

2010

Harbour Bikes Business Plan



Daniel Suter
Income Statement Forecast
Harbour Bikes Inc.

1/1/2010

Table of Contents

Business Concept.....	4
Business Plan Objectives.....	4
Management/Ownership.....	4
Overview.....	5
Services.....	5
Product – The Bicycles.....	5
Peripherals.....	6
The Market.....	7
The Customer.....	7
Customer Profiles.....	8
Profile #1 – Jack and Kate.....	8
Profile #2 – Graeme.....	8
Profile #3 – The Pearson Family.....	9
Competitive Analysis.....	9
Competitors.....	9
Harbour Bikes® Advantage.....	9
Pricing.....	10
Strategy.....	10
Price List.....	10
Competition Comparison.....	10
Location.....	10
Proposed Locations A and B – Tight View.....	11
Proposed Locations A and B – Wide View.....	11
Space Required.....	12
Appearance.....	12
Infrastructure Requirements.....	12
Operations.....	12
Storage.....	12
Rental Process.....	12
Promotion.....	13
Insurance.....	13
Break-Even Point.....	14
Income Statement Forecast.....	14

Sales Forecast.....	14
Overhead Expenses Forecast	15
Forecasted Income Statement	15
Start Up Cost.....	16
Financing.....	16
Final Points	17
Harbour Bikes® will.....	17
Harbour Bikes® will not.....	17

Harbour Bikes® will give provide a healthy active green alternative

Harbour Bikes® will also help satisfy the JBNA that steps are being taken to address noise and air pollution concerns and to "create more sustainable and vibrant tourist mobility options."

Harbour Bikes® will help address the GVHA's desire to enhance the experience of visitors while minimizing the impact to the local community. Bicycles rentals at Ogden Point will not increase traffic congestion; instead it will help usher visitors from Ogden Point to locales where they can contribute to Victoria's economy.

Harbour Bikes® will benefit all stakeholders including Victoria's downtown merchants

Business Plan Objectives

- This plan is intended to ..
- Demonstrate to the GVHA that Harbour Bikes® will be a positive, viable, mutually beneficial business.
 - Secure approval to operate at Ogden Point.
 - Provide a clear plan for Harbour Bikes® to follow.
 - Set goals by which to measure progress and success.

Management / Ownership

Harbour Bikes® is registered as a sole proprietorship and will be owned and operated by Daniel Swinter. Mr. Swinter is an entrepreneur involved in several commerce ventures including a business publishing and selling educational resources. Mr. Swinter also brings excellent customer service skills and a passion for cycling to Harbour Bikes®.

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 Victoria, BC
 V8V 1M1
 Phone: 250-370-5569
 Email: dswinter@shaw.ca

Introduction

Business Concept

Harbour Bikes® will rent bicycles at Ogden Point, providing a clean, green, healthy option for cruise ship passengers who wish to get from the pier to Victoria's downtown core and other areas of interest.

Harbour Bikes® will give provide a healthy, active, green alternative to busses and carriages.

Harbour Bikes® will also help satisfy the JBNA that steps are being taken to address noise and air pollution concerns and to "create more sustainable and vibrant tourist mobility options."

Harbour Bikes® will help address the GVHA's desire to enhance the experience of visitors while minimizing the impact to the local community. Bicycle rentals at Ogden Point will not increase traffic congestion; instead it will help usher visitors from Ogden Point to locales where they can contribute to Victoria's economy.

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Address: [redacted]

Phone: [redacted]

Email: [redacted]

Products/Services

Overview

Harbour Bikes® will give cruise ship passengers who wish to explore Victoria independently, efficiently, and actively, a fun, affordable option. The service provided is wonderfully simple – rent bikes to visitors at their point of entry. This benefits visitors because it helps them get around our beautiful city. It also benefits other merchants and business owners because it helps visitors get to locations where they will have more shopping options.

Services

Harbour Bikes® will operate at Ogden Point on days when cruise ships are scheduled to make port during daylight hours. On these days, Harbour Bikes® will be open for a period of eight hours beginning when the first ship arrives.

Harbour Bikes® requires very little space from which to operate. An attractive kiosk and small tent will be set up on days when cruise ships are scheduled to arrive at Ogden Point. The kiosk and tent, as well as the bicycles and additional gear will all be stowed in a mid-sized trailer when not in use.

Harbour Bikes® will provide customers with the following:

- Bicycles
- Helmets
- Air-pumps
- Tire-repair kits and spare inner-tubes
- Locks
- Victoria Tourism maps.

The bicycles will be high-quality and versatile (see Products below).

The air-pumps and repair kits will ensure customers do not find themselves stranded (Harbour Bikes® will also provide pick-up services to customers requiring assistance).

The locks will give customers the freedom to visit Victoria's stores and tourist attractions.

Victoria Tourism maps will encourage customers to cycle downtown, where they will contribute to the local economy.

Product - The Bicycles

Harbour Bikes® will stock high-quality, Canadian-made bicycles. The Norco Olympia, a versatile and comfortable hybrid bike, will represent the bulk of the fleet. The Olympia is widely

recognized as a strong, reliable, and comfortable bicycle. It is the perfect ride for visitors who want a healthy, active, green mode of transportation with which to explore Victoria.

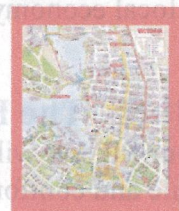
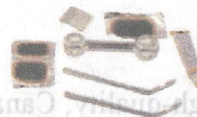


Harbour Bikes® will also offer a selection of children's bikes to make sure families can enjoy a ride downtown and elsewhere together.



Peripherals

All bicycle rentals will come with helmets, locks, air-pumps, spare inner-tubes, repair kits, and custom maps showing recommended bike routes.



Market Research

The Market



According to the GVHA Press Release dated February 6th, 2009, 215 cruise ships were scheduled to visit Victoria via Ogden Point between April 23rd and October 14th. A total of approximately 395,538 passengers were anticipated, as were approximately 132,856 crew visitors. That makes a grand total of 528,394 visitors arriving at Ogden Point.

Many of these visitors are satisfied with the transportation options already available at Ogden Point – shuttle bus, taxi, bicycle taxi, or horse-drawn carriage – and are thus adequately served; however, passengers looking for an active alternative currently have only one option – to walk.

Harbour Bikes® will appeal to this small, specific demographic of cruise ship passengers currently underserved at Ogden Point. Harbour Bikes® will not be in competition with other transportation businesses already established at Ogden Point (Kabuki Kabs, Victoria Carriage, etc.); instead, it will provide an alternative to walking for those passengers who wish to stretch their legs and burn off a few buffet calories upon arrival.

Because Harbour Bikes® can operate with very little overhead cost, the business can be profitable renting bikes to tiny percentage of visitors.

The Customer

Harbour Bikes® is a niche business. Renting a bicycle may not appeal to the average cruise ship passenger, but it does to a specific demographic of passenger and crew member within the total group of visitors. Passengers represent the primary target market, but crew members are an important secondary market.

First and foremost, our customers are active. They do not want to be driven to and around downtown Victoria; they want to use their own energy to go places.

Secondly, our customers are independent. They do not want to be confined by the limitations of a structured tour; they want to choose their own stops and destinations, and they want the flexibility to change plans on a whim.

Thirdly, our customers are cost conscious. They do not want to spend large sums of money on transportation. They prefer to spend their money on goods, services, and experiences once they reach downtown.

Harbour Bikes® customers also appreciate that they are choosing an environmentally friendly form of transportation.

Customer Profiles

As part of the planning process, Harbour Bikes has created three distinct customer profiles. These profiles help to identify and describe the target market.

Profile #1 - Jack and Kate



Jack and Kate are newlyweds. Jack is 36, and Kate is 34. They live in Seattle and are honeymooning on a cruise to Alaska with Princess Cruises.

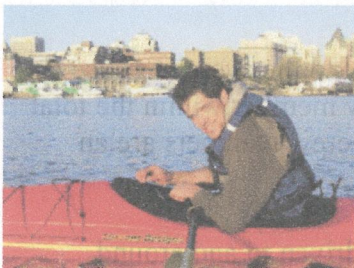
Jack and Kate are active, fitness-conscious people. They enjoy outdoor activities. They both own bicycles and enjoy riding, but are not serious cyclists.

Jack and Kate chose the cruise to Alaska as their honeymoon primarily because it was affordable, but also because they are excited to see the natural beauty of the Pacific North West and Alaska. Jack and Kate are registered for a two excursions while on their Alaskan cruise: the Rainforest Canopy and Zipline Expedition in Juneau, and the White Pass Scenic Railway ride in Skagway.

Jack and Kate are looking for an affordable, active way to see Victoria. They would like to visit Beacon Hill Park and do some shopping downtown.

Renting bicycles from Harbour Bikes® at Ogden Point appeals to them because it will be a fun, active way to see Victoria and get to the places they want to visit, and because of the relatively low cost.

Profile #2 - Graeme



Graeme is 28 years old and lives in Toronto. He is a crew member on the Royal Caribbean ship Rhapsody of the Seas. He is one of many seasonal cruise ship workers who sign on for short contracts during the summer, Christmas holiday, and spring break.

Graeme is part of Rhapsody of the Seas' youth staff. His job entails supervising and entertaining children while the ship is at sea. When in port, Graeme usually has the day off and can

disembark to go exploring.

Graeme wants to see as much of Victoria as he can in the limited time he has. As seasonal youth staff, Graeme earns \$50 per day. He needs an affordable transportation option. He selects Harbour Bikes® and has a great day in Victoria, pedaling from Ogden Point down Dallas Rd, through Beacon Hill Park, to downtown for some shopping and finally through Cook St. Village on his way back to the Rhapsody of the Seas.

Profile #3 – The Pearson Family



Robert, 41, and Margot Pearson, 39, are passengers on the Golden Princess. They are travelling with their two children, Russell, 9, and Emily, 11. The Pearson's take a family vacation every year, and this year they are on an 11-day return-trip cruise from San Francisco to Alaska.

The Pearson's are in Victoria on the ninth day of their cruise. They want to go ashore and do something fun as a family, but they don't have a plan. Margot only knows she wants to make one more shopping trip.

Robert notices the Harbour Bikes kiosk as he leaves the gated pier at Ogden Point. Robert is intrigued by the map highlighting bicycle-friendly routes to Victoria's attractions. He inquires about prices and whether there are bikes for children. When he discovers that Harbour Bikes® is quite affordable and has all sizes of bicycles, the family decides to explore Victoria on wheels.

Competitive Analysis

Competitors

There are currently two places from which to rent bicycles in Victoria: Cycle BC, and Sports Rent.

Cycle BC, 707 Douglas Street, is located downtown, across from the bus station. During the summer they stock 75 bicycles and frequently sell out. Cycle BC charges \$7.00 per hour, or \$24 per day for regular bicycles rentals.

Sports Rent, 3-1950 Government Street, is at the north end of downtown, near Marks Work Warehouse. Sports Rent charges \$15 per two hours, or \$21 per day for regular bicycle rentals. They charge extra for helmets, locks, and repair kits.

Harbour Bikes® Advantage

Harbour Bikes® obvious advantage is its location. In fact, because of the location, Harbour Bikes is not actually in direct competition with either Cycle BC or Sports Rent.

Visitors arriving at Ogden Point do not want to travel all the way downtown to rent bicycles. If cruise ship passengers want to rent bikes while in Victoria, it makes far more sense for them to do so at their point of entry and explore from there. Harbour Bikes® maps will show customers that Ogden Point is the ideal place to begin a bicycle tour of Victoria.

Marketing

Pricing

Prices at Harbour Bikes will reflect our desire to provide affordable, active, green transportation to visitors arriving in Victoria via cruise ship.

Strategy

Harbour Bikes® prices will be in line with industry standards. Harbour Bikes® prices will reflect the goals of our target market who we believe are, among other things, looking for an affordable option. Average prices at Harbour Bikes® will be similar to those offered by downtown competitors; however, Harbour Bikes® will charge a small premium for the convenience of renting bicycles right there at the pier.

Harbour Bikes® prices will be structured to encourage customers to select full-day rentals.

Below is a preliminary price list for services offered by Harbour Bikes®. Charges for bicycle rentals will of course be subject to sales tax.

Price List

	Per Hour	Whole Day
Adult Bicycle	10	25
Child's Bicycle	6	15
Family Package (4 bikes)	30	75

Competition Comparison

Cycle BC, who rent bicycles to tourists in downtown Victoria, charge \$7 per hour and \$24 per day for adult bicycle rentals.

Cycle BC charges \$6 per hour and \$19 per day for kid's bicycle rentals.

At Harbour Bikes®, adult singles and couples will pay slightly more than at Cycle BC, but families will save a significant amount of money.

Location

Location is one of the most important factors in ensuring Harbour Bikes® is successful. It is imperative that cruise ship passengers and crew disembarking at Ogden Point quickly learn that bicycle rentals are available at the pier. Three possible locations are proposed in this plan. None of these locations will increase congestion or inhibit any of the services already being offered to passengers disembarking at Ogden Point.

Location A is around the corner from the passenger exit of the welcome building. It is a few steps away, yet not somewhere where it might interfere with existing services, or with the natural flow of people and traffic.

Location B is at the far end of the parking lot where the bicycle taxis congregate as they await passengers. This location is well beyond the high-congestion area just outside of the welcome building. It is also beyond the area in which other services, such as horse carriages and bicycle taxis, operate.

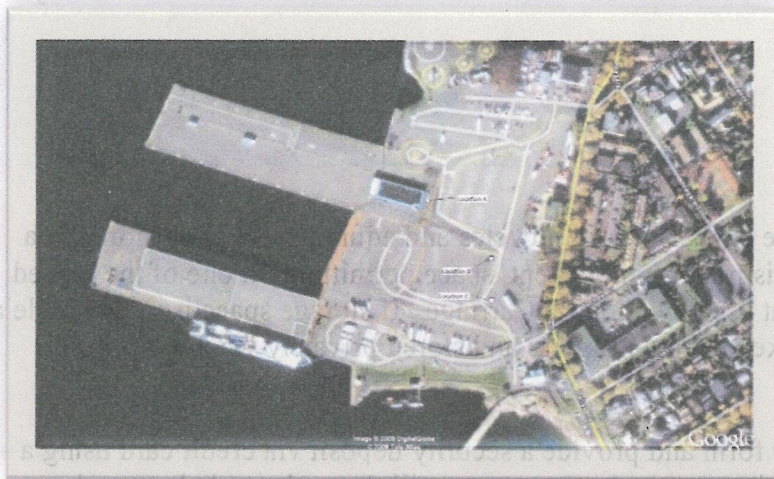
Location C is just beyond location B, a little further from the area in which the bicycle taxis congregate.

Satellite images showing the proposed locations are below.

Proposed Locations A, B, and C - Tight View



Proposed Locations A, B, and C - Wide View



For larger images of the proposed locations, please refer to the appendices.

Space Required

Harbour Bikes® requires very little space and will blend in seamlessly with existing facilities and services.

The Harbour Bikes® tasteful, attractive kiosk will consist of a simple, white, 10x10 fold-up tent, a table, and a bicycle rack. The kiosk can be quickly erected and dismantled, and will be setup only when cruise ships are scheduled to be at Ogden Point. The kiosk and the entire fleet of bicycles will be stored in a trailer when not in use.

The only space required is a 10x10 square of pavement for the tent, and a small space for a bicycle rack (perhaps another 50 square feet). The total area needed will not exceed 200 square feet.

Appearance



Harbour Bikes® will have a simple, professional appearance that fits well with the Ogden Point location. The kiosk will be housed within a white collapsible canopy. The canopy will have the Harbour Bikes® name and logo printed along its border.

Under the tent, customers will fill out waiver forms and provide payment at a simple, white table. The bicycles, helmets, and other equipment will be stored behind the table on an attractive rack.

To attract attention and show the benefits of renting bicycles from Harbour Bikes®, the kiosk will also feature a sign depicting a large map of Victoria with bicycle routes and points of interest highlighted.

Infrastructure Requirements

Harbour Bikes® is a completely independent, mobile business. No infrastructure or installations are required. The Harbour Bikes kiosk® will be taken down at the end of each business day with no trace left behind.

Operations

Storage

The Harbour Bikes® kiosk and the entire stock of bicycles and equipment will be stored in a secure trailer when not in use. This trailer will be kept, space permitting, in one of the fenced areas at Ogden Point – such as that used by Victoria Carriage. If storage space isn't available at Ogden Point, the trailer will be taken off the property and stored privately when not in use.

Rental Process

Customers will complete a waiver form and provide a security deposit via credit card using a portable point-of-purchase processing terminal. Customers will then select a helmet and a bicycle. All customers will also be given a lock, an air pump, a repair kit, and a custom map showing recommended bicycle routes and points of interest.

When customers return their bikes, their security deposit will be returned and their payment will be processed. Helmets, handlebars, and seats will be cleaned with disinfectant.

Promotion

Harbour Bikes® will rely mostly on its location to attract business. The only promotion necessary will be some signage (all in accordance with GVHA guidelines) to direct customers to the Harbour Bikes® kiosk and to highlight the advantages of touring Victoria via bicycle.

Insurance

Coast Capital Savings Credit Union will provide liability and merchandise insurance. Harbour Bikes® will have \$5million of liability coverage.

$$\text{Break Even (in rental units)} = \frac{\$1,200}{(\$25 - \$1)}$$

$$\text{Break Even (in rental units)} = 50$$

According to this calculation, Harbour Bikes® must have 50 full-day rentals (or the equivalent combination of partial and full day rentals) per month in order to break even.

Income Statement Forecast

Sales Forecast

Forecasting sales for a new business is difficult. The sales forecast here should be looked at as a goal that Harbour Bikes® will actively try to achieve. It should also be noted that this initial goal does not represent the ceiling of expectations. This sales forecast is a conservative, attainable objective, which Harbour Bikes® will strive to reach and surpass.

In 2009, 212 cruise ships were scheduled to visit Victoria via Ogden Point between April 23rd and October 14th. A total of approximately 392,238 passengers were anticipated, as were approximately 132,856 crew visitors. That makes a grand total of 528,394 visitors arriving at

Financial Plan

Break-Even Point

The break-even point is by no means the goal for Harbour Bikes®, but it is a good place to start when assessing the viability of this potential business.

For the purposes of this business plan, the break-even point has been calculated using the following equation:

$$\text{Break Even (in rental units)} = \frac{\text{Fixed Costs}}{(\text{Unit Price} - \text{Variable Cost})}$$

The fixed costs for Harbour Bikes® consist of insurance expenses and the cost of the lease. Coast Capital estimates the monthly insurance premium to be approximately \$100. For the purposes of this exercise, let us estimate the lease at \$1,000 per month. The final fixed cost lies in depreciation of the bicycles. Here it is estimated at an annual rate of 20%, which equates to \$100 per month.

Variable costs for Harbour Bikes® include credit card processing fees and maintenance. Credit card processing will cost approximately 1.7% of the total rental price. On a \$25 rental, that works out to \$0.42 (forty-two cents). For the purposes of this exercise, let us estimate the cost of maintenance at \$0.58 per rental. That means our total variable cost is \$1 per unit.

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Ogden Point. This forecast requires that Harbour Bikes® service only 0.4% of the total number of visitors. That's just one out of every 250 visitors!

On average, each ship brings approximately 2457 people. Harbour Bikes® initial goal is to provide full-day bicycle rentals to ten people from each ship.

This sales forecast uses the following equation:

$$\text{Total Sales} = \text{Number of Units Sold} \times \text{Price per Unit}$$

$$\text{Total Sales} = 2150 \times \$25$$

$$\text{Total Sales} = \$53,750$$

Overhead Expenses Forecast

This forecast shows the expected fixed expenses for the year. It does not include start-up costs, which are addressed in another section. The fixed overhead expenses for Harbour Bikes® consist of only three things: Insurance, location lease, and equipment depreciation. Coast Capital estimates that the total annual premium for both liability (\$5,000,000) and equipment insurance would be no more than \$1,200. As outlined above, depreciation here has been estimated at 20% for the bicycles, resulting in an annual total of \$1,200.

The location lease depends on what an appraiser determines 200sq. feet of pavement on Ogden Point is worth. For this plan, we will estimate that expense at \$5,000 for the season (Apr. – Oct.).

$$\text{Overhead Expenses} = \$6,200$$

Forecasted Income Statement

Harbour Bikes®
Forecasted Income Statement
Year Ending December 31, 2010

Sales	\$53,750
Expenses	
• Insurance	\$1,200
• Lease	\$5,000
• Credit Card Processing	\$903
• Maintenance	\$1,000
• Depreciation	<u>\$1,200</u>
Total Expenses	<u>\$9,303</u>
Net Profit	\$44,447

Start Up Cost

Starting Harbour Bikes® will require some investment. The business requires a fleet of bicycles and peripheral equipment including helmets, locks, etc; a pop-up tent and table for the kiosk; a secure cargo trailer to keep everything in; and a truck to tow the trailer.

Start Up	Costs
Bicycles × 20	\$6,000
Helmets × 20	\$300
Locks × 20	\$300
Pumps × 20	\$200
Patch Kits × 20	\$150
Kiosk Tent	\$400
Table	\$100
Cargo Trailer	\$2,500
Tow Vehicle	<u>\$2,500</u>

Total Start Up Expenses \$12,450

It should be noted that Harbour Bikes® will adjust the number of bicycles it stocks to suit demand. If demand dictates that more than 20 bicycles are required, Harbour Bikes® will simply purchase more bicycles to ensure all potential customers receive the service they desire.

Financing

Harbour Bikes® will be financed entirely by its owner. Start-up expenses and continuing costs will be paid by the owner without the use of loans or credit.

Harbour Bikes®
Forecasted Income Statement
Year Ending December 31, 2010

Sales	\$23,750
Expenses	
• Insurance	\$1,200
• Lease	\$2,000
• Credit Card Processing	\$903
• Maintenance	\$1,000
• Depreciation	<u>\$1,200</u>
Total Expenses	<u>\$6,303</u>
Net Profit	\$17,447

Conclusion

Final Points

Bicycles are an efficient, environmentally sound way to get around Victoria, and Ogden Point is an ideal place from which to start a two-wheeled tour of our great city. Harbour Bikes® represents an opportunity for the GVHA to enhance the experience of a group of visitors who are currently underserved. Many cruise ship passengers arriving at Ogden Point are happy to board shuttle busses, horse-drawn carriages, and bicycle taxis; however, there are those who would prefer an active, independent alternative. We are confident that many of these visitors will choose Harbour Bikes®.

Harbour Bikes® will...

- Enhance the experience of visitors arriving at Ogden Point.
- Uphold the ideals set forth in the GVHA's mission statement.
- Promote environmentally sound transportation.
- Show that the GVHA is committed to addressing concerns about noise pollution.
- Help people get to various points of interest in Victoria.
- Get a specific demographic of visitors to commercial areas faster.
- Provide an affordable activity for families arriving at Ogden Point.
- Be a subtle, attractive, and positive addition to Ogden Point.

Harbour Bikes® will not...

- Exacerbate traffic congestion.
- Compete with existing businesses.
- Divert visitors away from downtown.
- Require any infrastructure support.
- Pose any risk, financially or otherwise, to the GVHA.

Thank you for taking the time to consider this business proposal.

Sincerely,

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Harbour Bikes

Business Plan

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Appendices

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Daniel Suter

Proposed Locations A, B, and C - Tight View



Improve your location

Proposed Locations A, B, and C - Wide View



Proposed Locations A, B, and C - Light Aerial