another and connect. The store offers training programs, boot camps and a running club. Involvement in local running events by staff and sponsorship of these events also strengthens relationships with runners.

Run KC is dedicated to helping runners be successful through an understanding of individual needs and through ongoing support.

Features and Benefits

Feature: Run KC is open 10 am to 8 pm Monday – Thursday; 10 am to 7 pm on Friday, 9 am – 6 pm on Saturday; noon to 6 pm on Sunday.

Benefit: Extended store hours make it easy for customers to access both merchandise and training opportunities.

Footwear

Feature: Carefully screened selection of footwear. Management researches the running footwear available on the market and then prescreens these options for their customers.

Benefit: Experts have done the research. Customers are more likely to find a shoe that suits their needs without trial and error saving the customer time and money.

Feature: Free videotaped gait analysis.

Benefit: Every runner is guaranteed personal and professional expertise to determine the shoe that works for their particular foot and for their style of running. This saves customers time and money and contributes to a successful running experience.

Feature: A customer profile is kept on each customer.

Benefit: Any sales person has access to the customers' records. This helps sales personnel match the customer's needs to current merchandise available.

Commented [PC1]: This should be an overall description of your product or service; what you offer; a major benefit; the problem you solve; how you are different from the competition.

Commented [PC2]: If the business has several components (for example a product and a service), you might list them under a separate sub-headings. For example, this section has headings for footwear, apparel and training.

Commented [PC3]: Be sure to explain what the benefit is to the customer. This might mean more detail in the benefit section. Ask yourself "so what?" In this example: Experts have done the research – so what? The next sentence explains.

Training

Feature: Run KC offers coaching sessions, coordinates a weekly running club, hosts educational seminars and sponsors running events.

Benefit: Ongoing support and camaraderie provide a running community to help customers develop and maintain a long term love for the sport. In addition, this type of ongoing physical activity is generally associated with health benefits.

Apparel & Accessories

Feature: While footwear is the core of Run KC, the store also offers a variety of apparel and accessories.

Benefit: The availability of accessories and apparel in the store offers the customer the convenience of one stop shopping.

Feature: As with the footwear, all products offered are carefully screened and staff has in-depth product knowledge

Benefit: The customer can be assured that each selection offers comfort and durability and that staff can provide advice regarding the best products to fill their particular needs.

Stage of Development

The specialty athletic shoe industry is in the late growth, possibly maturity stage. Run KC is in the planning stage. A retail location is scheduled to open January 2012.

Commented [PC4]: Indicate the stage of development of the industry you are in – introductory, growth, maturity, decline. Also indicate the stage of your business. Most will be in the planning stage.

Product/Service Limitations

Running shoes and apparel are like any item in the apparel industry with an element of style. As new styles are introduced, older styles have limited appeal to the consumer. It will be necessary to balance inventory to assure that Run KC carries enough styles and sizes to meet demand without having excess inventory when styles change. Also, if shoes sit on the shelf for a long period of time, the materials can lose some of their ability to cushion and absorb impact. Therefore, not even considering style, it is important that inventory remain fresh.

Commented [PC5]: Think of things that might make it difficult to be profitable; cause financial losses; or make it hard to grow the business.

Commented [PC6]: Indicate how the limitation will be addressed.

Being an independent retailer, Run KC will not be able to take advantage of volume pricing to the same degree as superstores when purchasing from wholesalers. However, these superstores have limited customer service. Run KC will target customers who are willing to pay more for service and advice.

Product/Service Liability

Since customers will look to Run KC for advice and training, the company will be open to liability. A Limited Liability Company will be formed to protect the owner's personal assets.

Commented [PC7]: Call and discuss this with an insurance agent. Visit www.iii.org

Prior to participation in the Run KC Running Club, training sessions and boot camps, customers will be required to read the rules associated with each and to sign a waiver. Rules related to use of equipment will also be posted in the store. Children will not be allowed on equipment. Staff will receive training on all equipment and will be required to pass a test regarding rules and usage. Employees who perform leadership roles in the running club will be those with the most experience and in addition, they will be required to participate in training on a periodic basis.

The Business Owners Policy purchased for the store will include coverage for store property and inventory both onsite and at tradeshows and other running exhibits. In addition, insurance will include coverage to minimize the risk both in the store and at running events as well as worker's compensation.

Production

Run KC is a retail store. Inventory will be purchased from manufacturers and wholesalers and offered for sale at the retail location. Merchandise and suppliers will be carefully screened to assure that Run KC recommends only the best offerings.

Training programs will be offered in partnership with Brett Weber, trainer and coach. He will operate as an independent business owner offering training at the store. Brett will pay a portion of the class fee collected (25%) to Run KC. When feasible, a trainer will be hired as a full-time employee.

Facilities

Run KC will be located in a 2100 foot square space in the Parkway Plaza shopping center in southeast Johnson County, Kansas. The center is an upscale office, retail and lifestyle community with one half mile of prime street exposure along 135th Street between Roe and Nall Avenues. The center will feature shops with their own identity in a setting with European architecture and gardens.

Suppliers

Run KC will use the following suppliers for apparel and footwear: Adidas; Asics; Balaga; Brooks; Champion; CW-X; DeFeet; Feetures; Icebreaker New Zealand; IllumiNITE; Marmot; Mizuno; Moving Comfort; New Balance; NIKE; Patagonia; Pearl iZUMi; Race Ready; Saucony; Smartwool; Sugio; Thorlos; ULTIMAX; WRIGHT SOCK; Wigwam

The following suppliers for will be used for accessories: TIMEX; POLAR; Garmin; Nathan; GU; Polar; Bodyglide; Human Kinetics; Hammer Nutrition.

Related Products/Services and Spin-offs

In the future, Run KC will also carry nutritional supplements. At some point, a nutritionist will be added to the staff either as an employee or on a contract basis. Other health and injury related products will also be considered.

Commented [PC8]: Although the term production sounds like it, this does not just apply to manufacturing – tell how the business will operate.

Commented [PC9]: Look at the websites of similar businesses and see what they carry. The library can also help you identify suppliers.

Commented [PC10]: Remember to mention products/services that might be added in the future. This shouldn't include products or services you will have at start-up.

Trademarks, Patents, Copyrights, Licenses, Royalties

A trademark will be developed and registered to establish the Run KC brand. The trademark will be used on all promotional materials, hang tags, signage, etc. Any instructional sheets developed in-store will be protected with a copyright.

Governmental Approvals

At the city level, an occupational license is required in the city of Leawood. Run KC will need a building permit as the site is being set up. An outdoor sign permit and a security alarm permit will also be required.

At the county level, Run KC will register business equipment with the Office of the Appraiser. A merchant's license is not required in Johnson County, Kansas.

At the state level, Run KC will be registered with the Kansas Secretary of State's office as an LLC. In addition, Run KC will need to obtain a business sales tax identification number and sales tax exemption certificate with the state and arrange for Workers Compensation Insurance and Unemployment Insurance.

At the Federal Level, a Federal Employee Identification number will be obtained.

Commented [PC11]: Research licenses and regulations at the city, county, state and federal level. If you are home based, there might be additional regulations imposed by a home owners' association.

Management and Organization Plan

Legal Form of Business

Run KC will be a Limited Liability Company registered with the Secretary of State's office in the state of Kansas. The LLC was selected to provide liability protection for the owner's personal assets and to assure that the owner of the company can maintain control. The LLC will elect to be taxed as a partnership. Additional insurance will also be purchased to limit liability and risk.

Commented [PC12]: Tell why you chose a specific form.

Management Team

The Owner and Chief Executive Officer of Run KC will be Tim Clark. Since January 2003, Tim has been employed by Runner's Resource, a Boston based store featuring running shoes and apparel. His responsibilities have included sales, inventory management, customer service and event management. Prior to Runner's Resource, Tim was a public accountant with TBJ Group, Ltd Accounting Firm. Tim received his Bachelor of Arts degree in Accounting from Boston College, Boston, Massachusetts in May 2000. His retail experience, BA degree and experience as a public accountant will provide a strong foundation of skills needed to manage the store. The resume in Appendix A provides details outlining Tim's skills and accomplishments.

Commented [PC13]: What qualifies this person? Provide background info.

Commented [PC14]: Talk about prior jobs and the skills acquired; be specific. These jobs might not be related to the business being started but identify the skills that have been gained. Think about "transferable skills" that can be used in the new venture.

Tim has been an avid runner for 15 years and has completed more than one hundred marathons, half marathons, and races of various lengths. He will provide expertise in the areas of running, accounting and inventory management for Run KC. Independent consultants will be utilized to provide expertise in the areas of marketing, merchandising, HR functions and technology.

Commented [PC15]: Background can also come from hobbies, interests and volunteer positions.

As the operation grows, an Assistant Manager will be added to the team. This individual will be an experienced runner with strong business skills complimentary to those of the owner.

Commented [PC16]: What do you plan in the future?

Board of Directors/Advisory Board

The Advisory Board members listed below have agreed to be available to Tim for ongoing advice and guidance as issues arise during the start up phase of the business. They will also meet as a group semi-monthly to review financial statements and the progress of the business. Due to distance, this meeting will be held utilizing technology. Initially, there will be no compensation for the Advisory Board. This will be considered once the business is profitable.

Commented [PC17]: Board of Directors only applies if you have a Corporation; if you are any other business form change the heading to just read Advisory Board.

Commented [PC18]: Tell how the advisory board will be used.

Mr. Andrew Billa, Banker and Business Consultant, First Bank of the Prairie, Shawnee, KS. Mr. Billa was the owner of a staffing firm for 20 years and has been an independent business consultant for 25 years. His areas of expertise are in human resources, payroll and finance.

Commented [PC19]: For advisory board members, be sure to tell their qualifications as well as what they will bring to the business.

Ms. Monica Winters, Store owner, Midland Running Store and marathon runner. St. Louis, MO. Ms. Winters will provide advice based on her experience in the industry. She will also provide contacts with vendors, suppliers and running associations.

Mr. Donald Adams, retired sales representative, marathon runner, and triathlete. Boston, MA. Mr. Adams will provide advice and resources based on his experience as a sales representative for an athletic shoe company and as an accomplished runner.

Mr. Steve Hamilton, CPA, specializes in business planning and management consulting with TBJ Group, Ltd Accounting. Mr. Hamilton will assist in business and strategic planning and will evaluate financial statements.

Recruitment and Selection of Employees

During the start-up stage of the business, management responsibilities will fall primarily on the owner, Tim Clark. Many of the supporting functions will be provided through independent contractors. As staff is added, all employees from management to sales will be experienced runners and/or tri-athletes. It is critical that everyone making decisions and providing advice have a working knowledge of the products and services offered. Management believes that this is possible only if employees have a passion for the sport.

Involvement by the owner in running clubs and events will provide connections to potential employees. Once the business is established, existing employees will be asked for referrals. The store website will also have an HR section where jobs will be posted and applications accepted. Potential employees will be interviewed. A background check will be conducted on individuals considered for employment and references will be called.

Independent contractors will be recruited and selected in the same manner as employees.

Compensation and Ownership

As Owner and Manager, Tim Clark will begin to withdraw a nominal amount as compensation of \$24,000 in Year 3 and plans to increase the draw as sales increase. Starting wages will be \$10.00 per hour for part-time employees and \$12.00 per hour for full-time employees. There will be no benefits package available to management or employees during the first year. Benefit options will be explored at the end of year two.

Employee Reward and Incentive Plan

A discount on running shoes, apparel and equipment; attendance at educational events sponsored by the store; and the option to participate in store sponsored running classes will be used to motivate and maintain employees. Employees who represent the store in area runs will have their race fees paid by the store.

Within the store, an associate of the month will receive the "golden shoe award", a traveling bronzed running shoe and t-shirt. This will be done with an attitude of "fun competition". They will also be recognized through postings on the website and within the store. Employees' accomplishments in races will be acknowledged and celebrated. Overall, the team environment will be such that each employee feels like a member of a family.

Commented [PC20]: What is important in selecting employees? Does your business have special criteria? For example, if you work with children, how should employees be screened? Is drug screening important?

Commented [PC21]: If you don't have employees but will use independent contracts, address how you will find and screen those business partners.

Commented [PC22]: Plans for start-up and the future should be as specific as possible. Find out what the norm is for your industry or type of business. This figure will probably change as your plan develops but have a starting point.

Commented [PC23]: Try to be creative and come up with low cost/no cost methods.

Communication

A mission statement reflecting the values of the business will be developed, posted throughout the store and ingrained in every aspect of the business.

Weekly team meetings will support this mission and two way communications will be encouraged both verbally and written. An intranet site will be used to post an informal, internal e-newsletter, employee's schedules and the employee manual. The e-newsletter will include announcements as well as recognition of employee accomplishments both within the business and in the running world. An on-line suggestion box will allow employees to submit ideas for everyone to see.

Management will conduct an informal performance evaluation mid-year for each employee. This will encourage an exchange of information between management and staff. A formal evaluation will be conducted annually.

Infrastructure

Richard Crosby, Attorney, Overland Park, Kansas – advice on legal structure, contracts and leases; paid on an hourly basis.

Tim O'Shea, CPA, O'Shea and Associates, Overland Park, MO – tax services; accounting advice from an outside perspective; paid on hourly basis.

Diane Ford, Insurance Broker, Leawood, KS – insurance advice; no direct payment.

Rebecca Duffey, Commercial Banker, First Bank of Shawnee, Overland Park, KS – no direct payment.

Paul Geir, On Site Marketing, Overland Park, KS – marketing consultant; paid on a project basis.

Commented [PC24]: Think about the demands of your business related to communication. Businesses such as a restaurant may need daily meetings to review specials.

Commented [PC25]: Look at the Yellow Pages or Chamber websites, if needed, for names of individuals. If you will start your business soon, you need to find individuals to fill these roles. If your business is ten years down the road, you can simply use names from the Yellow Pages or Chamber. Be specific regarding the compensation for each. For example, attorneys would have an hourly rate but you don't pay a banker. They are paid by their employer.

Commented [PC26]: Remember, these are individuals who do work for your business but are not employed by your business. These individuals should NOT be on your advisory board.

Marketing Plan

Industry Profile

Current Size

Athletic Shoes (in general)

The NAICS code for Athletic Shoe Stores is 4482105. The most recent census data for this category, 2007, is as follows:

# of stores	Sales (000)	Payroll (000)	# employees
6628	\$8,454,126	\$944,412	67,799

This NAICS code includes *all* types of athletic shoes including but not limited to running shoes.

Running Shoes and Apparel

Census data provides information for all types of athletic shoes including running shoes. Industry Associations such as the National Sporting Goods Association (NSGA) and the Sporting Goods Manufacturer's Association (SGMA) provide information specific to the running shoe industry.

The NSGA's "Sporting Goods Market in 2010" reported retail sales dollars of running/jogging footwear at 2.36 billion in 2009. Athletic and sporting clothing sales were reported at 9.25 billion.

Running Participation

Sales of running shoes and apparel are closely tied to the number of individuals participating in this sport. According to the Sporting Goods Manufacturing Association (SGMA) the total US Running Participation number for 2009 exceeded 43 million.

Growth Potential

Athletic Shoes (in general)

Growth in the Athletic Shoe store industry between 1997 and 2007 according to US Census figures is documented below.

Year	1997	2002	2007
# of stores	5277	6095	6628
Sales (000)	\$5,924,309	\$7,266,351	\$8,454,126

Commented [PC27]: Find some strong data about the industry. Remember, the heading for this section is Current Size. Show the most current information you can find on size of the industry.

Commented [PC28]: Census data is a good place to start for some businesses. However, census data may be too broad or dated. Be sure to look beyond Census data. Industry Associations are a good source. While these associations often charge, they will sometimes provide a limited amount of data for students at no charge.

Commented [PC29]: Remember to cite the source of your information. Spell out the name of the organization the first time it is used and indicate the abbreviation in parenthesis following. In subsequent references, it is appropriate to use the abbreviation.

Commented [PC30]: For this running shoe store, industry information about running shoes is important but so is information about the sport of running. For your business, determine if there is some influence on your business that might also be important to research.

Commented [PC31]: The heading for this section is Growth Potential. Use the information you found in your research which shows growth during recent years, trends in growth and projected growth. Charts are great if you can find them. Or, create your own charts using numbers you have found. For example, create a chart showing growth between two years or a series of years.

Caution: when creating a chart, do not compare data from two different sources. For example, do not compare Census data with Industry Association data....their definitions of the data may be different.

As indicated earlier, this NAICS code includes *all* types of athletic shoes including but not limited to running shoes.

Running Shoes and Apparel

Growth statistics specific to the running shoe industry based on National Sporting Goods Association reports:

Jogging and Running Footwear Sales in U.S.:

	1988	1998	2008	2009
Footwear Units	25.1 million	29.41 million	39.99 million	39.76 million
Footwear Dollars	987 million	1.47 billion	2.31 billion	2.36 billion

Athletic and sporting clothing purchases in U.S.:

	2006	2007	2009	2010 Forecast
Athletic and sporting clothing	10.61 billion	10.83 billion	9.25 billion	9.71 billion
Running apparel	726.7 million	909 million	883 million	Not available

As indicated in the chart above, athletic and sports clothing purchases totaled \$10.83 billion in 2007, an increase of 2% over 2006. During that same period, running apparel purchases increased 25%. While sales of running apparel declined from 2007 to 2009, the NSGA reports that the industry is "recession resistant" when compared to many industries. The association forecasts a 5% increase in sales of Athletic and Sporting clothing for 2010.

The Leisure Trends Group which represents US running specialty stores reported a 10% growth in running shoe sales for 12 months ending in March 2009. A 12.3% decline in apparel sales through this distribution channel was reported for the same period.

Running Participation

As indicated earlier, the Sporting Goods Manufacturers Association reports that there were more than 43 million runners in the US in 2009 which is an increase of 6.7% over 2008. According to the SGMA, participation in running activities has increased over the last nine years as follows: running/jogging up 40%; running/walking on the treadmill up 38%, walking for fitness up 21%; and trail running up 16%.

Industry Trends

According to Running USA's State of the Industry Report 2010:

- Technological products such as GPS, Google Earth, Nike+iPod system and Adidas I computer technology for footwear along with "performance" fabrics have contributed to the increased interest in running in recent years.
- When the economy reached 'gloom and doom,' the number of runners surged – "running is an efficient way to exercise, a fast way to lose weight and an inexpensive way to socialize." As job losses have reached historic highs – so has the number of individuals participating in running events.
- Runners indicating that the economy has had an impact on their running say that they have made the following adjustments: fewer races, wearing running shoes a little longer, competing in local races, not renewing club memberships, forgoing race T-shirts, and looking for online promotional codes.
- Social media is providing a "community platform" to announce race participation, request donations, join support training groups, post status updates, and communicate with race participants.
- Specialty Running Stores had a smaller share of running shoes sales in 2009 as Internet sales continue to increase market share. Manufacturers consider the specialty running store to be a vital link to the customer and have begun to help specialty retailers by coordinating promotional events and clubs.

As cited in the article "What is the Difference Between Women's & Men's Running Shoes?" (2010), the last or shape of a running shoe should be designed for the individual's foot and sex. Running shoe manufacturers are beginning to incorporate gender foot structure differences into the design of running shoes.

SGMA reports the increased popularity in running shoes and apparel items featuring new high performance fabrics, technology and green materials.

NSGA *Sporting Goods Market in 2010* reports

- that females are increasing their purchases of more expensive footwear as well as increasing their percentage of the athletic footwear market. The increase in female participation in the sport has contributed to their need to purchase athletic footwear for performance rather than fashion.
- a significant increase in the number of people participating in triathlons. As of 2009,

Commented [PC32]: Trends refer to developments or movements within the industry. Research the trends within your industry. Again, cite your sources.

there were 1.2 million on-road triathlon participants and 666,000 off-road participants. This reflected a growth rate of 51.4% since 2007 for on road and a growth rate of 37.9% for off-road tri-athletes.

In 2009, Running USA reported:

- a record number of marathon finishers – 467,000 - a 10% increase over 2008
- 1.1 million half marathon finishers - a 24% increase – the largest area of growth
- 10 million US road race finishers - a record high

Commented [PC33]: Developments/trends in running itself also affect the industry.

Conclusions

Based on census and industry reports, future growth in this area appears promising. Continued growth in the number of runners and record participation in running events support this statement.

While the economy has affected the industry, it has been slight when compared to other industries. Running shoes can be costly. However, the sport overall requires a minimal dollar investment. It has, therefore, proven itself to be somewhat "recession resistant". Running apparel is not as resistant to economic stressors. However, offering apparel is important as a convenience factor for customers and is supplemental to the core business.

The greatest threat to retailers of running shoes is the Internet. The NSGA reports that sales through this channel increased from 5% to 9.3% between 2005 and 2009. The major running shoe companies have recognized this and are providing support for the specialty running shoe store where runners can obtain a proper fit as well as guidance and camaraderie.

Commented [PC34]: Summarize what the industry research has indicated.

Other characteristics

According to BizMiner and industry contacts, the gross profit margin for athletic footwear is 45% and for athletic clothing, it is 50%.

Running USA reports:

- Today's runners are highly educated; 79 percent have earned a college diploma. Seventy-three percent of the runners surveyed by Running USA reported a household income of more than \$75,000.
- The product breakdown in specialty running stores is typically 16% apparel and 70% shoes. In this type of store, the best sellers include: stability road running shoes, casual shoes, bra tops, insoles and socks.

Commented [b35]: Related data and interesting facts about the industry that might affect your business.

Athletic Footwear Purchases by Age and Gender (units)

Footwear purchases are greatest for those under 14 and those between 45 and 64 with the latter category increasing significantly in the last seven years. See chart below.

	2009	2002
Under 14	26.8%	31.4%
14-17	6.8%	8.5%
18-24	4.6%	6.3%
25-34	12.8%	15.0%
35-44	14.2%	13.6%
45-64	26.2%	19.2%
65 & Older	8.6%	6.2%
Male	44.8%	46.9%
Female	55.2%	53.1%

Source: Running USA

Athletic Footwear Purchases by Month 2009 (units)

Sales of athletic footwear are somewhat seasonal as documented in the chart below.

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
3.8%	4.7%	6.3%	6.9%	8.8%	9.0%	10.1%	14.2%	12.9%	9.0%	7.9%	6.4%

Source: Running USA

A personal interview with Bill Phillips (December 2010), sales representative for a major running shoe manufacturer, revealed the following noteworthy points:

- Running shoe companies have designated shoes that are only offered through specialty running shoe stores. These shoes are not carried by the larger “box stores.”
- Running shoe companies monitor the prices of shoes sold through the larger box stores to make sure that they do not go too low.
- Specialty running shoe stores receive certain shoe lines prior to other distribution channels.
- A strong relationship with manufacturers’ sales representatives is the lifeline of the running shoe store. Representatives are the link to corporate offices and promotional items, event sponsorships, speakers and industry training opportunities.

Distribution Channels

Run KC is a Specialty Running Shoe Store. Footwear and apparel are purchased from major manufacturers and stocked for purchase by the consumer in a retail location.

Commented [BM36]: State how the product is produced; how it gets from the manufacturer to the consumer; or how the service is carried out.

Competitive Analysis

Direct Competition

Based on a search conducted through www.superpages.com and the Kansas City Yellow Pages, the following major competitors are within a 10 mile radius of Run KC. These competitors all offer running shoes in either a specialty running shoe environment or within a sporting goods store. In addition, the Internet offers an increasing number of direct competitors.

Greater Kansas City Athletic Company
7000 W 110th St, Overland Park, KS 66209

Commented [BM37]: List specific competitors; who offers the same product or service?

Leawood Running Emporium
Deer Park Mall, Overland Park, KS 66214

Marathon Maker
Oakland Mall, Overland Park, KS 66214

BROS Sports
95th and Lakeview, Overland Park, KS 66204

Indirect Competition

Commented [PC38]: What products/services could be substituted for your product/service?

Indirect competitors include department stores and shoe stores with a shoe department that carries athletic shoes.

Shoes that are not designed specifically for running but might be substituted for running shoes could also be considered a source of indirect competition. This type of shoe can be found at many of the direct competitors listed above. Individuals might also decide to become involved in another fitness activity and therefore, the shoes for those activities would compete for the dollars that might be spent on running shoes. Such activities might include aerobics or similar exercise, yoga, biking and walking.

Future Competition

The major source of future competition might come from one of two sources: 1) other running shoe stores or sporting goods stores that open in the same geographic area and 2) the Internet. Industry research indicates Internet sales of running shoes have increased; that runners use the Internet at a higher than average rate; and that nearly 90% of runners have Internet access in the home. Therefore, while many services and specialized fit can't be offered through the Internet, products can be purchased via the web.

Competitive Analysis

Commented [PC39]: How will you be different/better than the competition? Avoid trying to be cheaper.

Run KC will differentiate itself from other running shoes stores by the individual attention provided to customers as well as the superior level of product knowledge maintained by all staff.

The most significant direct competition in the Johnson County area comes from the small, independent store that offers personal service. This includes Greater Kansas City Athletic Company, Leawood Running Emporium and BROS Sports. The management of Run KC has identified the following weaknesses for these competitors: Greater Kansas City Athletic Company – growth has led them to hiring staff who don't have a strong interest in running nor the product knowledge needed; Leawood Running Emporium – has very limited hours; and BROS Sports – has inventory limited to one brand. At Run KC, all staff will be dedicated runners who will receive in-depth product training, the store will carry six of the top selling brands of running shoes and store hours will include evenings and Sundays.

Run KC staff will receive up-to-date training on the latest technological advances relating to running shoes and running apparel. This will include training on fabric performance and functionality as well as technological advances related to shoes. Customers will have total confidence in the knowledge and the advice shared by staff.

Management will make the most of the current trend in which the major running shoe companies work directly with specialty shoe retailers to implement marketing plans to reach new runners and better serve existing customers. A strong relationship will be developed with sales representatives of the lines carried in the store. This relationship between the store and running shoe companies will assure that Run KC staff has direct access to manufacturers and therefore, access to products, product knowledge, trends and support.

In addition, Run KC will develop a personal relationship with customers. A customer file will be kept on purchases, preferences and interests to develop a history with customers and a personal relationship. Involvement in local running events by Run KC staff and sponsorship of these events will strengthen those relationships as will the running club sponsored by Run KC. The atmosphere of the store will be similar to that of a club where individuals hang out, make friends and exchange information.

Run KC will be dedicated to helping runners be successful through an understanding of individual needs and through ongoing support. See Competitive Matrix in Appendix.

Market Analysis

Target Market Profile

Run KC will be located in Johnson County, Kansas – the fastest growing county in Kansas.

According to the US Census, the market profile for Johnson County in 2009 can be described as:

Total Population 2009	542,737
Average Household Income:	\$ 89,925
Average Home Value.....	\$249,000
Total Housing Units:.....	217,867
% Population change 2000-2009:	+20.2%
% Male Population	49.4%
% Female Population.....	50.6%
Median age	35.7
Ethnic Diversity:	White with a growing Asian population
Family Types:.....	Couples and families
Education Levels:.....	Bachelor's Degree 47.7%
Employment Levels:.....	Professional; White Collar
Housing Type:.....	Homeowners
Urbanicity:	Suburban

Map Info reports that within a 5 mile radius of the store the average household income is \$119,343 with a population growth rate of 25% from 2000 to 2009.

Customer Profile

The typical customer of Run KC can be described as follows:

Gender:	Male or Female
Household Income:.....	Over \$75,000
Age Range	primary 30 - 60 years
.....	secondary 14-29
Education Level	Some College; College Grad
Employment	Students; Professional
Housing Type.....	Homeowners; living with parents
Family Types.....	Family; singles

Lifestyle: Run; participate in leisure sports; reads Runners World; Internet users

According to the Running USA *State of the Sport 2010*, core runners (runners who train year round and run an average of 224 days per year) are highly educated with 79% having a college diploma; are affluent with 73% having a household income over \$75,000; and purchase an average of 3.2 pair of running shoes per year. Of this group, 64.4 % of the women spent over \$90+ per pair and 50.1% purchased their running shoes at a specialty running store; 56.4% of the men spent \$90+ and 42.9% made their purchases at a specialty running store. Top preferences in brands were ASICS, Brooks and Nike.

Commented [PC40]: What segment will you target? Will it be a geographic area? Will it be a certain type of business? Determine that and then detail the demographics of that target. Describe its makeup – how many people and what are they like? Or, how many businesses and what are they like?

For Run KC, the market is a geographic area, therefore, this section includes a description of the people within that area. If you are selling on-line, you would provide a description of the on-line shopping market. Or, if you are selling to a nationwide market such as hospitals, you would provide details such as the number of hospitals nationwide, average revenue, number of employees, number of beds.

Whatever the market is, you need to provide a description of the overall market.

Commented [PC41]: Now tell what YOUR ideal customer is like. If you are already in business, you might have observed characteristics about your customer or kept records. If not, research through articles, trade associations, interviews with other entrepreneurs, observation, etc.

Commented [PC42]: In this plan, the customer is an individual or consumer. In some plans, the customer will be another business. If that is the case, the customer will be described in terms such as number of employees, revenue, industry, etc.

Market Analysis

The demographics of the target market identified earlier match that of the customer profile for Run KC. There are enough potential customers within the market to support this business.

According to Map Info, in 2009 Retail Sales Volume within 5 mile radius in related industries was:

Shoe stores	\$45,382,304
Sporting Good Stores	\$40,562,993

Future Markets

After establishing a successful business in Overland Park, the owners of Run KC plan to open other retail locations in the Kansas City metropolitan area. The Kansas City northland has excellent potential since it is a growing area with limited competition.

Market Penetration

Company Image

When someone describes Run KC, they will use the words knowledgeable, experienced, supportive and friendly. They will describe the atmosphere of the store as a place you can go where you feel like part of a team and where you get answers you can count on.

To develop this image, Run KC will have a strong presence in the running community. Locally, the store will be a sponsor for running events and staff will be present at those events in both participative and supportive roles. Visibility in the running community will be strong. Staff will know customers by name and will interact with them on a personal level at running events. In addition, everyone working at Run KC will be an avid runner and will be knowledgeable and passionate about the sport. Staff and customer's running accomplishments will be recognized within the store and on the company website.

Staff will also be very knowledgeable about running shoes and other products carried by the store. Customers will know that products have been screened and that any product carried in Run KC meets high standards of quality and performance.

A logo will be developed that reflects the image presented above and will be present on all printed materials (business cards, brochures, stationary, invoices, envelopes, bags etc) as well as on signage and t-shirts.

Customer Service

The main customer service strategy will be to build a relationship with each customer so that staff at Run KC can understand and respond to each customer's needs. A profile will be kept on each customer and each purchase will be documented as well as any problems they have identified.

Commented [PC43]: Paint a picture of how you want your customers to view your business.

The return policy will be stated as follows:

We take pride in fitting your shoes correctly. Customers can take time to assess their decision by testing each purchase in their home or on an indoor track or treadmill. If in this initial test, you determine that your purchase is not appropriate, you can return the shoes for credit. This return with receipt should be made within 21 days. If shoes are visibly worn, we will not be able to issue credit unless there is a manufacturer's defect. Each return is treated on an individual basis. We strive to provide incomparable service.

Commented [PC44]: Go to websites and find customer service policies/return policies for similar businesses.

Location

Run KC will be located a retail shopping center at 135th Street between Roe and Nall in southern Johnson County Kansas. There are several running shoe stores or stores that carry similar shoes north of 119th Street (listed previously in competitors). The population is expanding south and many shopping centers are being built in the southern part of the county. Currently, there are no running shoe stores in the area of 135th.

Commented [PC45]: Be specific – tell which competitors are nearby. Tell why the area is being considered/why it would be a good location – especially related to your ideal customer. Don't just say it is convenient. Tell who it is convenient to. If you don't know exactly where it will be, pick a possible location for the purpose of this plan.

Internal Sales

Everyone who works at Run KC will be part of the sales force and will be trained in all aspects of fitting running shoes and analyzing customer needs. The owner, Tim Clark, will manage the store and assist in sales. In addition, three part time sales people will be hired. Part-time individuals will be paid \$10.00 per hour to start; full-time staff will start at \$12.00 per hour. There will be no benefits package during the early years. Training will be on the job and through staff meetings.

Commented [PC46]: Employees who work for you that do the selling aspect of the business; it might be you.

A discount on running shoes, apparel and equipment; attendance at educational events sponsored by the store; and membership in the store running club will be used to motivate and maintain employees. The team environment of the store will be such that each employee feels like a member of the team/family.

External Sales

No sales representatives will be used. Run KC will not have any products to license to others.

Commented [PC47]: External sales people might include sales representatives, distributors or licensees. Sales representatives are often paid on a commission basis. This may not apply to your business.

Commented [BM48]: In this case, licensing refers to giving someone else the rights to use or sell your product, patent, etc....for a fee.

Advertising and Promotion

Run KC will base their marketing efforts on the following tactics:

- being a strong strategic alliance partner
- being an integral part of the community
- being a source of expertise in the field of running

Activities to support those tactics are outlined below:

Advertising:

Ad in *Midland Events*, a monthly local running, biking and triathlon magazine
Ads in newsletters of local running clubs
Ads on running web sites - Midland Events, local running clubs and race sites

Promotions:

T-shirts with the store name. A *catchy* t-shirt will be designed that can be sold and used for marketing as well.

Promotional items such as water bottles, shirts and socks with the store logo

Coupons distributed at running events

Discounts to high school and college track and cross country team members

A "Spike Night" will be held at the store for each school district at the beginning of each season. On designated evenings, members of the teams in each district can purchase shoes at an additional discount.

Discounts for members of local running and triathlon clubs

Classes and seminars offered in store and through community education/parks and recreation focused on training techniques, selection of shoes, and nutrition for runners
Informational seminars for high school and college track and cross country coaches and team members

Community Events and Partnerships:

Sponsorship of Run KC Club

Involvement in major local running events including training sessions, sponsorship, banners, exhibits and packet pick up

Donations to local groups for auctions and raffles (t-shirts, socks and water bottles with Run KC logo)

Social Media – use of Facebook and Twitter to develop fans and followers. Promotions and specials will be announced as will updates on races and events.

Promotional events in partnership with major running shoe manufacturers. For example, a running shoe company may bring in a well-known runner for the city marathon. Run KC will partner with the running shoe company to host an event with the runner at the store. Or, sales representatives may bring in previews of new shoes for runner to use for a trial "run".

Develop relationships with and partner on events with trainers and fitness centers

Membership and participation in the local chamber of commerce and running clubs

Partner with health insurance companies that offer health and fitness rewards programs

Commented [PC49]: Come up with some creative methods. Be sure to consider how your customers seek out your product or service when determining advertising and promotion.

Publicity

Sponsorship of events will be highlighted in press releases sent to local media. These will include:

Sponsored events within the store for various charities. For example, Run KC will collect used shoes for Shoes4Souls, a nonprofit organization that recycles shoes and distributes them to people in need. Special events will also be held leading up to the annual Race for the Cure. Proceeds will be donated to the Susan B. Komen Foundation.

Informational articles on running will be submitted to local media. Run KC will position itself as the expert source for running questions and advice. These articles will also be submitted to radio and television stations in an attempt to be highlighted on talk shows and/or newscasts.

Press releases will be sent out to acknowledge the accomplishments and awards received by staff in running events.

Telemarketing/Direct mail

A limited amount of direct mail will be used. Mailings for special offers or events will be mailed to the customer database only. A newsletter will also be sent to customers on a quarterly basis. In addition to information and tips, the newsletter will recognize the accomplishments of customers in races locally and throughout the nation.

Internet

Run KC will have a webpage. The focus of the page will be information and education. Although product offerings will be shown on the web page, running shoes will not be sold in that manner. The focus on fit and personal service does not lend itself to sales via the web. Running apparel and products will not be sold via the web page during the early stage of the business. However, this option may be added in the future.

The web page will also be used to recognize accomplishments of customers in races and events as well as the accomplishments of high school and college teams. Pictures from both public events and high school and college events will be posted on the web page to draw traffic to the site.

The website will also have:

- location and contact information
- calendar of upcoming area events of interest to runners
- maps and links to running trails
- links of interest and links to complimentary products/services
- coupons and special offers
- contests

Since runners tend to use the Internet at a higher percentage than average, e-mail promotions and newsletters will be considered. Social media will be used extensively.

Commented [PC50]: Remember, publicity is free. Any promotion you pay for belongs under advertising and promotion.

Commented [PC51]: Be aware of no call lists.

Commented [PC52]: Direct mail can be very expensive with a very low return rate. Make sure your mailing list is targeted.

Commented [PC53]: Almost every business needs a web presence. Determine if yours should be informational or a means to actually order or both. Check out other websites in your industry to see what is important to include.

Trade Shows

Formal trade shows will not be used to promote Run KC. The store will have exhibits and booths offering products and services at major local running events.

Management from Run KC will attend the Independent Running Retailers Association national meeting, "The Running Event."

Market Penetration Effectiveness

Unless recognized as an existing customer, individuals who come into the store will be asked "Is this your first visit to our store?" If the answer is yes, the question will be followed by "How did you hear about us?" Staff will document each visitor's answer. Results will drive future marketing decisions.

Whenever possible, a special offer will be made in conjunction with each event, media opportunity or presentation. Coupons and other offerings will be coded so that staff can track the results of promotions through various groups or events.

Pricing

Pricing Strategy

Run KC will price themselves in line with other specialty running shoe stores. Prices will not attempt to compete with larger stores such as the Greater Kansas City Athletic Company. These stores can offer lower prices because they purchase in quantity. However, the customer service offered by large chain stores is limited. Run KC's pricing strategy will be one that reflects image and quality – not only in relation to the products but also the customer service and personal attention offered in-store.

Price List

Running Shoes will range between \$70 and \$140 retail.

Apparel will be quality name brands. Running shorts will range from \$18 – 35 range retail; shirts from \$22 – 59 and jackets from \$45 – 200.

Accessories will include small items such as socks and water bottles in the \$8 – 20 price range. In the future, more costly items such as monitors will be considered.

See Appendix B for a detailed price list.

Pricing Policies

Run KC will use the standard markup for all items sold in the store.

Commented [PC54]: How are you going to measure the effectiveness of the above promotional methods? This is critical. You don't want to keep spending money on methods that don't work.

Commented [PC55]: Tell how you will compare to the competition. Remember not to try and compete on price.

Commented [PC56]: This is what makes us better instead of cheaper.

Commented [PC57]: For businesses with a limited number of products or services, list prices here. If you have a wide variety, indicate ranges here and include the complete price list in the appendix.

Specials will be offered on a regular basis. Discounts will be offered to running clubs, schools, Facebook fans, and preferred customers. Once a customer spends \$500 in Run KC, they will be considered a preferred customer and will receive a 5% discount on future purchases. Preferred customers will receive special coupons and offers on a monthly basis. They will also receive an additional 5% discount when they bring new customers to the store.



Financial Plan

Start-up Costs

Total start-up costs are \$138,077. Of that total, \$90,000 is for the initial inventory and \$26,000 will be invested in equipment, fixtures and leasehold improvements. Remaining costs are for deposits, marketing and set-up.

Commented [PC58]: Summarize the start-up costs determined in your financials.

Sales Projections

Run KC has a planned opening of January 2012. Sales projections have been estimated as follows:

\$395,850	Year 1 – 2012
\$523,800	Year 2 – 2013
\$598,900	Year 3 - 2014

Commented [PC59]: See Year End Income Statement for annual sales projections.

Monthly sales patterns follow sales percentage distributions as reported by the National Sporting Goods Manufacturers Association.

Break Even Analysis

Break-even in dollars was calculated to be \$ 392,026

Break-even in units was calculated at 2800. In this case, units were considered to be an average sale.

Income Projections

Income projections based on sales indicated above were determined to be:

\$ (27,842)	Year 1 – 2012
\$ 33,172	Year 2 – 2013
\$ 43,489	Year 3 – 2014

Commented [PC60]: See Year End Income Statement for income projections.

Commented [PC61]: Indicate negative amounts in ()

Run KC will be profitable in Year 2. The owner will begin to take a salary in year 3.

Cash Requirements

An initial investment of \$195,000 is needed to insure a positive cash flow throughout the first three years of operation. With this investment, cash flow will reach a low of \$22,872 in the first quarter of year 2 based on the projections in this plan. This should be enough to assure that a

positive cash flow is maintained even if unexpected expenses occur or sales are less than projected initially.

Sources of Financing

An initial investment of \$70,000 will be made by the owner. An additional \$125,000 will be secured through a loan from family and repaid on a monthly basis with 8% interest.

Exit Strategy

Tim Clark, owner, plans to grow the business and open two to three additional locations in the metro area. When he reaches retirement age, he plans to sell the business.

Projected Financial Statements

- *Monthly Cash Flow Statement*
- *Year-End Income Statement*
- *Year-End Balance Sheet*
- *Financial Analysis/Ratios*



Appendix

