



NORTHWEST TRAIL OUTFITTERS

Assignment 1

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Business Overview

In 2016 over 40 million people took to the woods to sleep under the stars in the US. That same year over 42 million people went hiking. Over the last 5 years wholesale camping supplies sales have grown by over half a billion to just under \$2.5 billion. There's no doubting that outdoor recreation is a major market. Our business, Northwest Trail Outfitters, hopes to capture a sustainable share of that market by creating a unique one-stop gear shop for outdoor enthusiasts of all levels to quickly get all the gear they need.

Northwest Trail Outfitters is an E-tailing business. We sell recreational bundle packs which can be anything from a basic rock climbing kit to a weeklong backpacking bundle with everything one would need. Our business seeks out locally made products and American made products to include in our bundles. A major component of our business is the testing of the products we sell. We field test every product we sell to prove to our customers that our recreation packs are of great value and worth their money.

Our business is an LLC focused on E-tailing. We purchase our products from wholesalers and small local producers and store/move our products using third party shipping/warehousing services. Our business employees 4 multi-skilled employees who combine to do bookkeeping, inventory, product testing, product sourcing, advertising, website management, and other tasks related to E-tailing. With low operating costs and great product value we hope to offer customers a new way to shop for their outdoor gear.

Market Opportunity

Our focus will be on people of all skill levels. 41% of people interested in hiking are within the range of 25-54 years of age with an annual salary starting at \$40,000 and maxing around \$150,000.

	Age	Household	Annual Salary	Customer Base	Drive
Charlie	25-34	1; Single	\$40-59,000	15%	Netflix isn't cutting it anymore, want to go out and adventure. Simple day trips will suffice for now but soon backcountry will need to be explored.
Jaymi	35-44	2; Significant other	\$79-99,000	16%	Life has been a grind but finally moved in with significant other which takes a lot off of the financial burden. It is finally time to be able to go places on vacation and see what nature is all about
Blake	45-54	2; Married	\$100-149,999	20%	Time is the one factor nobody can control. Youth is fading fast yet so many places to visit and see. Just recently bought an RV to go explore national treasures in comfort, though back country may be the next step.

During peak season, it is estimated that 46.2 million people are out hiking and backpacking in the United States. Being a new company with no current customers, lack of word of mouth and advertising will make our growth lower than an established business. If we will get an average of 1,000 visitors to our page a month and knowing that 92% of online consumers do not purchase when visiting a

site for the first time, we can conclude that we will have about 80 customers a month or 240 in the first 90 days.

Predicting growth for the first 6 months and year is much trickier. A 2-3% growth in a new business is expected, though exceeding 7% is possible. With the Pacific Northwest being very outgoing in terms of hiking and backpacking, along with their fascination with local businesses, we will use 3% as our growth base for the following three months. This will put our customer activity to about 552 transactions by the end of our 6-month window. With word of mouth spreading of our superior package deals and advertising finally kicking in, we will expect to have a 5% growth by the end of the year. By the end of the first year, we will have had 580 customer transactions with more on the horizon.

Customer Value Proposition

Traditionally, gathering together a quality set of hiking gear is no small feat. It requires at least an entire day of driving from store to store, wasting fuel, time, and energy. Finding quality gear for a reasonable price is a challenge as many retailers charge prestige pricing for inferior gear, or only carry gear beyond one's personal needs. At the end of the day, many people may come to realize they've spent hundreds of dollars solely because a teenager working a part-time summer job heard a rumor that one brand was better than the other.

Enter Northwest Trail Outfitters. Our company provides a streamlined solution to the traditional gear-gathering experience, conveniently outfitting hikers of all skill levels with field-tested gear selected by our knowledgeable team of outdoor experts. We make shopping for outdoor recreational equipment convenient and stress-free by bundling collections of gear custom tailored for any outdoor experience the beautiful Pacific Northwest has to offer. Our knowledgeable team field tests all available gear, allowing customers to rest easy knowing that their outdoor experiences will be safe and comfortable. In addition to our wide array of product offerings, our company also provides a vast library of online

resources and hosts local outdoor skills and survival clinics to the public to prove that not only do we know our stuff, but that we genuinely care about our customers, their time, safety, and of course their overall experience in the outdoors.

Customer Profile	Avg. Transaction Amt.	Purchase Frequency/mo.
“Over the Hill” (40+)	\$200	1
Millennial (18-34)	\$150	1-2
Hardcore Hiker (25-34)	\$100	2-3

Revenue – Adam Butler

The revenue model we have chosen for our business is the sales revenue model. A sales revenue model is one where companies derive revenue by selling goods, content, or services to customers. An example of an E-Commerce which follows this model would be Amazon. The reason why we chose this model is because it best fits the way in which we operate our company. We at NW Trail Outfitters sell pre-bundled packages and this is how we generate our revenue. For additional figures and projections, please see the appendix.

Competitive Environment – Kevin Clarke

Our business model has many competitors selling products in a non-bundled manner, they are not direct competitors as they do not sell high quality complete outdoor bundles, but they do sell a wide

range of individual goods that we would have to combat for market share. Below are 4 areas of concern when competition is considered, these range from specific businesses to broader categories of vendors.

Amazon

Amazon is the world's largest retailer for almost every conceivable product available. They do not specialize in hiking products but do carry a large range of goods at unbeatable prices. Amazon accounts for 38% of total merchandise sales in the US including sales made by third parties through Amazon. (Recode, Rani Molla, Oct 2017) Amazon's strength can also be its weakness, since Amazon is a global company and must appeal to a large market, this allows us to focus on the local market and tailor our product to the specific needs of northwest outdoorsman.

REI

REI is both a brick and mortar and E commerce store that focuses on selling products for outdoor activities. In 2015, REI grossed 2.2 billion in revenue. (Bloomberg, Kyle Stock, March 2015) REI offers a large range of goods of varying quality to appeal to every level of outdoorsman. REI also has two Portland locations allowing for a hands-on experience with the product our E store cannot provide.

Retail Stores

Many stores such as Walmart or Sportsman's Warehouse offer some outdoor supplies. These general Retailers have an advantage due to their presence in almost every city as well as in E commerce. The weakness of these retailers is the lack of selection they have due to selling a broad range of products at physical locations, they have an interest in carrying only the high-sales volume items.

Local Vendors

There are quite a few local retailers that specialize in outdoor activity equipment, these stores are tailored for local needs but have a limited market size due to only being brick and mortar locations with limited e-commerce exposure.

Competitive Advantage – Collin Kingsbury

Northwest Trail Outfitters (NWTTO) competes in the market of outdoor gear. Our aim is not to manufacture products for sale in competition with big names in the outdoor segment like Coleman, Columbia or the plethora of products available at REI. Rather, our aim is to provide customers with recreation bundles that offer a good mix of both quality, usefulness, and value for however they may recreate outdoors. We select specific products to include in our bundle packs which are perfectly tailored to suit novice and expert hikers on afternoon trips to weeklong backpacking excursions. The bundling of hiking gear is what makes NWTTO unique among our competition but it's how we go about it that gives us an advantage.

One advantage we offer over other outdoor gear stores is through product and service differentiation. We provide our customers with quality products by indirectly providing them the service of testing every recreation bundle we offer and every product in those bundles. We have seasoned outdoor experts test all the gear we put in our bundles. We look at all the products available, test out the products on trips and then decide what to include in our bundle packs. This way customers can be sure that recreation bundles they purchase from us will be right for them and worth the price they pay. Customers don't get that kind of "behind the scenes" service or the selection of *truly* proven outdoor gear from our competition. They can only get that from Northwest Trail Outfitters.

A second advantage we have is that we favor locally made outdoor products to capture the "locally made" niche market. We prefer to find small vendors throughout the Northwest who make excellent outdoor gear and put it through our field tests to see if it's up to our standards. If a local product passes our field tests, then it will be made available on our site and become part of our recreation bundles. When products cannot be sourced locally then we substitute only American made outdoor gear. Customers throughout the Northwest are willing to pay more for a product if it supports

local business and when buying through our site customers do just that both on a local and national scale.

Market Strategy – Byeloth Hermanson

Our company's market strategy for promotion of our e-commerce site will consist mainly of online exposure, utilizing services provided by Facebook and Google, as well as holding clinics where employees will have the opportunity to interact with members of the community and educate potential customers on topics ranging from wilderness survival to basic trail-trekking knowledge.

Utilization of Facebook will consist of promoting our company's Facebook page to receive "Likes" from Facebook members, and by boosting relevant posts we create regarding outdoor equipment, events, and general knowledge. Promoting consistently via Facebook, however, can become relatively expensive. We previously estimated that we will require roughly 10,000 visits to our site to generate enough revenue to break even and according to a study conducted by *AdEspresso*, the average cost of one Facebook "Like" in the United States is roughly \$0.20. Utilizing this information, and if one "Like" would equate to one visit to our website, the cost to reach our break-even estimation would be roughly \$2,000. At a 10% conversion rate, this would make the cost of each individual sale roughly \$2.

Utilization of Google AdWords can be slightly more complicated and much more expensive than Facebook, as Google uses a bidding system to determine which ads gain the most exposure. *WordStream* reports the average cost per click in Google AdWords to be somewhere in the ballpark of \$1-\$2. While this is much more expensive when compared to Facebook's estimated \$0.20 per "Like", it is worth noting that advertising via Google requires much less time and effort as managing a successful Facebook page is no small feat and site visits are not guaranteed. Our company would likely use a combination of both marketing systems, however, the cost of generating 10,000 visits to our site

through Google alone would be roughly \$15,000 equating to a cost per individual sale of \$15 if utilizing a 10% conversion rate.

Finally, by hosting public clinics where we educate potential customers, we can tie directly into our company's unique value proposition of providing knowledge to consumers who may be new to outdoor recreation. Though these clinics would require extensive planning, coordinating, and many man-hours to execute, they would provide a much-needed connection with the local community and would help to build trust associated with our brand. At the bare minimum, it could be estimated that putting together such an event would occupy at least 12 hours of company time, and at an hourly rate of \$15 would cost the company roughly \$200. Estimating the cost per individual transaction at this point would be very difficult, however, these events would serve to create brand recognition to assist in later sales rather than creating an immediate payoff.

Organizational Development – Chase Fenn

Northwest Trail Outfitters has capacity for three full-time and one part-time (or financial equivalent) employees. These four or more employees will have multiple responsibilities. The total amount of hours they will work together is around 6,700 hours. These hours will need to be split among numerous jobs and responsibilities. The first thing we will need is a marketing promotional manager. This person would manage our social media accounts like Twitter, Instagram, Snapchat, Facebook and other forms of social media outreach. This person would generate clicks and visibility for our company. This person would also need to be versed in customer support, another needed job, to answer questions and concerns from those who call, email, or reach out over social media. Another important job would be our product scout. This person would oversee contacting businesses and trying to get bulk discounts from assortments of manufacturers. This way we can resell their products in our bundles and make money as the middleman. The product scout would work closely with, or perhaps also be, the product

tester. This person would take the products provided by the scout and take them on a hike that befits the gear being used. We would also need a managing type to help manage inventory, some general accounting, logistics, and overall business decisions. Some of these jobs can be shared, some may be done by the same person, but the overall hourly budget should hold true.

Job Title	Hours /week	Wage	Weekly Wage	Monthly Wage	Yearly Wage
Manager	40.00	13.50	540.00	2160.00	25920.00
Social Media Manager	30.00	12.00	360.00	1440.00	17280.00
Customer Support	20.00	12.00	240.00	960.00	11520.00
Product Scout	30.00	12.00	360.00	1440.00	17280.00
Product Tester	15.00	10.50	157.50	630.00	7560.00
IT	5.00	10.50	52.50	210.00	2520.00
Totals	140.00	70.50	1710.00	6840.00	82080.00

Capabilities of the Management Team – Curtis Dolan

Responsibilities

- Ensure packages are put together correctly and shipped in a timely manner
- Resolve issues regarding customers professionally
- Be able to inform possible customers on products and package deals

- Advertise on social media (respond to blogs, reviews etc.)
- Provide progress reports on sales
- Resolve technical issues that may arise on website

Required Skills

Marketing

As any business, advertising and market penetration is a must. Having a manager that is knowledgeable in marketing will help our business grow by obtaining new customers through proper advertising.

Managing Information Systems

Being an ecommerce business, all our transactions are through a website. When the website is having technical issues, they must be resolved so that our business can continue to properly serve our customers.

Extensive Backpacking/Hiking Knowledge

Knowing about backpacking will allow the manager to better respond and inform customers on their concerns. Backpacking can be dangerous and knowing how to better prepare for possible implications and gear needed is what our company is based off.

Experience

- Previous management position preferred
- Bachelor's degree in business field

Preferred Skills

Survival Training

By knowing how to survive extreme conditions, the manager will be able to make our employees more knowledgeable along with the customers. Being able to inform customers on how to survive will show a greater understanding of backpacking and make them more likely to buy our products.

Organization

Running an E-commerce business means having a facility to hold our products before being bought.

Being able to have this facility properly organized, along with transactions, will allow for our company to run more smoothly.

Excel

Being able to use Excel will help keep information more organized and easier to understand. Having knowledge in this area will allow the manager to quickly make dashboards to depict sales and forecasts.

Measures of Success

Good Reviews

Customer satisfaction is what brings old customers back and shows new possible clients to buy from us. With Yelp and other reviewing websites, it is easy to find out how well a company performs. A manager is directly involved in how a business is performing making reviews a direct indicator on how well he/she is doing.

Time to Ship

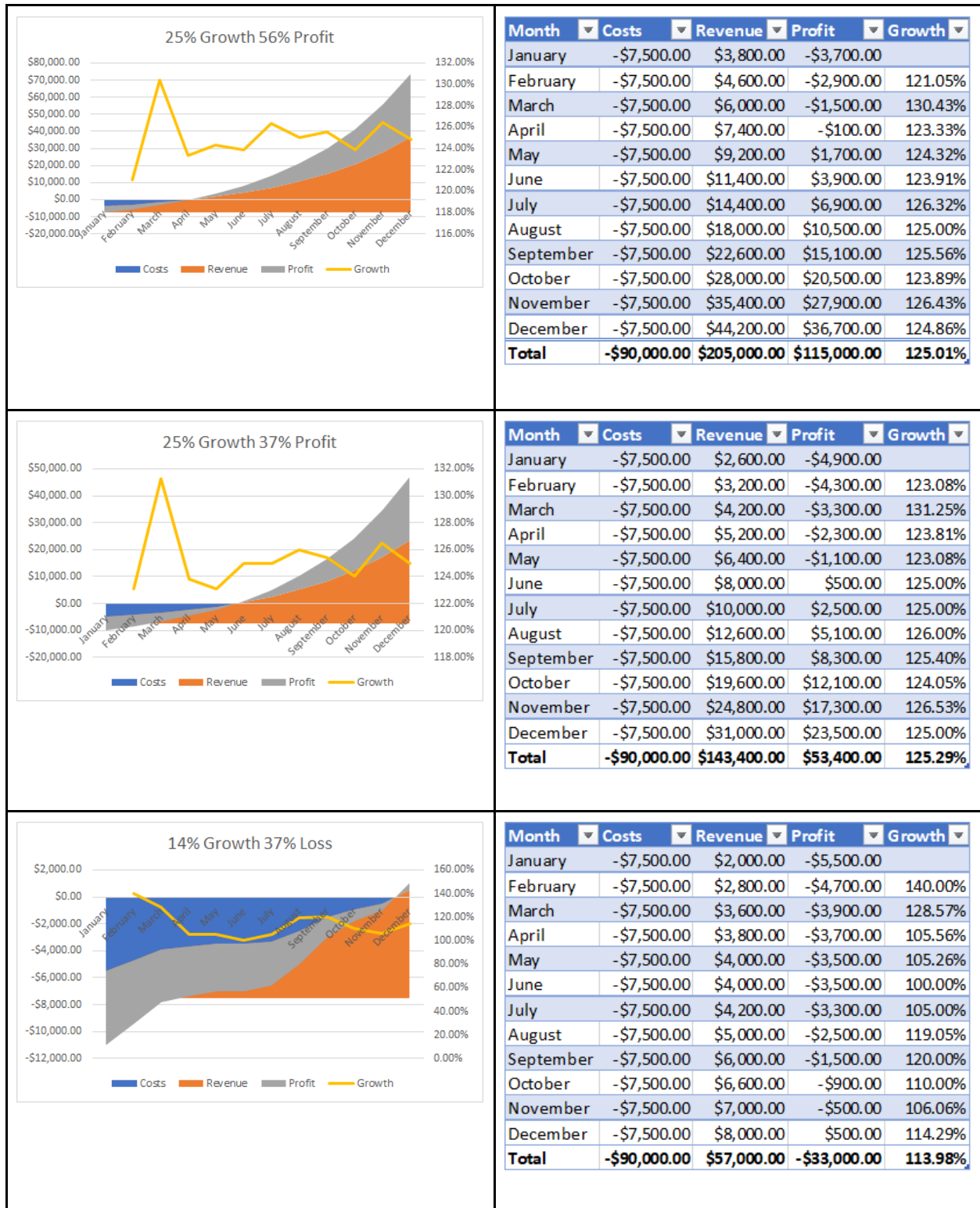
We will be keeping information on time it takes for an order to be shipped from the time of transaction. This will directly relate to the competence of the manager of getting package deals together and shipped.

Replying to Customers

Time that it takes to reply and get back to customers will be logged. This way we can tell how attentive the manager is being and ensuring customers are properly taken care of in a timely manner.

At the startup of a company it is sometimes hard to make profits making it hard to give appropriate benefits for this position. Taking this into account if the manager does well a limited partnership will be offered.

Appendix – Adam Butler



What we decided on was an annual cost of \$90,000 for the first year. From there we spread out the costs over 12 months. Our first outcome demonstrates a 25% growth rate on average per month and 56% profit at the end of 12 months. This scenario assumes that we sold 19 backpacks in the first month. This would be our best-case scenario. In the second scenario, we kept the 25% growth rate on average per month but decreased the profit to 37% at the end of 12 months. The way we achieved this was by decreasing the number of backpacks that we sold in the first month to 13. Although the first scenario and the second scenario have similar growth rates, the second scenario takes us longer to generate profit. For the third and final scenario, we decreased the growth rate on average per month to 14%. We also assumed that we only sold 10 backpacks in the first month. With this scenario, it took us 12 months to finally have a monthly profit. Because of this, our overall loss was 37%.

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