

Callaway Bicycle Company

Executive Summary

Callaway Bicycle Company (CBC) designs and builds bicycle frames for road and mountain bike enthusiast. CBC's founder and master builder, *Your Name Here*, hand crafts road and mountain frames that satisfy the common specifications of all cyclists — speed, safety, comfort, and endurance.

CBC designs and builds bike frames for biking enthusiasts who take their riding seriously and want to own the best equipment. As more and more of the population gain an interest in cycling, the demand for well-built bicycles has also increased. Many individuals, particularly those interested in mountain biking, have found that there is a tremendous interest in competitive mountain biking which include grueling cross-country races and gravity-defying events such as the "in your face" downhill racing.

To meet the expected demand for custom built bike frames that can handle this type of riding, as well as road racing, Callaway Bicycle Company is seeking the financing necessary to establish a workshop with two workstations and hire designer-builders. The cost to lease the shop and install the workstations is \$100,000. If this investment is made, marketing projections of bike frame sales for years one – three translates into sales revenue of \$Enter Amount.

Business Overview

Callaway Bicycle Company was started by *Your Name Here* based on his/her desire to build high quality hand-crafted bicycle frames. Because these types of bike frames are in demand from serious bicycle enthusiasts, CBC sees an opportunity in the market to design, build, and sell bicycle frames. The great majority of CBC customers are serious cyclists who require their road bikes and mountain bikes to be light, stiff, responsive, and durable.

Business Structure

Callaway Bicycle Company is a privately owned and operated business located in Custer County Nebraska. For federal income tax purposes, Callaway is classified as an LLC. There are three directors, each of whom are working for the company.

Organization

<i>Your Name Here</i>	Director of Operations
<i>Your Name Here</i>	Director of Marketing and Sales
<i>Your Name Here</i>	Director of Human Resources and Office Management

Management Profile

Your Name Here has 20 years of experience designing and building high performance bicycle frames and components. *Your Name Here* became involved with designing frames...

The financial management experience that *Your Name Here* brings to Callaway has been a key component in its business planning. Using his/her experience, he/she was able to plan many of Callaway's expenditures for plant and equipment as well as marketing and advertising so that they coincided with Callaway's period of cash flow. Currently, CBC has been closely monitoring the market expansion, reviewing contracts and initial start-up costs related to this endeavor.

SAMPLE BUSINESS PLAN

VILLAGE OF CALLAWAY, ECONOMIC DEVELOPMENT

Marketing Data

According to a study done by the Department of Transportation, approximately 25 million bicycles are purchased every year. The vast majority of these bicycles (96 percent) are built on an assembly line and sell for an average price of \$250.00. The remaining 4 percent of the market are high-end custom-built bicycles that cost an average of \$1,700. Accordingly, the custom-built bicycle market generates revenues of \$1.5 billion on sales of one million frames. Because the Summer Olympic Games are scheduled for 2021, projected sales are expected to be significantly higher. An industry study assembled in 2018 reflected that the sale of all types of bicycles and accessories increased 30 percent following the 2017 Summer Olympics.

A survey taken by The Bike Tour, a monthly bicycling periodical, shows that the type of individual that purchases a custom-built bicycle typically is a serious bicycling enthusiast. This person rides over three thousand miles a year and is interested in using the equipment that is best suited to handle this much riding. Accordingly, this individual may spend several thousand dollars a year to purchase equipment that will improve the performance and enjoyment of a bike ride. It is these bicycle enthusiasts that are the target market in which Callaway Bicycle Company is hoping to increase its market share.

A large number of individuals who purchase custom built bike frames live in the Western, Southwestern and Pacific Northwestern sections of the U.S. They are between the ages of 24 and 45, have some college education and have a median income of \$60,000. In the past, the target market was predominately male, but the efforts made by bike companies, like Callaway, to market high end bikes to women in recent years has had a significant impact.

There are currently two general categories of bicycle riders -- mountain bike riders and road bike riders. The popularity of mountain bikes is so great that most, if not all, custom built frame companies have added at least one, if not several, mountain bike frames to their sales catalogue. In fact, in almost all cases, mountain bike sales have far outpaced road bike sales every year for the last five years. Based on an industry survey of all bike makers included in the Bike Tour article, the sale of mountain bikes is expected to increase by 20 percent every year for the next five years. This projection is based on the fact that serious road bike enthusiasts are finally being converted to mountain bikes and the Olympic mountain biking events generate even more interest in mountain bike racing.

Marketing Strategy

Callaway plans to sell its bicycles through catalogue sales, wholesale contracts and website sales. While this is an effective way of reaching cycling enthusiasts, CBC's website will feature an electronic order form that will allow the customer to order the bicycle after designating the customer's measurements, color preference, and other specifications

Callaway will advertise, in various bicycling magazines and websites in the U.S. The average monthly cost of this type of advertising is \$1,500 per month.

Callaway will sponsor mountain bike racing events in the U.S. This is an excellent way to generate exposure for Callaway and will fortify Callaway's reputation as a mountain bike frame builder. In 2021, Callaway anticipates sponsoring three races.

Strengths, Weaknesses, Opportunities and Threats Analysis

Strengths. The strengths that Callaway brings to the marketplace are considerable. The greatest strength that Callaway possesses is the innovative approach it has taken to designing and building frames. Being a smaller company, Callaway has greater flexibility than its larger competitors to try different materials, geometries and welding methods since it does not have to consult with 20 engineers to see whose idea is best. This means that the latest breakthrough in design will be implemented and tested before it is even off the drawing board at other companies.