

ABSTRACT

OHE, S. O. A business plan for the development of Outdoor Quest sporting goods store. MS in Recreation Management, August 1996, 60pp. (G. Arimond)

A business plan was developed to investigate the feasibility of owning and operating a retail sporting goods store. White Bear Lake, MN was selected and examined as a potential site for the business. Products of the business will include equipment for camping, backpacking, canoeing, kayaking, in line skating, ice skating, snowshoeing, and cross country skiing. Services will include custom fitting, prepurchase testing, equipment repair, and equipment rental. The business will be highly customer oriented. Demographic factors including population, age, gender, and income were examined to determine potential market size. Growth rates for market population and income levels were examined. Market population was projected to increase 15.5% from 1990 to 1998. Median household income was projected to increase 9.6% from 1990 to 1998 and average household income was projected to increase 26.2% from 1990 to 1998. Market participation rates were determined to project market share and annual sales for the first year of operation. Annual sales were projected to be \$900,000 for 1996; \$1,071,000 for 1997, and \$1,274,490 for 1998. Profit margin was estimated to be 1.1% in 1996; 4.1% in 1997, and 5.4% in 1998. Return on assets was estimated to be 3.1% in 1996; 12.2% in 1997, and 16.0% in 1998. It was concluded that Outdoor Quest would be a profitable business venture in the White Bear Lake, MN location.

A BUSINESS PLAN FOR THE DEVELOPMENT OF
OUTDOOR QUEST SPORTING GOODS STORE

A SEMINAR PAPER PRESENTED

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BY

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SEMINAR PAPER FINAL APPROVAL FORM

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I recommend acceptance of this seminar paper in partial fulfillment of this candidate's requirements for the degree:

Master of Science in Recreation Management

The candidate has successfully completed the final oral presentation.

George Primond
Signature of Seminar Paper Advisor

8/21/96
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This seminar paper is approved for the College of Health, Physical Education, and Recreation.

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INTRODUCTION

This business plan serves two purposes, to fulfill the Seminar Paper requirement for the Master of Science degree in Recreation Management and to provide the author with a plan which can be used in achieving a long-held ambition of owning a sporting goods store called Outdoor Quest. The proposed business is a 6,000 square foot facility located in White Bear Lake, MN. White Bear Lake is north of the Minneapolis-Saint Paul metropolitan area and is a suburb with close proximity to numerous attractive natural resource areas.

The store's inventory is comprised of four specialty product areas: camping/backpacking, canoeing/kayaking, in line skating/ice skating and snowshoeing/cross country skiing. Both retail sales and rental services will be provided in each specialty area. A designated testing site for watercraft on White Bear Lake will be provided where customers can test equipment before making their final purchase decision. Lastly, skilled specialists will provide informal instruction for those purchasing or interested in purchasing any of the store's equipment.

The store's primary mission is to provide the best products and services in the market area and become recognized as a leader in providing top quality goods, education, and personalized services at a fair price.

Definition of a Business Plan

In today's competitive business society, planning has become essential to the survival of any business. Therefore, developing and managing a profitable business requires in-depth planning. A written business plan is an invaluable business tool and provides a detailed blueprint by which to finance, develop, market and manage the business (Megginson, Scott, Trueblood, & Megginson, 1988). A business plan is divided into two parts: an executive summary and a business plan. The executive summary provides a brief overview of all aspects of the business. The business plan section gives detailed descriptions of the major points of the executive summary. As a result, redundancy will occur between the executive summary and business plan sections of the document.

The development of a business plan includes five fundamental steps (Megginson, et al., 1988):

1. Laying out the basic business concept (i.e., formulate the initial idea)
2. Gathering useful information and completing a market and financial assessment
3. Examining the data and revising the concept based on the data compiled
4. Outlining and expanding on the unique aspects of the business' products, services, and location
5. Writing a plan that will sell itself with estimated financial forecasts

These are necessary components in providing the most complete, clear, and concise business plan possible.

Purpose of a Business Plan

Generally speaking, a business plan serves two main purposes. The first is to provide a lender with detailed information on all aspects of the business, because lending agencies are more likely to fund a business which has a comprehensive business plan. Second, the business plan is used as a managerial tool to help guide the owner/manager. Because we are still in the early stages of this planning process, the plan will not always cover fine points or provide detailed information in all the topic areas. The plan will, however, cover in depth the major points of this proposed business.

Format of the Seminar Paper Business Plan

This seminar paper business plan uses a format commonly used in business plan construction (Abrams, 1993; Megginson, et al., 1988; Pinson & Jinnett, 1993). Format and style generally follows American Psychological Association guidelines (APA, 1994) in those style areas where the business plan construction does not specify a particular format/style.

EXECUTIVE SUMMARY

The Company

Outdoor Quest will be a medium to high end quality outdoor sporting goods store to be located in White Bear Lake, MN. The store will focus its sales on equipment for human powered ("silent" sports) types of equipment. The major areas will be camping/backpacking, canoeing/ kayaking, in line skating/ ice skating, and snowshoeing/cross country skiing. Outdoor Quest will concentrate on providing the latest technical equipment to fit its customers' needs. Most models and types of inventory will be moderately priced. However, those products which are technically superior and are of higher quality will sell at a higher premium price.

In addition, to quality products, Outdoor Quest will focus on becoming a customer intimate business. A customer intimate business is one which seeks to maintain its customers by really knowing them. The customer intimate business will further provide those products and services which fulfill the customers constantly changing desires and needs. Outdoor Quest will provide personalized and superior technical assistance in all product areas. By providing quality products and superior technical services, Outdoor Quest strives to achieve the following goals and measurable objectives:

1. *Become a profitable outdoor sporting goods business*
 - a. Achieve a 10% profit level in first year and 15-20% in succeeding years.

- b. After the first 3 years, achieve a stable annual sales growth rate of 10% or higher.
2. *Become an established leader in outdoor retail sporting goods in the Northern metropolitan area*
 - a. In first 5 years, achieve a 20% market share.
 - b. After 5 years, achieve an annual 2% growth rate in market share.

Currently, Outdoor Quest is in the early stages of planning and development. The prospective owner and seminar paper author, Shelley Ohe, has completed extensive research in hopes of someday owning and operating Outdoor Quest.

Products/Services

Outdoor Quest's 6,000 square foot facility will be divided into four areas: camping/backpacking, canoeing/kayaking, in line skating/ice skating, and snowshoeing/cross country skiing. The majority (90-95%) of the inventory will be for the novice to intermediate user. These items will be of intermediate quality and moderately priced. The remaining inventory (5-10%) will be of higher quality, technically superior, and designed primarily for the elite user. Naturally, this technically superior inventory will be priced higher and have a higher markup. Outdoor Quest will also provide the following high quality, specialized services to their customers:

- Customer satisfaction guaranteed
- Prepurchase testing
- Hands on instruction
- Equipment rental
- Equipment repair
- Education

Market

Outdoor Quest will operate in the White Bear Lake, MN area targeting primarily male and female adults, aged 18 to 85 years, residing in or around White Bear Lake. With a population of approximately 80,000 persons, White Bear Lake is an attractive, growing, and economically healthy community. It has many recreational features such as large wooded areas, bike paths, and lakes. The potential market is likely to grow 7.5% each year by 1998. Median household income is \$43,255 and is projected to grow 10% by 1998. These statistics indicate a growing market which tends to be less price sensitive because they have greater discretionary income. These individuals are more interested in issues of quality than of price.

The Competition

Currently there are no direct competitors in the primary market area (5 mile radius of White Bear Lake) providing high quality sporting goods and personalized services like Outdoor Quest's. However, there are four major competitors located within the metropolitan area of Minneapolis-Saint Paul: 1. Midwest Mountaineering, 2. REI (Recreational Equipment Incorporated), 3. EMS (Eastern Mountain Sports), and 4. United Stores. Midwest Mountaineering is a high end outdoor sporting goods store specializing in canoeing and kayaking, but also sells camping, backpacking, and hiking equipment. REI and EMS are both high end outdoor sporting goods stores which sell primarily camping, backpacking, and skiing equipment. Their prices range from moderate to high. United Stores is a chain of sporting goods stores selling primarily camping equipment. Their prices range from low to moderate.

Outdoor Quests' inventory and prices will be similar to their major competitors. Outdoor Quest will implement two key pricing strategies to set prices. Initially, Outdoor Quest will use penetration pricing as a means to entice customers into the store. Prices will be set slightly below the true economic value of the products. True economic value is the point at which the customer completely understands the products and services. Penetration Pricing is designed to produce sales even at the expense of high profits. In order for this strategy to be effective, customers must be somewhat price sensitive. Most Outdoor Quest products will be geared towards those individuals who are price insensitive. However, Outdoor Quest's main focus as a new business will be to get customers in the store so that they can experience the personalized services and high quality products which Outdoor Quest has to offer. Outdoor Quest will provide the additional personalized service and technical expertise that customers are in need of such as custom fitting, proper sizing, and a hassle free customer satisfaction policy for no extra cost. This is one of Outdoor Quest's main contributions to the customer's understanding of and satisfaction with the products. Customer intimate businesses operate on the basis of providing extra service in order to build relationships with each one of its customers. Penetration pricing is important in building customer intimate relationships as it is the first step to bringing customers into the store.

In addition to penetration pricing, Outdoor Quest will use an adaptive pricing strategy to maintain price stability and compete with area competitors. In using an adaptive pricing strategy, Outdoor Quest will make a decision to raise or lower prices to compete with stores such as Midwest Mountaineering only if the costs involved do not

strain profitability. In each instance, the costs involved will be examined before prices are raised or lowered. These two strategies, penetration pricing and adaptive pricing, are effective in positioning Outdoor Quest as a medium to high end sporting goods establishment providing good to superior quality products and personalized services at mid to high level prices.

Within the first five years of operation Outdoor Quest, as a high end sporting goods store, seeks to achieve a 10% market share. Additionally, after five years, Outdoor Quest seeks to achieve an annual 2% market share growth rate. Outdoor Quest will continually seek to become a customer intimate business, providing quality personalized services and high quality products.

Operations

Outdoor Quest will operate as a sole proprietorship due to its ease of formation, low cost of construction, and lower taxes. The facilities will include the actual 6,000 square foot store, storage space, and lakeshore testing grounds for sampling equipment. Outdoor Quest will sell only medium to high quality products and provide personalized and technical assistance at all times. The staff will be hired on the basis of their expertise in the different product areas and their ability to provide customer intimate services.

Long range development plans are to be divided into two phases. Phase I includes leasing of the facility and purchase of product lines, while Phase II incorporates wilderness tripping services. Currently, Outdoor Quest is still in the early stage of planning and development. Feasibility research on the store is still in progress.

However, sufficient market research has been completed. Sufficient market demand is

available to warrant continued planning and development of this business.

Management

The prospective owner, Shelley A. Ohe, will bring to the business her previous facility and staff management work experience as well as the demographic research and organizational skills she acquired in her academic training at the graduate and undergraduate levels. Besides the owner, other staff will include one full time lead specialist, three part time specialists, and one part time repair specialist. The lead specialist will be responsible for assisting the owner in the daily operations of Outdoor Quest including marketing, advertising, bookkeeping, and staff management. The specialists' primary responsibilities will be to provide customer service, technical assistance, and educational instruction for all customers who are in need of these services. Specialists will be hired based on their level of expertise in the four product areas, their knowledge of these products, their skills in merchandise displays, and their advertising and marketing skills. In addition, the owner will hire the specialists for their communication and leadership skills, their reliability, and their level of motivation and other character traits. All staff must be currently certified in Cardiopulmonary Resuscitation, First Aid, and Lifeguard or Water Safety Instruction. These certifications are required as part of the job description to staff the testing grounds located on White Bear Lake.

Financials

The financial strategy of Outdoor Quest is to earn a full return on the owner's investment in five years or less. In addition, Outdoor Quest will seek to achieve a 10%

profit level in the first year and 15-20% in each succeeding year. Annual revenue projections for the first year are \$900,000; \$1,071,000 for 1997; and \$1,274,490 for 1998 (see Income Statement in Appendix A).

Sources and Application of Funds

As was stated in the Financials section of this Summary, Outdoor Quest will seek to earn a full return on the Owner's investment by the fifth year of operation. Since Outdoor Quest is in the early stages of development, the present need for funds is great. Funds from Small Business Association approved loans will be used for the start up costs such as lease of the facility, first year operating costs, marketing, and advertising. Long term financial assistance will be acquired for the expansion of both product lines and services (see Statement of Cash Flows for 1996, 1997 and 1998 in Appendices B, C, and D).

HISTORY

The original idea for the Outdoor Quest sporting goods store evolved from a demographic analysis as part of a course project at the University of Wisconsin-La Crosse. Various geographic locations were examined for their market potential. The White Bear Lake, MN area quickly became a primary focus because it was a virtually "untapped" market area for a customer-intimate retail sporting goods stores. Customer intimate businesses are highly customer driven and make a practice of knowing the customers they serve. Further, customer intimate businesses view customers as lasting assets to the business and therefore seek to fulfill their customers wants and needs on an ongoing basis.

This business plan was designed to help the author in two ways. First, the plan measured the potential success and profitability of such a business. Second, it can act as a planning guide in the development of this or similar businesses.

Background of the Owner

The owner and operator of Outdoor Quest sporting goods store has a Master of Science (MS) degree in Recreation Management from the University of Wisconsin-La Crosse. This business plan originated as part of an MS degree special project. The owner used her time as a graduate student to prepare demographic market data, compute financial estimates, research facility planning, and plan course-related presentations. Her

education also included assisting instructors on course preparation for facility planning and business management.

The owner also holds a Bachelor of Arts degree in Physical Education with minors in Health and Business. Throughout her employment history, the owner has developed skills and acquired work experiences in facility management, customer service, staff training and supervision, and bookkeeping. More specifically, while Program Director with Fitness Systems, the owner was responsible for the hiring, training and supervision of staff, meeting monthly budgetary goals, generating monthly operational reports, and operating the overall fitness center. The owner's detailed employment history can be found in Appendix E.

Location and Demographics of the Business

According to 1990 estimates, the population residing within a 5 mile radius of White Bear Lake was 78,821 actual residents. The median age (1990) was 31.9 and the median household income was \$43,255 (Urban Decision Systems, 1993). The annual projected growth rate is 1.9% for White Bear Lake and its surrounding communities.

In the Summer of 1995, the White Bear Lake Economic Development Corporation was scheduled to begin construction of a 100,000 square foot retail complex called Main Street Crossing. This development, located at the intersection of Highway 61 and Fourth Street, is part of a downtown redevelopment project for White Bear Lake. The tentative plan is to locate Outdoor Quest in or near this retail complex. The complex is adjacent to Highway 61 which is a major highway. Traffic counts from 1992 report

that approximately 25,000 cars pass through this area daily. A site plan and location map of Main Street Crossing is provided in Appendices F and G.

Background of the Products and Services

This section will be completed in the second phase of the Business Plan development. Generally speaking, Outdoor Quest will sell medium to high end sporting goods. A small percent of inventory will be designed for the elite user. These products will carry a higher price because of their degree of quality. The remaining inventory will be for the novice to intermediate user. The intermediate user products will be of medium quality and will be moderately priced.

Business Structure

The business will operate as a sole proprietorship due primarily to its ease of formation, reduced development costs, and complete owner control of the business operations. More in depth explanation is provided in the Management Structure section of this seminar paper business plan.

DEFINITION OF THE BUSINESS

Outdoor Quest will be a medium to high end priced quality sporting goods store focusing sales on equipment for human powered sports. The 6,000 square foot facility will be divided into four specialty product areas including camping/backpacking, canoeing/kayaking, in line skating/ice skating, and snowshoeing/cross country skiing. All areas will include the latest technical equipment to fit Outdoor Quest's customers' needs. In an effort to build customer intimate relationships, Outdoor Quest will also provide specialized services such as custom fitting and sizing, informal proper instruction, as well as hassle free personalized services. In other words, the purpose of the business is two-fold. The first purpose is to generate a profit for Outdoor Quest and its owners. Second, Outdoor Quest will provide the customer with premium quality goods and service at affordable, competitive prices. Outdoor Quest will focus on providing quality products and services to customers who want:

- Good to superior quality products
- A retailer who backs products and not just a manufacturer's guarantee
- A no fuss, no hassle return policy on all products
- A store close to their home and easily accessible
- A place to test technical, expensive products before making a purchase
- An attractive location

Customers in this market segment will want good advice and technical assistance. Thus, Outdoor Quest will hire highly trained specialists who will avail themselves to all customers who visit the store. Furthermore, this untapped market segment will seek a store which is accessible and close to home. Outdoor Quest will be located in an attractive area of White Bear Lake. This area is known for its many recreational features such as largely wooded areas, bike paths, and nearby lakes and rivers.

Outdoor Quest's long range plans will be divided into two phases. Phase I will include leasing the proposed facility and purchasing the initial inventory. During Phase II, services will be enhanced by providing organized wilderness tripping programs lead by specially trained personnel. These wilderness treks will be priced at affordable individual and group rates. As always, sales and operational efficiency of the business will be evaluated on an annual basis. Periodic modifications and improvements will be made based upon changing customer demand and increased needs for greater operational efficiency. Customer input will be a valuable part of Outdoor Quest's business. Thus, valued customers, past and future will be surveyed to measure what they value most in products and services.

GOALS AND OBJECTIVES

To ensure Outdoor Quest's successful development and future profitability, the following Goals and Objectives will be used as guides in the business' development.

The Goals and Objectives of Outdoor Quest are defined as:

1. *Become a profitable outdoor sporting goods business*
 - a. Earn a full return on owner's investment in 5 or less years.
 - b. Achieve a 10% profit level in the first year and 15-20% in succeeding years.
 - c. After first 3 years, achieve a stable annual sales growth rate of 10% or higher.

2. *Become an established leader in outdoor retail sporting goods in the Northern Metropolitan area*
 - a. In first 5 years achieve a 20% market share.
 - b. After 5 years, achieve an annual 2% growth rate in market share.
 - c. Annually add two new product lines which have the highest demand in the market.

3. *Gain the respect of White Bear Lake area sporting goods consumers*
 - a. In first 3 years, achieve a 40% return customer base.
 - b. After 5 years, experience a 10% annual increase in return customers.

DEFINITION OF THE MARKET

Industry Trends Analysis

Generally speaking, smaller retailers with sales of \$500,000 were the most profitable in recent years. Retailers with sales of more than \$500,000 showed less dramatic movement, increasing or decreasing by only a few percentage points. This indicates stability among retailers with sales of more than \$500,000. This is significant to Outdoor Quest which projects annual sales of more than \$500,000. Inventory turnover in Sporting Goods and Bicycle Shops retailers with sales of \$500,000 was 4.3 times which was slightly above the median of 4.2 times. This number rose in 1994 to 4.6 times, again above the median. These ratios indicate that smaller retailers are selling their products and services at a higher rate than larger retailers with sales of more than \$500,000, thus reducing costs and increasing profit.

The National Sporting Goods Association (NSGA), experts on sporting goods market projections, predicted three percent growth in retail sales for 1995. The increased sales growth of athletic and sports equipment is largely due to the increase in participation of in line skating. Outdoor Quest intends to capitalize on the popularity of in line skating, selling both the skates and accessories. In line skating is predicted to continue as the fastest growing equipment category (NSGA, 1995).

Target Market

Though a specific site location has not yet been selected, the current focus is on the suburb of White Bear Lake, MN, in particular the area along Highway 61 on or near the lake. The target market is residents of White Bear Lake and the five mile radius area near White Bear Lake.

Demographic factors which were investigated measuring the potential target market size are as follows:

- Male and female adults (primary)
- Families (defined as having at least one child)
- Age range 18 to 85 years old (primary)
- Annual income of \$30,000 or higher
- Residences in the White Bear Lake area (five-mile radius)
- Skill levels--inexperienced to advanced in one or more of the following areas:
 - Canoeing/kayaking
 - Hiking/backpacking
 - Snowshoeing/cross country skiing
 - In line skating/ice skating
- Type of buyer--motivated to buy equipment as first time buyer or to upgrade previously purchased equipment (return buyer)

Area Population

Market population is expected to grow each year. The population is predicted to reach a level of 91,495 by 1998 according to Urban Decision Systems (1993), a demographic research organization. Thus the population is projected to grow by 16% by 1998. Population growth for the market area is illustrated in Table 1.

Table 1. Population growth

Year	Area Population	Percent Growth Rate by Years
1990	78,821	X
1993	84,563	7.3 (1990-1993)
1998	91,495	8.2 (1993-1998)

It is projected that by 1998 Outdoor Quest's market population will grow to 91,495. This is an 8.2% increase from 1993 figures.

Household Income

The market area of White Bear Lake and its surrounding communities is a well populated and economically healthy area. Approximately 38.7% of the total market households were within the \$40,000 to \$74,999 range (see Households By Income in Appendix H). Median household income was \$43,255 and the average was \$52,367 (Urban Decision Systems, 1993). Median household incomes will increase by 6.4% from

1993 to 1998 reaching an income level of \$47,532 and the average will increase by 16.1% to an income level of \$66,954. Future projections indicate steady increases. By 1998 median household income is projected to grow by 10%. Table 2 indicates increases in both Median and Average Household Income.

Table 2. Median and average household income increases

Year	Median	Percent Increase	Average	Percent Increase
1990	\$43,255	X	\$52,367	X
1993	\$44,662	3.2 (1990-1993)	\$57,684	10.1 (1990-1993)
1998	\$47,532	6.4 (1993-1998)	\$66,954	16.1 (1993-1998)

Seventy two percent of the households in the target market area have income levels of \$30,000 or higher which is significant to Outdoor Quest since these are the income levels which could become very profitable market segments. This higher income group tends to be less price sensitive because they have greater discretionary income to spend on recreational equipment. Equally important, this group is often more interested in quality and functional utility than issues of price. Since Outdoor Quest intends to sell top quality goods, the higher quality will allow Outdoor Quest to have higher selling prices, assuming quality is more important than slightly higher prices for Outdoor Quest's market segment.

Market Penetration Projections

The purpose of estimating market penetration is to assist in determining Outdoor Quest's projected annual sales for the first year of operation. In estimating market penetration (market share expected to be achieved), national data from a study conducted by Simmons Market Research Bureau (1990) was compared against local demographic data from the White Bear Lake market area in determining these rates. The Simmons study measured sports participation in different activities. Though limited to four outdoor activities (hiking, ice skating, cross country skiing, and backpacking), participation rates were determined for adults aged 18 to 85 and older in the market area. National participation rates were determined as a percentage of total United States adult population (181,131,000), ages 18 to 85 and older. National participation rates for the four activities were 6.7% for hiking, 3.2% for ice skating, 2.2% for cross country skiing, and 1.4% for backpacking. In converting the national data to local data, participation rates for the four activities were multiplied by the total adult White Bear Lake market population (56,043), ages 18 to 85 and older. From this conversion, participation rates for the White Bear Lake market in each outdoor activity were calculated as follows:

Hiking	+	Ice Skating	+	Cross Country Skiing	+	Backpacking	=	Total
3,755	+	1,793	+	1,233	+	785	=	7,566

Using the total number of persons participating in the four activities (7,566) and the number of people per household (2.7 persons), the number and percent of Households Participating in the Four Activities (hiking, ice skating, cross country skiing and backpacking) was determined by the following:

$$\begin{array}{rcl} \text{PPR} & + & \text{\#people/household} & = & \text{\#of Households Participating in Four Activities} \\ 7,566 & + & 2.72 & = & 2,782 \end{array}$$

$$\begin{array}{rcl} \text{\#HH Participating Activities} & + & \text{\#HH in Market Area} & = & \text{\%of Households Participating in Four Activities} \\ 2,782 & + & 31,016 & = & .09 (9\%) \end{array}$$

It is estimated that 9% of the households in the market area will participate in one or more of the activities for which Outdoor Quest will provide products and services.

In estimating annual net sales, total demand in dollars must be determined. Using data from the Hyett Palma study (1994), Total Retail Entertainment Purchases in dollars were projected at \$16,853,166 or 15% for the market area. Of the Total Retail Entertainment Purchases, an expert familiar with market estimates in this midwest region estimated that 27% of the households within the market area will purchase the types of inventory sold by Outdoor Quest. In other words, Outdoor Sports Equipment Demand would be calculated by the following:

$$\begin{array}{rcl} \text{Entertainment Demand} & \times & \text{\%HH Purchasing Equipment} & = & \text{Outdoor Sports Equipment Demand} \\ \$16,853,166 & \times & .27 & = & \$4,550,355 \end{array}$$

The question becomes, "What percent can Outdoor Quest capture of this demand since there is no direct competition in the market area?" It is safe to say that a 20% market share would be a comfortable, conservative estimate. Projected Annual Sales is then calculated as the following:

$$\begin{array}{rcl} \text{Equipment Demand} & \times & \text{OQ's Market Share} & = & \text{OQ's Projected Annual Sales} \\ \$4,550,355 & \times & .20 & = & \$912,071 \end{array}$$

By the previous calculation, Outdoor Quest will project approximately \$900,000 in annual sales for the first year of operation.

Site Selection

Outdoor Quest will locate in White Bear Lake in the newly constructed Main Street Crossing complex. The 12 acre development with a 100,000 square foot retail complex will be a significant addition to the existing 150,000 square feet of the existing downtown retail business area. It will increase the available retail store and business space by 67%. This will help increase walk-in traffic for Outdoor Quest.

The store location is excellent for transient shoppers as well as residents of White Bear Lake because of its high visibility and attractive recreational spaces. With approximately 50,000 automobiles a day passing through White Bear Lake, traffic flow and visibility for Outdoor Quest would be excellent. Nearby highways include Highway 61, Highway 96, and Interstate 35. All are within 1 to 2 miles of Outdoor Quest's proposed location. Highway 61, located adjacent to the proposed location carries approximately 22,000 trips per day. A main route to the proposed location, Highway 96 is also heavily traveled averaging 30,000 trips per day (Minnesota Department of Transportation, 1990). In addition to its high visibility, White Bear Lake is an attractive site for Outdoor Quest because of its small town atmosphere and close proximity to outdoor recreational areas.

This Twin Cities suburb, considered one of the most popular for outdoor recreation attracts individuals and potential customers from all around the Minneapolis-Saint Paul area as it is only minutes away from the downtowns of both of these major

cities. White Bear Lake with its lake, open spaces, and wooded areas make it very attractive for outdoor recreational activities. Its lakes, numerous bike paths, and skiing trails make this community open for all seasons.

Analysis of Competition

The majority of Outdoor Quest's competition is located outside of White Bear Lake. Most importantly, Outdoor Quest has no major competitors within the primary market area. Outdoor Quest's major competitors outside the White Bear Lake area include Midwest Mountaineering, REI (Recreational Equipment, Inc.), EMS (Eastern Mountain Sports), and United Stores.

Though Midwest Mountaineering has only one location and is 5 to 10 miles away, it is a significant competitor because it sells the same product lines and brands as Outdoor Quest will carry. It has an established reputation in the Minneapolis-Saint Paul area. Customers in this metropolitan area view Midwest Mountaineering as a store with high quality goods at competitive prices.

Among other competitors, REI, which has two locations, offers a variety of high quality camping, backpacking, and skiing equipment. REI is also well known in the Minneapolis-Saint Paul area and provides quality products at moderate to high prices. EMS is also a major competitor, because it is within 5 to 10 miles of the White Bear Lake area. It sells high quality camping, backpacking, and hiking equipment and accessories as well as canoes and kayaks. United Stores, with its many locations around the Minneapolis-Saint Paul area, is known for providing mid-quality camping equipment and accessories at low- to mid-level prices. Outdoor Quest will sell higher quality goods with

higher prices than United Stores and assumes that it will lose some potential market share due to differences in pricing. See Major Competitors in Appendix I for a detailed analysis of Outdoor Quest's competition.

All four major competitors sell many product lines similar to Outdoor Quest's. However, Outdoor Quest will provide specialized technical and instructional assistance unlike their major competitors. In addition, Outdoor Quest will seek to become a "customer intimate" business. Customer intimate companies focus more on providing personalized service and expertise than on making the sale. Further, customer intimate companies make a business of knowing their customers and the services they need. Outdoor Quest will be geographically closer to its market than any of the major competition allowing Outdoor Quest the opportunity to focus on building relationships with customers of White Bear Lake. Further, none of the major competitors have the close access to natural resources for technical equipment that will be available for Outdoor Quest.

In terms of minor or indirect competitors, Outdoor Quest will be competing in certain low end product lines against discount stores such as Wal-Mart. Though discount stores may be able to sell similar goods at a lower price, the quality is often lower as well. Outdoor Quest will attract a different market segment. The segment Outdoor Quest seeks are less price sensitive buyers who are seeking higher quality products and more personalized services. Outdoor Quest will, in an attempt to compete with its competitors and maintain price stability, adopt two main pricing strategies.

Initially, Outdoor Quest will implement a penetration pricing strategy to set prices. In using temporary penetration pricing, prices are set slightly below the true economic value of the product or the point at which the customer completely understands the products and services. Penetration pricing is designed to produce sales even at the expense of high profits. Customers must be somewhat price sensitive in order for this strategy to work. Though Outdoor Quest's products and services are geared towards individuals who are price insensitive, Outdoor Quest's main focus will be to bring customers into the store so that they can experience the benefits of high quality products and services. Once they have purchased the product, Outdoor Quest will then raise prices. Penetration pricing is particularly effective in a virtually untapped market like White Bear Lake.

In addition to penetration pricing, Outdoor Quest will also practice an adaptive pricing strategy. In the case of adapting, Outdoor Quest will first examine its own costs before adapting to its competitors pricing strategies. In other words, if Midwest Mountaineering raises or lowers their prices and the costs involved for Outdoor Quest do not strain profitability, Outdoor Quest will follow Midwest Mountaineering's behavior. Penetration pricing will take place to initially set prices whereas adaptive pricing will be implemented against major competitors depending on the situation and if the costs involved are not too high.

DESCRIPTION OF PRODUCTS AND SERVICES

Products Available

Outdoor Quest will offer summer and winter products which will make it a year round business. The product lines include camping/backpacking, canoeing/kayaking, in line skating/ice skating, and snowshoeing/cross country skiing. Outdoor Quest will sell most or nearly all accessories for each of these product lines. The product lines include models for individuals ranging in ability from novice to expert. The majority of the inventory (90-95%) will be for the novice to intermediate user. These items will be moderately priced. The remaining 5-10% of the inventory will be equipment designated for the highly skilled, elitist user. These items will carry a higher price with a significantly higher profit margin since this group is the least price sensitive market segment.

Specialized Services Offered

A policy guaranteeing customer satisfaction will be a major focal point of Outdoor Quests' services. In other words, customers' expectations outweigh the day-to-day operational needs of the business. To keep the customer satisfied and encourage their return business, services such as prepurchase testing, instructions, equipment rental, and equipment repairs will be provided. Trained specialists in each of the four product areas will provide assistance to the customer with product selection and usage. Specialists will attempt to exceed the customer's expectation of quality service. To this

end, education will be made of a key component of the product sales process. It is indeed the owner's belief that proper education increases the customer's self confidence in the product's use, and equally important, increases their satisfaction with Outdoor Quests' products and services. This will in turn lead to higher sales and increases profit levels for Outdoor Quest.

MANAGEMENT STRUCTURE

Legal Form of Organization

Outdoor Quest will operate as a Sole Proprietorship. This decision was reached by the owner after careful consideration of the numerous factors involved in owning and operating a business successfully. The owner wanted a structure where startup costs and taxes could be kept to a minimum and where the owner had complete control to make decisions quickly and efficiently. Though this structure increases personal liability, the owner will minimize this risk by carefully monitoring finances and consulting with the accountant and the attorney on major business decisions. Other alternative business structures such as a Sub-Chapter S might have provided better funding opportunities. Nevertheless, it is believed that adequate funding can be acquired through Small Business Association (SBA) approved loans, along with the owner's personal investment. As the business grows, alternative structures may be again reviewed as a means to further the growth and expansion of the business.

Organizational Structure/Staffing Plan

Besides the owner there will be one full time lead specialist and four part time staff persons (three specialists and one repair specialist), as well as a student intern. Outdoor Quest's organizational chart is outlined in Appendix J.

Job Descriptions

Owner/Operator: in charge of day-to-day operations including overall store and staff management, advertising, marketing, finances, capital development, customer service, and assistance

Lead Specialist: reports directly to owner/operator; primary responsibilities include staff scheduling and supervision, inventory control, merchandise displays, customer service, and assistance, sales; secondary responsibilities include assisting in advertising and marketing, maintaining clean and safe working areas

Specialists: report directly to lead specialist; primary responsibilities customer service and assistance, sales, maintaining clean, and safe working areas; secondary responsibilities include merchandise displays, restocking merchandise

Repair Specialist: reports directly to lead specialist; primary responsibilities include customer repairs, and service calls; secondary responsibilities include maintaining clean and safe working areas

Intern: reports to owner/operator; responsibilities will vary; observes and assists specialists, customer service and assistance, assists lead specialist where necessary, special projects for the owner/operator

The Business will seek to hire individuals who possess the following character strengths:

- Motivated
- Hardworking
- Trustworthy
- Responsible
- Reliable
- Assertive
- Good people skills
- Sales skills

Potential employees must also possess the following qualifications/expertise:

- Superior knowledge of the related sports/activities (i.e., camping, canoeing, kayaking, etc.)
- Knowledge of strengths and weaknesses of all brands in product lines
- Inventory selection, control, inspection, and repair
- Pricing
- Customer service skills (i.e., handling complaints, irate customers, etc.)

- Merchandise displays
- Sales floor layout
- Window displays
- Ad and sales print layout
- Handling warranties and defective merchandise

Staff trainings will be performed on a quarterly basis to ensure that all staff qualifications and expertise are updated. Support staff will be hired under an annual contract agreement or hired only when needed. See organizational chart in Appendix J.

Attorney: advises owner concerning legal issues relating to the operation and ownership of Outdoor Quest

Accountant: responsible for daily bookkeeping, employee payroll, tax considerations, and consults on finances for the business

As a means of ensuring safety throughout the store, the lead specialist and part time specialists are required to have the following current certifications:

- Cardiopulmonary Resuscitation (CPR)
- First Aid
- Lifeguard or Water Safety Instructor (WSI)
- One or several of the four areas--camping/backpacking, canoeing/kayaking, in line/ice skating, and snowshoeing/cross country skiing--if available

The repair specialist will be required to have only current CPR and First Aid certifications. The CPR and First Aid certifications are necessary in any working environment. Additionally, due to the fact that the facilities will include a testing area on White Bear Lake, the Lifeguard or WSI certifications are necessary to ensure the safety of the Outdoor Quests' customers, as well as employees. The goal of providing a safe working environment for both customers and staff is important and will be routinely monitored.

To insure the best possible services are provided and that all customers receive assistance during each season, the specialists and the lead specialist will rotate among the areas of canoeing/kayaking, camping/backpacking, and the testing area on White Bear Lake. During the winter months, the specialists and the lead specialist will rotate among the areas of in line/ice skating, snowshoeing/cross country skiing, and testing area. The owner will "float" between areas offering assistance where needed.

FINANCIAL DATA

Pro Forma Projections

Outdoor Quest is projected to show a profit of \$9,500 within the first year of operation (1996), increasing to \$43,000 in 1997 and \$68,000 in 1998. Annual Gross Sales for 1996 are projected at \$900,000; \$1,071,000 for 1997, and \$1,274,490 for 1998 (see Income Statement in Appendix A). Profit margin is projected to increase through the fifth year of operation. Outdoor Quest will initially purchase inventory of \$208,000. Additional purchases of new and updated inventory lines will take place within the second and fourth years of operation. Annually, an average of \$300,000 worth of inventory will be available in the store throughout the first five years of operation. Lakeshore property (land) and two transport vehicles (equipment) will also be purchased during the first year of operation (see Balance Sheet in Appendix K).

Profitability

Outdoor Quests' profit margin is below the industry norm in the first year of operation. However, with the increase of sales and absence of start up costs in the second and third years, Outdoor Quest's profit margin is slightly above the norm. Return on Assets is also below the norm in the first year of operation, but the Return increases in the second and third year because of increased sales and more efficient use of Outdoor Quests' assets. Outdoor Quests' levels of profitability as compared to Dun and

Bradstreet's Industry Norms (1994) for the first three years of operation are listed in Table 3.

Table 3. Profitability ratios

Ratio	1996	1997	1998	Dun & Bradstreet Norm
Profit Margin	1.1%	4.1%	5.4%	3.7%
Return on Assets	3.1%	12.2%	16.0%	7.5%

Initial Capital Expenditures

Outdoor Quest's initial capital expenditures are displayed in Table 4.

Table 4. Capital expenditures

Initial Expenses	Costs
Lease (6,000 sq. ft.)	\$90,000
Inventory	\$200,000
Land	\$10,000
Equipment	<u>\$10,000</u>
	\$310,000

Initial Capital Funding

Outdoor Quest will seek a \$250,000 loan from the Small Business Administration (SBA) to be paid off within a period of 20 years. This loan will help to cover the costs associated with the initial development and operation of Outdoor Quest (see Statement of Cash Flows for 1996, 1997 and 1998 in Appendices B, C, and D). Annual loan payments will be \$3,205 for the first year, \$3,612 for the second year, and \$4,070 for the third year. The loan will partially cover initial capital expenditures, insurance, and interest. This loan will be sought in addition to the \$20,000 initial investment by the owner. Additional funds will be sought during the fifth year of operation to cover long term development and expansion costs.

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APPENDIX A
INCOME STATEMENT

INCOME STATEMENT

	1996	1997	1998	1999	2000
Revenue:					
Camping/Backpacking	\$60,000	\$428,400	\$508,796	\$606,657	\$721,922
Canoeing/Kayaking	\$270,000	\$321,300	\$382,347	\$454,993	\$541,442
Snowshoeing/Cross-country skiing	\$135,000	\$160,650	\$191,174	\$227,496	\$270,721
In-line skating/ice skating	\$135,000	\$160,650	\$191,174	\$227,496	\$270,721
Total Revenue:	\$900,000	\$1,071,000	\$1,274,490	\$1,515,643	\$1,804,805
	40.0%	40.0%	40.0%	40.0%	40.0%
	30.0%	30.0%	30.0%	30.0%	30.0%
	15.0%	15.0%	15.0%	15.0%	15.0%
	15.0%	15.0%	15.0%	15.0%	15.0%
	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold:	\$558,000	\$653,310	\$790,184	\$955,485	\$1,155,075
	62.0%	61.0%	62.0%	63.0%	64.0%
Gross Profit:	\$342,000	\$417,690	\$484,306	\$561,158	\$649,730
	38.0%	39.0%	38.0%	37.0%	36.0%
Operating Expenses:					
Payroll	\$59,400	\$70,686	\$84,116	\$100,098	\$119,117
	6.6%	6.6%	6.6%	6.6%	6.6%
Payroll Taxes	\$8,100	\$8,910	\$9,801	\$10,781	\$11,859
	0.9%	0.8%	0.8%	0.8%	0.7%
Employee Benefits	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
	0.6%	0.5%	0.4%	0.3%	0.3%
Operations/Maintenance	\$50,400	\$59,976	\$71,371	\$84,952	\$101,069
	5.6%	5.6%	5.6%	5.6%	5.6%
Telephone	\$8,100	\$9,639	\$11,470	\$13,650	\$16,243
	0.9%	0.9%	0.9%	0.9%	0.9%
Supplies	\$6,300	\$7,497	\$8,921	\$10,617	\$12,634
	0.7%	0.7%	0.7%	0.7%	0.7%
Advertising	\$9,000	\$21,420	\$25,490	\$30,333	\$36,096
	1.0%	2.0%	2.0%	2.0%	2.0%
Licenses	\$2,070	\$1,150	\$1,150	\$1,150	\$1,150
	0.2%	0.1%	0.1%	0.1%	0.1%
Dues/Subscriptions	\$2,070	\$1,150	\$1,150	\$1,150	\$1,150
	0.2%	0.1%	0.1%	0.1%	0.1%
Legal/Accounting	\$9,000	\$10,710	\$12,745	\$15,166	\$18,048
	1.0%	1.0%	1.0%	1.0%	1.0%
Transport vehicles	\$18,000	\$21,420	\$25,490	\$30,333	\$36,096
	2.0%	2.0%	2.0%	2.0%	2.0%
Travel/Entertainment	\$1,800	\$1,100	\$1,100	\$1,100	\$1,100
	0.2%	0.2%	0.1%	0.1%	0.1%
Other	\$13,500	\$16,065	\$19,117	\$22,750	\$27,072
	1.5%	1.5%	1.5%	1.5%	1.5%
Total Operating Expenses:	\$192,740	\$234,723	\$276,922	\$327,060	\$386,635
	21.4%	21.9%	21.7%	21.6%	21.4%
Fixed Charges:					
Rent	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
	10.0%	8.4%	7.1%	5.9%	5.0%
Property Taxes	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
	0.2%	0.1%	0.1%	0.1%	0.1%
Insurance	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	1.7%	1.4%	1.2%	1.0%	0.8%
Depreciation	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400
	0.4%	0.3%	0.3%	0.2%	0.2%
Interest	\$29,820	\$29,420	\$28,962	\$25,369	\$24,701
	3.3%	2.7%	2.3%	1.7%	1.4%
Total	\$139,720	\$139,320	\$138,862	\$135,269	\$134,601
	15.5%	13.0%	10.9%	8.9%	7.5%
Profit/Loss	\$9,540	\$43,647	\$68,522	\$98,829	\$128,494
	1.1%	4.1%	5.4%	6.5%	7.1%

APPENDIX B

STATEMENT OF CASH FLOWS (1996)

STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 1996

40

Cash Flow-Operating Activities			
Cash received:	Sales	\$900,000	
Cash paid:	Rent	(90,000)	
	Property Taxes	(1,500)	
	Insurance	(15,000)	
	Interest	(29,820)	
	*Inventory	(737,494)	
	Other Current Assets	(20,073)	
	Operating Expenses	(192,740)	
			(186,627)
 Cash Flow-Investing Activities			
Cash paid:	Land	(\$10,000)	
	Equipment	(10,000)	
	Other Fixed Assets	(24,000)	
			(44,000)
 Cash Flow-Financing Activities			
Cash received:	SBA Loan	\$250,000	
Cash paid:	Loan Principal	(3,205)	
 Cash Balance at Beginning of 1996			 \$20,000
Cash Balance at End of 1996			36,168

* COGS + Inventory + AP = Inventory 1996

APPENDIX C

STATEMENT OF CASH FLOWS (1997)

STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 1997

42

Cash Flow-Operating Activities

Cash received:

Sales	\$1,071,000
Rent	(90,000)
Property Taxes	(1,500)
Insurance	(15,000)
Interest	(29,420)
Inventory	(702,568)
Other Current Assets	(2,927)
Operating Expenses	(234,723)

(5,138)

Cash Flow-Investing Activities

Cash Flow-Financing Activities

Cash paid:

Loan Principal

(3,612)

Cash Balance at Beginning of 1997

36,168

Cash Balance at End of 1997

27,418

APPENDIX D

STATEMENT OF CASH FLOWS (1998)

STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 1998

44

Cash Flow-Operating Activities

Cash received:

Sales	\$1,274,490
Rent	(90,000)
Property Taxes	(1,500)
Insurance	(15,000)
Interest	(28,962)
Inventory	(829,800)
Other Current Assets	(10,000)
Operating Expenses	(276,922)

22,306

Cash Flow-Investing Activities

Cash Flow-Financing Activities

Cash paid:

Loan Principal

(4,070)

Cash Balance at Beginning of 1998

27,418

Cash Balance at End of 1998

45,654

APPENDIX E
OWNERS RESUME

OWNER'S RESUME

SHELLEY ANN OHE

11110 Cedar Hills Boulevard, #264

Minnetonka, Minnesota 55305

(612)595-0658

EDUCATION

- 1996 UNIVERSITY OF WISCONSIN-LA CROSSE, La Crosse, Wisconsin
M.S. Recreation Management
- 1991 CONCORDIA COLLEGE, Moorhead, Minnesota
B. A. Physical Education/Health & Business Administration

PROFESSIONAL EXPERIENCE

- 1/96 *HEALTH FITNESS PHYSICAL THERAPY &*
to Present *FITNESS SYSTEMS, INC., Minneapolis, Minnesota*

Program Director--United Properties

- Responsible for overall operation of Northland Executive and Southpoint Fitness Centers.
- Reviewed budgets and operational summaries.
- Maintained employee personnel records.
- Designed and implemented membership promotions.
- Organized and supervised special events at Northland Executive and Southpoint Fitness Centers.
- Maintained membership records and revenue.
- Completed semi-monthly payroll.
- Summarized monthly utilization.
- Compiled monthly reports for United Properties.
- Trained, supervised and managed all employees.
- Supervised Quality Assurance programs at Northland Executive and Southpoint Fitness Centers.
- Maintained monthly membership automatic withdrawal records.
- Performed new member orientations.
- Supervised aerobics program.
- Instructed step, low impact and muscle toning classes.

Assistant Program Director--United Properties

- Trained and supervised new employees and interns.
- Designed and implemented monthly promotions.
- Conducted facility and equipment inspections.
- Completed new member processing and cancellation procedures.
- Maintained membership records and revenue.

- Summarized monthly utilization.
- Supervised Quality Assurance programs at Northland Executive and Southpoint Fitness Centers.
- Performed new member orientations and body fat analysis.
- Tracked ancillary sales.
- Instructed step, low impact and muscle toning classes.

8/94 to 5/95 *UNIVERSITY OF WISCONSIN, La Crosse, Wisconsin*

Graduate Assistant--Department of Recreation Management and Therapeutic Recreation

- Conducted research for Graduate Program Director and Undergraduate Program Director in areas of Therapeutic Recreation, Multiculturalism, Playground Safety and Risk Management.
- Assisted in planning and organization of The Excellence Award ceremony which honors outstanding individuals who contributed to the success of UW-La Crosse.
- Developed computer supplement to assist with a Demographic Analysis using U.S. Census data.
- Assisted in teaching various undergraduate level courses in Recreation Management.

11/91 to 8/94 *HEALTH FITNESS CORPORATION, Minneapolis, Minnesota*

Assistant Manager--United Properties

- Trained and supervised new employees and interns.
- Designed and implemented monthly promotions and incentive programs.
- Assisted in management of "Body Tailor" personal training service.
- Drafted monthly reports regarding fitness center utilization.
- Performed fitness assessments, equipment inspections and orientations.
- Developed individualized programs for members.
- Instructed muscle toning, low impact and step aerobic classes.

Fitness Consultant--Target Stores

- Updated member records using Cardio Stress Inc., software
- Assisted in the design, implementation and tracking of incentive programs and monthly promotions.
- Trained and supervised new employees and new interns.
- Performed fitness assessments, facility and equipment orientations.
- Developed personal programs for individual members.
- Coordinated and participated in the Target Biking Club.
- Instructed muscle toning, low impact and step aerobic classes.

9/90 to 12/90 *DAKOTA CLINIC, LTD, Fargo, North Dakota*

Practicum in Health Fitness

- Coordinated exercise programs
- Compiled and updated pamphlets and organized resource files.
- Received exposure to worksite health, fitness assessments, stress tests and the coordination of road racing events.

ACTIVITIES

- Professional Member of Northland Chapter of the American College of Sports Medicine
- Student Member of National Recreation and Park Association
- Student Member of Resort and Commercial Recreation Association
- Student Member of Graduate Recreation Majors Club
- Student Member of Physical Education Majors Club
- MIAC Varsity Soccer
- Student Leadership Encounter Seminars
- Summer Soccer Assistant Coach (Volunteer)

SPECIAL SKILLS

- Computer skills in Word Perfect for DOS (5.1, 6.0), Word Perfect for Windows (6.1), Quattro-Pro (3.0, 4.0, 5.0)
- Research skills (Demographics, Business Plan)
- CPR certification (current as of 12/95)
- First Aid certification (current as of 12/95)

AWARDS & HONORS

- CORD Scholarship
- High School Varsity Soccer MVP

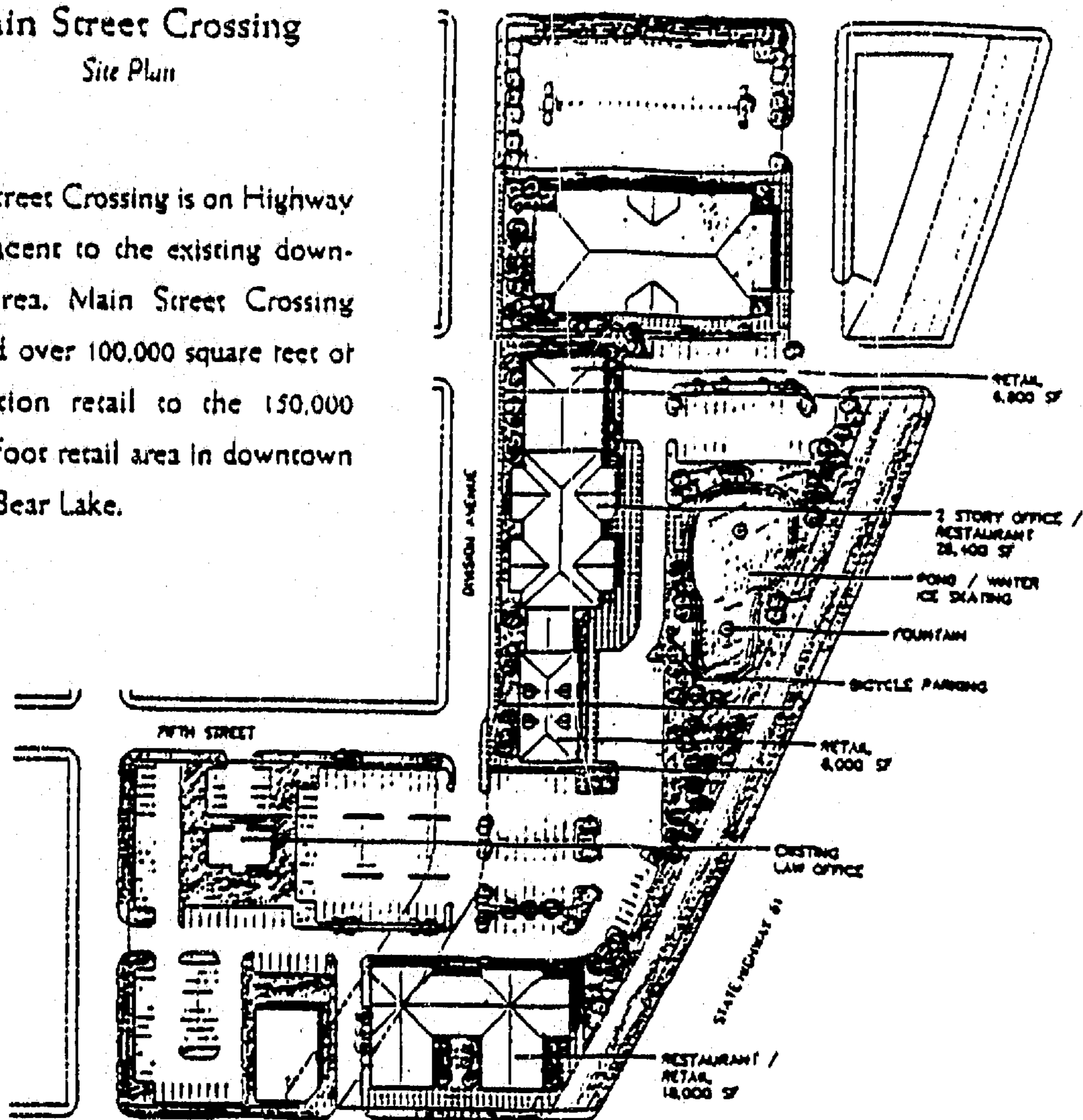
APPENDIX F

SITE PLAN

SITE PLAN

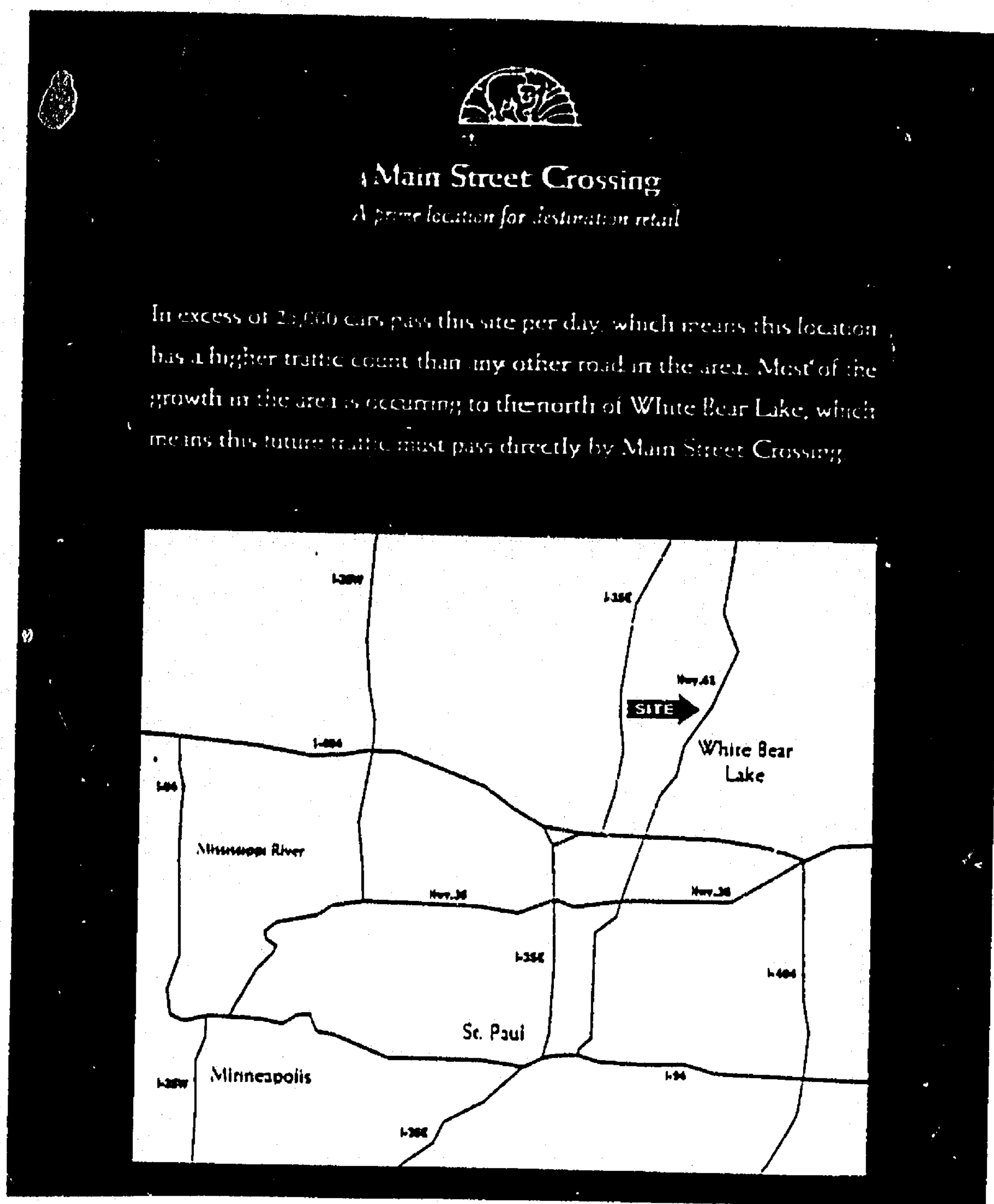
Main Street Crossing Site Plan

Main Street Crossing is on Highway 61, adjacent to the existing downtown area. Main Street Crossing will add over 100,000 square feet of destination retail to the 150,000 square foot retail area in downtown White Bear Lake.



APPENDIX G
LOCATION MAP

LOCATION MAP



Main Street Crossing

A prime location for destination retail

In excess of 20,000 cars pass this site per day, which means this location has a higher traffic count than any other road in the area. Most of the growth in the area is occurring to the north of White Bear Lake, which means this future traffic must pass directly by Main Street Crossing.

APPENDIX H
HOUSEHOLDS BY INCOME

HOUSEHOLDS BY INCOME

	1990	1993	1998
	#of HHs / % of HH*	#of HHs / % of HHs	#of HHs / % of HHs
	27,925/100.0	31,015/100.0	35,545/100.0
Income level			
Less than \$5,000	438 / 1.6	466 / 1.5	326 / 0.9
\$5,000-\$9,999	1,033 / 3.7	1,247 / 4.0	1,169 / 3.3
\$10,000-\$14,999	1,177 / 4.2	1,239 / 4.0	1,081 / 3.0
\$15,000-\$19,999	1,497 / 5.4	1,558 / 5.0	1,328 / 3.7
\$20,000-\$24,999	1,794 / 6.4	1,846 / 6.0	1,775 / 5.0
\$25,000-\$29,999	1,974 / 7.1	1,956 / 6.3	1,869 / 5.3
\$30,000-\$34,999	2,364 / 8.5	2,474 / 8.0	2,567 / 7.2
\$35,000-\$39,999	2,200 / 7.9	2,376 / 7.7	2,679 / 7.5
\$40,000-\$49,999	4,258 / 15.2	5,033 / 16.2	6,609 / 18.6
\$50,000-\$59,999	3,440 / 12.3	4,009 / 12.9	5,117 / 14.4
\$60,000-\$74,999	3,135 / 11.2	3,525 / 11.4	4,238 / 11.9
\$75,000-\$99,999	2,506 / 9.0	2,904 / 9.4	3,754 / 10.6
\$100,000-\$124,999	902 / 3.2	1,037 / 3.3	1,335 / 3.8
\$125,000-\$149,999	297 / 1.1	339 / 1.1	452 / 1.3
\$150,000+	910 / 3.3	1,007 / 3.2	1,245 / 3.5

Note. HH = Households

APPENDIX I
MAJOR COMPETITORS

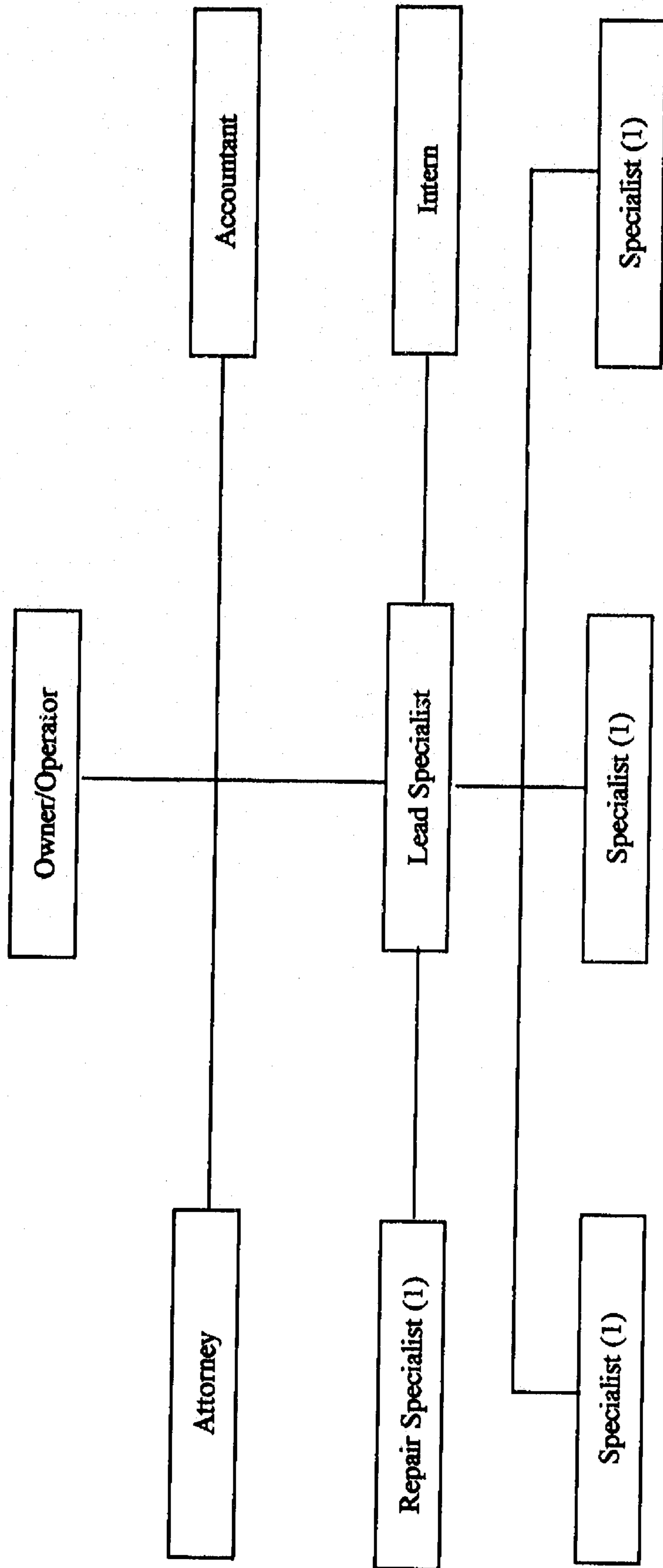
MAJOR COMPETITORS

Store name	# of locations	Proximity to market area	Product lines	Annual sales (millions)	# of employees (per store)
Midwest Mountaineering	1	10 miles	backpacking, mountaineering, camping, skiing, canoes, kayaks	\$5-10	50-100
REI (Recreational Equipment, Inc.)	2	5-10 miles	camping, backpacking, mountaineering, bicycles, skiing, canoes	\$5-10	50-100
EMS (Eastern Mountain Sports)	1	5-10 miles	canoes, camping, mountaineering	\$1-2.5	10-20
United Stores	12	5-10 miles	boats, canoes, apparel, tents, camping, skiing	\$500,000-2.5	5-20

APPENDIX J

OUTDOOR QUEST ORGANIZATIONAL CHART

OUTDOOR QUEST
ORGANIZATIONAL CHART



APPENDIX K
BALANCE SHEET

BALANCE SHEET

	1996	1997	1998	1999	2000
ASSETS					
Current assets					
Cash	\$36,168	\$27,418	\$45,654	\$37,500	\$48,000
Inventory	\$208,494	\$261,752	\$305,368	\$365,814	\$439,651
Other current assets	\$20,073	\$23,000	\$33,000	\$32,700	\$47,000
Total Current Assets	\$264,735	\$312,170	\$384,022	\$442,014	\$534,651
	11.7%	7.7%	10.7%	7.7%	8.3%
	67.5%	73.5%	71.3%	75.3%	76.0%
	6.5%	6.5%	7.7%	8.0%	8.1%
	85.7%	87.6%	89.7%	90.9%	92.4%
Fixed Assets					
Land	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Equipment	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Other fixed assets	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Total Fixed Assets	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000
	3.2%	2.8%	2.3%	2.1%	1.7%
	3.2%	2.8%	2.5%	2.1%	1.7%
	7.8%	6.7%	5.6%	4.9%	4.1%
	14.3%	12.4%	10.3%	9.1%	7.6%
Total Assets	\$308,735	\$356,170	\$428,022	\$486,014	\$578,651
	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES					
Current Liabilities					
Accounts Payable	\$29,000	\$33,000	\$37,000	\$42,500	\$43,258
Current portion of long-term loan	\$3,612	\$4,070	\$4,586	\$5,167	\$5,823
Other current liabilities	\$3,400	\$6,800	\$10,199	\$8,449	\$8,000
Total Current Liabilities	\$36,012	\$43,870	\$51,785	\$56,116	\$57,081
	9.4%	9.3%	8.6%	8.7%	7.5%
	1.2%	1.1%	1.1%	1.1%	1.0%
	1.1%	1.9%	2.4%	1.7%	1.4%
	11.7%	12.3%	12.1%	11.5%	9.9%
Long-term Liabilities					
SBA Loan	\$243,183	\$239,113	\$254,528	\$229,360	\$223,538
	78.8%	67.1%	54.8%	47.2%	38.6%
Total Liabilities	\$279,195	\$282,983	\$286,313	\$285,476	\$280,619
	90.4%	79.5%	66.9%	58.7%	48.5%
Owner's Equity	\$29,540	\$73,187	\$141,709	\$200,538	\$298,032
	9.6%	20.5%	33.1%	41.3%	51.5%
Total Liabilities and Owner's Equity	\$308,735	\$356,170	\$428,022	\$486,014	\$578,651
	100.0%	100.0%	100.0%	100.0%	100.0%