

# **MARKETING PLAN**

## **AZTEC POWER**

**Ekaterina Kutasevich  
Stephen Courtney  
Roger Chen  
Shivam Sharma**

## **Marketing Plan: Aztec Power (AP)**

### **Executive Summary**

Aztec Power (AP) is an on-campus miniature retailer of nutritional supplements, which offers vitamins, minerals, herbal supplements, sports nutrition products and diet and energy products. Aztec Power will be conveniently located right inside Aztec Recreation Center (ARC) allowing ARC members to have access to their favorite products on their way to the locker room. AP shop caters to health conscious ARC members who are aiming to achieve best workout results. Our target customers are SDSU students, alumni and faculty staff who are ARC members and who value the Aztec brand, low prices and convenience. Aztec Power supports gym enthusiasts and takes care of their results. The business idea was born out of the realization that SDSU students are actively working out at the ARC; however, there is no place on campus to buy sports vitamins, nutrition and other supplements. In this marketing report, we have included a complete market analysis, target market summaries, a SWOT analysis, a detailed milestones table, and other relevant discussions vital to making Aztec Power a profitable business.

Our ambitions for this marketing plan include:

- Identifying possible promotion opportunities to create brand awareness and brand loyalty both in the short-term and long-term. Using Internet and SDSU marketing channels to build on-campus promotions.
- Drawing beneficial sponsorships from possible strategic partners. The main goal of an on-campus collaboration is increasing our strategic alliances through cross-promotions. On-campus collaborators which include SDSU, Student Association, Student Health Services and Shake Smart can help us to reduce costs and manage risks
- Identifying Aztec Power strengths, weaknesses, opportunities, and threats, analyzing both external and internal factors which can potentially affect our business;
- Cost and revenues estimation; demonstrating how lucrative our business model is.

We hope this marketing plan creates a long-term growth model for Aztec Power retail success.

Aztec Power is exclusively serving ARC members which makes our target audience, mission and benefits interdependent with ARC. Aztec Power is reliant upon Aztec Recreation Center; therefore, it is critical in our report to address the values of Aztec Recreation Center and how our businesses will benefit from collaborating with each other.

## **Aztec Recreation Center**

The Aztec Recreation Center is a full-service health, fitness and recreation facility operated by Associated Students of San Diego State University. Benefits include group fitness classes, sports leagues, pool, spa, towel service, saunas, tennis, 150+ pieces of cardio, weight training and more. Aztec Recreation Center is Ranked #19 of 82 for Best Gym (1) in San Diego.

Aztec Recreation provides high quality programs, services and facilities that inspire active, healthy living and enhance the SDSU experience. These values serve to guide individual and organizational behavior in Aztec Recreation with values such as safety, respect, professionalism, integrity, service, wellness, and excellence being practiced by all staff (2).

ARC brings together all possible types of gym enthusiasts and athletes as its facilities include 4 basketball courts, a climbing wall, cardio room, fitness room, weight room, group fitness studio and a spinning studio. All combined ARC members present a wide range of active individuals having different needs and goals (2). Aztec Power's goal is to serve all ARC members taking into consideration how diverse our target audience is (Please see **Appendix II**).

## **Market opportunity**

SDSU Aztec Recreation Center members have to flock to companies like GNC and Vitamin Shoppe in order to meet their nutritional needs. We has posed the question: "Why not have those customers loyal to SDSU spend their money in the ARC

gym instead?' Aztec Power's function is similar to that of a vitamin and nutrition store; selling important and popular supplement products such as protein, amino acids, creatine, sports vitamins, and energy bars. Our business idea is based on an unserved need which we consider as an opportunity gap. ARC gym members are doing their workouts on a regular basis and most of them take sport supplements every day. There is no conveniently located place to get such products on-campus as well as in the surrounding neighborhood.

There are 3 significant factors which define our market opportunity:

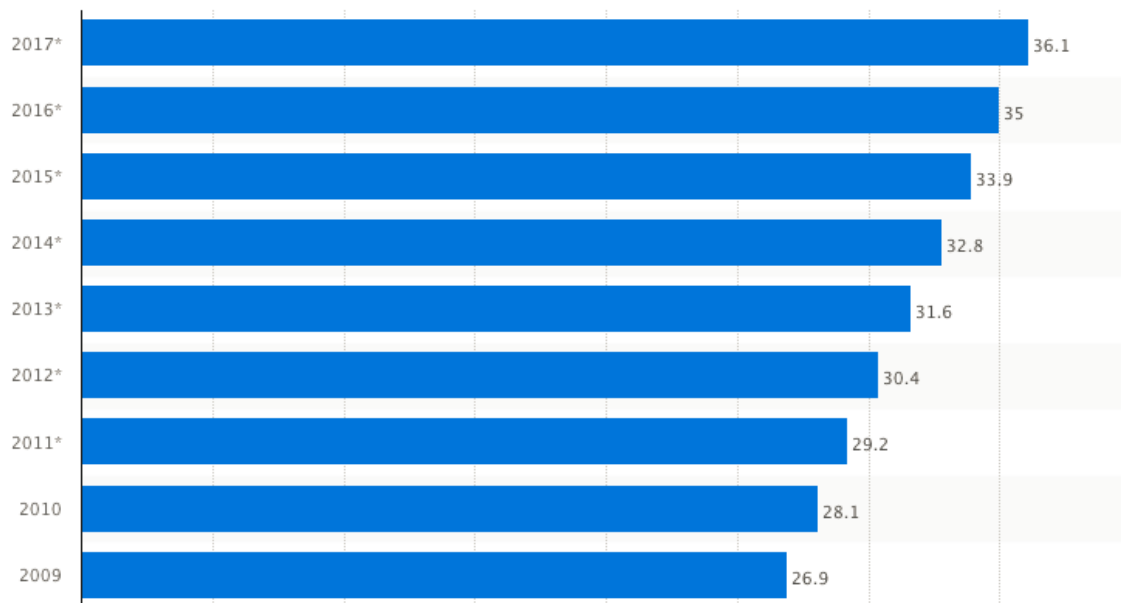
1) **Our target market is growing following 2 trends:** (a) National; (b) SDSU

- a. Fitness industry is emerging and there are more and more people start maintaining a healthy lifestyle. Retail sales of vitamins and supplements rise accordingly as these products relate to sporty and active style of living as shown on the graph below (3).
- b. As more people enroll at SDSU every year, the numbers of members enrolled in Aztec Recreation Center are likely to increase as well. According to ARC, membership growth rate is eight percent each year with around forty-five percent of SDSU students enrolled, which roughly translates to 2,400 new ARC members each year. An increase in the number of ARC members creates a larger clientele for Aztec Power. Our target market in 2014 / 2015 academic year is 13 200 students. Our target market in 2015 / 2016 will be an estimated 14 600 students.

As more people in the U.S. become interested in healthy living (5) and nutrition Aztec Power is positioned within a trending business category. Moreover the

### **Retail sales of vitamins & nutritional supplements in the United States from 2000 to 2017 (in billion U.S. dollars)\***

This statistic shows the value of retail sales of vitamins and nutritional supplements in the United States from 2000 to 2017 (projections from 2011). In 2010, sales of these products reached 28.1 billion U.S. dollars.



brand value will be elevated if additional services such as in-store nutritionist are established. This service will provide clients with better understanding of products in-store. Thus increase clients' awareness of supplements and nutrition and will adjust purchasing behavior in a positive way.

## **2) No direct competition (Campus factor)**

Opening a business on-campus is beneficial as it is a competition-free environment. Although its potential target audience's size is limited, we can identify our

store as a niche player serving college students who are gym enthusiasts. Aztec Power will face no direct competition on-campus but will still face competition from online retailers. The in-gym on-campus location provides our business with an opportunity to make our demand less elastic and to have less price-sensitive and more loyal consumers. Another benefit from an on-campus location is that we can cut our marketing and advertising expenses which will positively affect our margins and help us to get more flexible with our pricing strategy and promotions.

### **3) Convenient location (ARC factor)**

Client traffic generated by ARC fully correspond to our target audience and contributes to consumers' loyalty. ARC clients are 'trapped' and must pass our store each and every time they work out which makes our store irreplaceable and highly noticeable. ARC's marketing campaign creates a flow of quality consumers who value a healthy lifestyle, are body conscious and who regularly work out.

That means we can lower our marketing budget and make our business model more lucrative with decreased advertising costs. Our in gym location creates a scoop net for potential buyers.

### **Strategic goals and marketing objectives**

**Agenda:** To capture most of Aztec Power target audience and to have at least 80% of ARC members visited our store at least once in first 3 months of operation.

Our next step is to build a strong and loyal consumer base which we estimate should be not less than 70% of ARC members. Aztec Power will keep (a) its clients satisfied and (b) margins growing.

In order to maintain a more structured approach to planning and create realistic goals, Aztec Power will apply the widely used SMART marketing objectives (for timeline of implementation please see the Aztec Power Timeline in the conclusion section of our report). Creating SMART goals will help identify Aztec Power's long term goals.

- 1) **Digital channel contribution objective.** Achieve 10% online revenue contribution within two years. Develop an online presence by creating a website and placing Aztec Power name and contact information with SDSU online directories; Design an app in cooperation with ARC to establish loyalty programs and additional services
- 2) **Collaboration objective.** Establish relationships with ARC, Health Student Services, Associate Students and SDSU to make our Supplement Store more profitable; To reach a revenue-sharing rent-free agreement with ARC to keep operational margins high enough to accumulate advertising capital.
- 3) **Conversion objective.** According to a survey a typical consumer is willing to pay no more than \$20 on their supplements. Aztec Power goal is to adjust consumer behaviour with its added brand value and increase the average order value of sales to \$45 per customer.



- 4) **Engagement objective.** Foster active customers to purchase at least once a day to 30% of the target group. Reinforce clients to participate in AP loyalty program;
- 5) **Brand Resonance objective.** Implement an on-campus public-relation and promotion campaign to create an active dialog with Aztec power target consumers through Social Media, flyers, on-campus newspaper, and using authorities as Aztec Power ambassadors (influential minority such as football players, fraternities etc.) to foster word of mouth support; Create a loyalty program for ARC members; Participate and sponsor sport event, sport fairs - promote healthy lifestyle among college students and staff.

**Aztec Power mission** is to become the priority provider of sports supplementary products, nutrition, vitamins and related services to ARC members. We aim to provide a shopping experience that exceeds expectations at a price affordable for students. For our clients we work everyday to boost their workout results, to support health and to make their active life better.

**AP mission includes the following steps:**

- 1) To successfully penetrate AP target audience: In 3 months AP is to sell over 60 positions daily / to get over \$ 2000 in sales every day;
- 2) To create a balanced and effective mix of promotion strategies to change consumer behaviour and increase their spendings at Aztec Power store;

- 3) Create an optimized and balanced assortment of products on Aztec Power shelves to capture all categories of consumers;
- 4) To innovate Student Health Services and ARC: To create a mobile health & fitness app in collaboration with ARC and Student Health Services to add value to our brand;

### **Aztec Power Store Space Concept**

1. Aztec Power doesn't need a traditional store (please see an image below);
2. Aztec Power needs just one wall to place shelves along and 10 foot from the wall to place tables and a cashier;
3. Aztec Power is easy to integrate and fit into a gym's space;
4. Aztec Power is a passage store which creates a net for consumers passing by;
5. Store-Within-a-Gym benefits:
  - a. One of the most efficient uses of space and at the heart of the collaborative consumption movement;
  - b. Additional revenue stream for ARC in terms of rent. Extra space equals opportunity for extra money;
  - c. Aztec Power is a move-in ready space with some minor decorating and set up;
  - d. ARC provides Aztec power with quality 'foot traffic' which is our target audience;
6. Furniture and fixtures include display cases and racks, internal signs, track lighting and a front counter for servicing customers (about \$12,000).



## The Company

### a. Company orientation

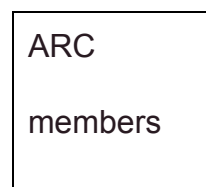
Aztec Power is a consumer centric entity that aims to provide its customers with the elements required to live a healthy and fulfilling life. In this day and age, especially college students are missing out on important nutrients for their body because of their busy, fast paced lifestyles. Our aim is to provide our customers with health food and FDA approved supplements, which are a source for nourishment and are means to maintain and improve one's health. The primary focus and concern is the customer's fitness results and health and we will support and promote that by developing a close knit relationship with our customers.

**b. SBU's/portfolio**

Being a retail shop, Aztec Power works on a single point of operation basis with storage and distribution being taken care of in and through the location within ARC. As a small scale business with a niche consumer base, we have a matrix organizational structure with a clear chain of command. The different divisions such as marketing, sales, etc. though well defined unto themselves, will work as a cohesive unit to carry out the business strategy and meet our goals in an efficient manner (Please see AP timeline section).

Aztec Power's portfolio will continue to develop around the needs of our customers. The services that we will render to meet the needs of our customers will provide benefits for the customer and profits for our business. A brief description of the products that will be offered at Aztec Power is provided later as we move further along with this business plan.

**c. Differential advantage**



**Relevant business strengths**

**Benefits**      **Priority Ranking**      **Location**      **Collaboration**      **Expert Advice**

<i>Convenience</i>	<i>1</i>	(1,1,1)	-	(1,0,0)
<i>Pricing</i>	<i>2</i>	(1,0,0)	(1,1,1)	-
<i>Products</i>	<i>3</i>	(1,1,1)	-	(1,1,0)
<i>Results</i>	<i>4</i>	-	-	(1,0,0)

The primary thoughts on a person's mind when they enters a nutrition store is if it will be beneficial for their health, and if it will help them reach their fitness goals. Some might want to lose weight, while others may be looking to gain more muscle; essentially, different groups of people will want different things. We believe that through consultation with the in-store specialist, we can help the customer find answers to these questions, nullify their doubts and have them develop a nutritional plan that optimizes their fitness standards.

A common but important parameter for a consumer, when shopping, is the convenience of the entire process. Aztec Power capitalizes on the customer's need for convenience by providing an opportunity to purchase their supplements whenever they workout. Our expert staff will help customers decide what supplement works best for their fitness and nutritional goals. The customer, in turn, ends up saving time and money by not having to travel for their purchases, pay shipping costs and wait for days for their shipments to arrive.

Since, the majority of our customers will be students, pricing is an important factor in their purchase. Aztec Power aims to confront this issue in collaboration with ARC, by providing seasonal student discounts on our products, integrate special purchase offers into their ARC membership fees and promptly communicate said offers/discounts to the customers.

In summary, while our competitors may be able to match us or do better than us in some departments (providing specialist advice, price discounts, product variety) but Aztec Power still has a sustainable differential advantage over the competition through our store location and collaborative business model.

## **The Customer**

### **a. Three key questions**

#### ***1. Who is the customer?***

The members of ARC are Aztec Power's customers. The majority are young people aged below 25 as they make up 78.3% of the total group. The group consists of SDSU students, alumni and staff with a small percentage (8.2%) not being affiliated to either of these. In addition, approximately 77% of the market survey respondents were men.

## ***2. What does the customer value?***

Aztec Power's customers are gym and fitness enthusiasts and people who strive to live a healthy lifestyle. For them, nutrition is an important part of their lives and more often than not they are very particular about what they intake and are aware of the different products available in the market. The emphasis is more on performance than general health. While athletes and casual gym goers who consider a workout to be more of a recreational activity take supplements as a means to boost stamina and increase overall physical and mental health performance, the more serious gym members with an active interest in bodybuilding use the products for muscle gain and to help with their post workout recovery. At the same time, a select group may be looking for products that aids them in their weight loss program by helping them lose the excess pounds more rapidly. Thus, a variety of products may be desired based on gender, age or size (4).

Pricing is another important variable seeing as how a majority of the customers are going to be students. This is further analysed in the breakdown of our market survey.

A point of note is that the growth of the supplements industry has both added to and been aided by a fast growing trend, specifically amongst the younger generation, of replacing traditional meals with protein shakes/supplements and ready to go nutritional meals. These substitutes are seen as more convenient and efficient rather than having to eat large quantities of high protein food. This trend is the new 'it' thing and is sure to encompass more people in the coming years.

### ***3. How can we communicate with the customer?***

Because of Aztec Power's very concentrated customer segment and the locational operation base (right inside the ARC), we will focus on in person interaction to communicate with our customers and to let them know about the benefits of the products we deal in. Such a method also gives us a better opportunity to increase the customers' loyalty towards our store and develop strong word of mouth through the exemplary service that we hope to provide.

Furthermore, we will use social networking platforms such as Facebook, Twitter and Instagram to increase our brand awareness outside the ARC walls. Also, a mobile application in collaboration with ARC is in the cards to further our connection with the customers and make them aware of any new deals or products that we offer.

We will also create a reward application to keep our consumers' loyalty. One of our collaborators - Shake Smart did an app which Aztec Power will use as a benchmark (3).

#### **b. Needs exhibited, benefits desired**

The marketing team conducted a survey amongst the members inside ARC to get a clear understanding of what our customers desire and hope to achieve from a nutrition store within ARC. 33% of the respondents said they took some kind of supplements daily, 19.6% took weekly and 23.7% said they took supplements only occasionally while the remaining 23.7% said they do not partake in any supplements intake. Having a certified nutritionist on board with Aztec Power, we will communicate the benefits of our



products and of supplements as a whole to increase the number of people who take supplements on a more regular basis, daily or weekly.

Protein was the most favored supplement with 72% preference while amino acids and sports multivitamins were preferred at 14.4% each. Also, most of the group (60%) said they would spend a maximum of 30\$ at the nutrition store monthly while 35% were willing to spend up to 60\$. This goes to show that even though there is an evident demand for nutritional supplements; but, because the majority of the customers are students, they are also very price sensitive. 51.5% of the respondents do not purchase supplements online; a point of note here is that online purchases are not a threat for us because of the convenience of buying the products when people come to workout rather than waiting for days and paying shipping costs.

Based on the needs exhibited, the general benefits desired by the customer can be summarised as follows:-

- The benefit of purchasing on the go meal substitutes without compromising on the nutritional needs of the body.
- To be able to choose from a variety of products based on what the customer's goal is; muscle gain, muscle recovery, increase in stamina or weight loss.
- To be able to buy the products at a convenient location without having to worry about traffic or shipping costs.

- The benefit of consulting with an expert to have a clear idea of what one needs to achieve their goals and which product would supplement that need most efficiently.
- To be able to buy the nutritional supplements within a price budget, especially for students.

Aztec Power's business prospects depend on the ability to fulfill the aforementioned benefits in an efficient manner to guarantee customer loyalty and the influx of new customers.

Everything being taken into account, the concept of a nutrition store within ARC generated a very positive response with most respondents being excited at the prospect that they can get their supplements right inside the gym rather than having to buy them at specialized stores or online.

### **c. Estimated life time value**

Loyal customer base = 30% of ARC members (This group is expected to be mostly SDSU students and thus it is assumed that their lifetime period is 4 years by taking into account their average timeline of academic studies/stay in SDSU)

Retention rate = 80%

Annual discount rate,  $d$  = 10%

Profit margin = 20%

$t$  = time period

Present value = cash flow/(1+d)<sup>t</sup>

*\*The estimates have been determined in a conservative manner after discussions with ARC, Shake Smart and research into the retail nutrition industry.*

	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>
<b>Total customers</b>	4,380	3,504	2,803	2,242	1,794
<b>Annual revenue/ customer</b>		\$240	\$240	\$240	\$240
<b>Profit Margin %</b>		20	20	20	20
<b>Acquisition cost</b>	\$1				
<b>Total cost or profit</b>	-\$4,380	\$168,192	\$134,544	\$107,616	\$86,112
<b>Present value</b>	-\$4,380	\$152,902	\$111,193	\$80,853	\$58,816

The total net present value over 4 years = \$403,764

Total acquisition cost = \$4380

Therefore, net CLV (after deducting acquisition costs) is \$399,384 or \$91.18 per customer.

## **The Context**

### **a. Demographic, economic, cultural, etc.**

The life of a college student is fast paced and demanding. The average life of a student is burdened with responsibility often leaving little time to run essential errands. Aztec Power seeks to turn the campus gym into a one stop shop for health by providing essential vitamin supplements in conjunction with physical fitness.

A survey conducted by The President's Council on Fitness, Sports & Nutrition found that "90% of Americans eat more sodium than is recommended for a healthy diet" and that, "Americans eat less than the recommended amounts of vegetables, fruits, whole-grains, dairy products, and oils"(6) depriving most Americans of essential vitamins.

College students are no exception to the national vitamin deficit. In fact, college students are even more susceptible to poor diet. Nutrition instructor, Dr. Alison Borkowska explains that "overwhelming schedules can be a major reason for students' bad eating habits...They're encountering levels of stress and scheduling that they've

never experienced before” (7). The busy schedule of a college student leaves little time to plan for a healthy diet.

At the same time, the rise of physical fitness in America has led to greater body expectations that can not be gained through physical fitness alone. Exercising alone is not enough to achieve the body types proudly displayed in magazines by fitness models (13). As fitness culture gains more and more popularity in America, supplement stores have become an essential part of the fitness industry. Supplement stores provide protein powders and amino acids essential to meeting physical fitness goals. Without these important supplements, achieving the desired body would be nearly impossible.

Obesity in the United States also continues to be an ongoing issue. As Americans become preoccupied with obligations to work, school and family, their bodies pay the price. The US Department of Health and Human Services estimates that three out of four Americans are considered to be overweight (14). The determinants of an overweight society become more pronounced as time goes by with increases in heart disease and type two diabetes.

Having a good body is desired by all, but finding the time to go to the gym and shop for supplements is difficult. When targeting college consumers, convenience is not just an important product feature but essential for market penetration. Aztec Power makes proper nutrition both easy and convenient by placing a vitamin shop at the center of campus inside the ARC gym, creating a one stop spot for health

## **b. Forecasted demand**

The context above allows the demand for Aztec Power to be forecasted. Demand for Aztec Power can be illustrated conservatively as the total student population of San Diego State University, multiplied by the percentage of students who are members of Aztec Recreation Center (ARC), multiplied by the percentage of ARC members who indicated in our survey that they would be willing to buy vitamins from Aztec Power. Taken from our customer survey below, market potential demand can be calculated as follow:

30,000 SDSU student population x % of students enrolled in ARC (55%) x % of ARC members who would be willing to purchase from our shop (78%)

$$30,000 \times .55 \times .78 = 12,870$$

The resulting calculation concludes that out of a total population of 30,000 students, Aztec Power has a potential market of 12,870 people, over forty percent of the market. Clearly, there is a large market for Aztec Power to service.

## **The Competition**

### **a. Industry attractiveness, entry requirements**

Based upon our calculations above, and a projected 60 billion to be spent by Americans on dietary supplements by 2021, the dietary supplement business is very attractive (9). The high amount of revenue projected to be captured by the firms in the

dietary supplement industry will no doubt attract firms seeking entry into an increasingly crowded market place.

Currently GNC (General Nutrition Center) holds a commanding 27% of total sales for the sports nutrition market, making the market as a monopolistically competitive one(10). Other competing firms in the field include RAD (Rite Aid Corp), Herbalife Ltd. And VSI (Vitamin Shoppe Inc.)(11). Even though the dietary supplement field is crowded, the projected growth of the industry will likely continue to attract new firms.

Due to the vastness of the field, supply of the necessary ingredients to create a working supply chain are abundant. The resources needed to make simple vitamin and protein supplements are readily available and can be purchased through multiple wholesalers. Well Wisdom, Vitamin Manufacturer and Private Label supplements are just a few examples of vitamin wholesalers located in the San Diego area.

In relation to the rest of the market, barrier to entry into the dietary supplement industry will only be the cost of real estate, supplies and labor. Although the cost of entry is low into the industry, start up firms will be price takers as opposed to price makers due the strong positioning of GNC.

#### **b. Direct and indirect**

Currently, there are no vitamins and supplements stores on campus at San Diego State University. With no vitamin shops near by campus, Aztec Power would have to contend with a paucity of direct competition. Although not as specifically focused as

Aztec Power, supermarkets such as Ralphs do sell vitamin supplements and can be considered competitors.

The closest vitamin store closest to San Diego state is located on college blvd and is owned and operated by GNC. Although GNC is the main firm in the industry, the off campus location should provide little geographical competition to Aztec Power.

Geographically speaking, Aztec Power has little competition. Nevertheless, in the internet age Aztec Power would also have to contend with online merchandisers such as Supplement Warehouse who directly compete for our target demographic.

Additionally, Shake Smart, an on campus vendor, serves as indirect competition to Aztec Power. Shake Smart in addition to serving dessert like beverages infuses some of their products with vitamin 'shots' such as protein and Vitamin C which overlaps with our target market.

### **c. Differential advantage for main rival(s)**

The main differential advantage of our rivals is economies of scale and brand awareness.

GNC is already well established in the vitamin supplement field and controls 27 percent of the market. Other vitamin suppliers such as Rite Aid have also built a strong brand in the industry. Aztec Power as a start up venture does not yet possess the brand power of other firms in the market. Consumers take health very seriously, making brand loyalty an important feature of the market.



Aztec Power is positioned towards a narrowly focused demographic in college students. Despite having a market segment more inclined to purchase, the market size is relatively small compared to our competitors, making an economies of scale benefit unlikely to be achieved. Firms such as GNC can reduce the overall cost of their supplements to a level that may be difficult for other start up firms to match due to the volume of goods sold.

## **The Collaborators**

### **a. Channel partners**

In order to keep prices low, Aztec Power will implement a two level consumer marketing approach. Aztec Power will partner with the vitamin wholesaler Vitalabs inc. based out of Southern Georgia(12). Vitalabs inc. offers wholesale prices and free shipping to vitamin shops. These discounts will allow Aztec Power to offer competitive pricing with other vitamin retail stores.



In addition to our consumer marketing channel, we will also be in a marketing collaboration with ARC and a possible business venture with ShakeSmart.

A marketing collaboration between ARC and Aztec power is mutually beneficial for both companies. Aztec Power benefits from ARC's advertizing campaigns due to an increase of customers. ARC benefits from Aztec Power as another feature of their gym that could entice more people to join the gym.

Aztec Power would also seek to form a collaborative business venture with ShakeSmart. There is a slight overlap between the firms in terms of offering vitamin supplements to consumers; and, rather than compete directly with ShakeSmart over that segment, it would be mutually beneficial for both companies to collaborate in the vitamin business.

#### **b. Value allocation**

As a retailer, Aztec Power will sell to the direct population making most of the value split between our company and the wholesaler. The wholesaler will receive the cost of goods, and Aztec Power will receive the 20 percent profit margin on sales.

The simplicity of this allocation could be complicated depending on if Aztec Power is able to secure a collaborative marketing agreement with ARC. One such possibility would be ARC supplementing 5 percent of the price of sale for ARC student members in an attempt to increase their own business.

#### **5Cs Summary**

Summarily, the company, Aztec Power, is a retail nutrition store located inside ARC that will exclusively cater to ARC members and provide them nutritional

supplements and other related products in sync with customer demand and also have trained employees and an in-store expert to make sure that our operational activities are in conjunction with our business strategy to provide optimal service to the customers, while simultaneously generating enough revenue to grow and expand our business.

Our customers are ARC members; the majority of whom are students, with a comparatively small percentage of alumni, staff and community members, who are fitness enthusiasts and require supplements to compensate their daily nutritional intake due to a variety of reasons. The needs of the customers can differ according to the segments they belong to such as gender, age, body type, recreational athletes or active bodybuilders.

Aztec Power will be entering into a market with a context that includes: college students, physical fitness and the supplement industry. The health demographic of the people being served could be summarized as very body conscious and improvement oriented. The demographic possesses disposable income and is willing to spend money to keep their bodies healthy.

Aztec Power benefits from a dearth of competition on or in close proximity to its target market. The competition for Aztec Power can range from supermarkets such as Ralph's, which sell selected supplement products, to a specialized store such as GNC. Shake Smart, though defined outwardly as a collaborator to our business, but in the truest sense, this collaboration can be summarized as coopetition, i.e., a collaboration between business competitors, in the hope of mutually beneficial results.

In order to serve this demographic, Aztec Power will collaborate with a number of partners. Aztec Power will receive its product from Vitalabs, a vitamin wholesaler. Aztec Power will also operate in conjunction with ARC gym and will strive to serve the joint customers in a way beneficial for both firms. Additionally, Aztec Power will develop a joint market strategy with ShakeSmart, that will be mutually beneficial for both companies.

#### **a. SWOT Analysis**

**Strengths** - The most significant strength of Aztec Power is that it is in close proximity to its target consumer base, i.e. ARC members. Having the store within the ARC confines is an advantage in itself as it calls for minimal marketing investment and gives us a great avenue to build a strong relationship with our customers and also makes communicating with them much easier. In aligning our business with ARC, we ensure their continued support and aim at creating a highly profitable collaboration with them through a “help us, help them” approach. Since the rent we pay ARC is a percentage of the revenue we generate, it also gives ARC an incentive to help us develop and grow our business and share their resources when needed.

Limited competition, quality products and high profit margins are some other metrics that ensure our start up has limited risk and greater success probability.

**Weaknesses** - The greatest hurdle is the perception that people have about nutrition stores and supplements in general. The vitamin and supplements industry has

experienced growth in recent years but the skepticism that supplements come with side effects and do more harm than good still prevails. This underlying belief could be the greatest detriment in establishing our business as Aztec Power has a very niche consumer base; but we hope to prevent this by having a nutrition expert as the face of our store to convince the customers about the safety and benefits of our products.

**Opportunities** - People have become more health conscious and the supplements industry is estimated to grow at a steady rate. The close connection we plan to develop with our customers could give us the benefit of reaching an audience outside ARC through strong word of mouth; the customers could promote/buy products for their friends and family.

Plus, the success of Aztec Power can give us the platform and capital required to expand our business and products/services to other college gyms as well.

**Threats** - The products being sold at our store are also sold at more reputed stores like GNC as well, so we will be competing with them and will have to ensure that the pricing and quality of our products in no way fall below the expected standards. Steps and caution have to be taken to make sure that the business does not fall prey to the bargaining power of the supply vendors of its products. Also, even though Shake Smart does not provide as many diverse products/services as we do but they have an established business and a loyal customer base as well; we have to ensure that our collaboration with them does not in any way risk our business.

Additionally, even though we are an independent business, we still have to follow the regulations of ARC (and SDSU as a whole) and operate under them. Any change of management, regulations or any unforeseen factors that are against or damage our business relationship with ARC could be a grave threat to Aztec Power.

## **Marketing Research**

### **a. Relevant data collection and instruments**

Since Aztec Power has to work very closely with ARC, it is important to collect both **operational data** from ARC and **marketing data** on our own. We have been working very closely with several key staff members from ARC, such as Mark Zakrzewski, the director of Aztec Recreation, Amy Schiller, the marketing coordinator of Aztec Recreation, as well as some other key members from Aztec Shop, and Health Promotion from SDSU to collect any relevant information attribute to the marketing research (please see **Appendix I**).

To better understand the potential market needs, setting up a direct survey to existing ARC members is a necessary step to begin with. The paper-copy survey was distributed inside gym by the marketing team with the cooperation from ARC faculties. After completion of the survey, the survey answers were transferred into electronic data to generate metadata. The survey findings, which is illustrated in the following section, demonstrate a great opportunity of this business. The sample survey is in the **Appendix VII**.

## **b. Data collection**

### **Operational Data:**

- The average membership is around 16500 during academic semester and 10000 during summer.

### **Marketing Data:**

We initially made 100 surveys, but 3 of the survey answers are incomplete or inaccurate.

Based on the 97 survey copies of answers we received, we are able to conclude the following :

- **Survey taken by gender:**
  - 77% male
  - 23% female
- **Supplements consumed by ARC members:**
  - 33% takes supplement daily
  - 20% takes supplement weekly
  - 24% takes supplement occasionally
- **Types of supplements by ARC members:**
  - 72% takes protein
  - 6% takes mass gainer
  - 14% takes Amino Acids
  - 14% takes multivitamins
  - 6% takes others(Creatine, dietary fiber, etc)

- **Purchase Online by members who take supplements**
  - 64% has purchased online
  - 36% has never purchased online
- **Monthly spending on supplements by ARC members**
  - 61% spends \$0-30
  - 23% spends \$30-60
  - 11% spends \$60-100
  - 5% spends \$100+
- **Willingness to purchase at Aztec Power (1 as the least, 5 as the most) by ARC members**
  - 5% gives 1
  - 10% gives 2
  - 31% gives 3
  - 22% gives 4
  - 32% gives 5
  - Average willingness: 3.65
- **Desired Monthly spending at Aztec Power by ARC members**
  - 60% is willing to spend \$0-30
  - 35% is willing to spend \$30-60
  - 4% is willing to spend \$60-100
  - 1% is willing to spend \$100+



Based on the above findings from both operational data and marketing data, we can calculate the predicted monthly revenue in the most conservative fashion by using the lower bound of the range:

**During academic semester:**

$$\$16,500 \times (60\% \times \$0 + 35\% \times \$30 + 4\% \times \$60 + 1\% \times 100) = \$229,350$$

**During summer:**

$$\$10,000 \times (60\% \times \$0 + 35\% \times \$30 + 4\% \times \$60 + 1\% \times 100) = \$139,000$$

**c. Planned CRM efforts**

Due to the nature of our business model inside ARC, building a solid long-term relationship and a positive reputation with customers is key to the success of Aztec Power. Taking advantage and making good use of our natural pool of consistent potential customers are very crucial to sustain the business.

Gathering feedback and delivering what customers want should be regular activities in Aztec Power. The feedback has to be accurate and directly from the existing customers. Every time when customers make a purchase, they can use the order number on the receipt to fill out an online or a paper-copy survey. After completion of the survey, they are rewarded with a discount on the next purchase. The survey will be gathering data about overall shopping experience and particular purchased items. Different data analytical tool, such as XLMiner, Tableau, SAS, SPSS, R, will also be used to process and analyze data. The data will be processed regularly to make

suggestions and changes to increase customer satisfaction and improve business performance.

## **Market Concentration Decision**

### **a. Market segmentation**

The market segment can be categorized into two big groups of ARC members: students and non-students. ARC Members can be further categorized into male(77%) and female(23%). The reason gender is used as demographic segmentation is it suggests statistical significant difference in the purchasing behaviors of supplements between male and female, which is demonstrated in the following section.

### **b. Targeting**

To better target each particular market segments for male customers and female customers, we have to understand their different purchasing behaviors in supplements, which is included in the following survey results:

- Male members:
  - 79% purchases protein
  - 8% purchases mass gainer
  - 17% purchases amino acids
  - 15% purchases multivitamins
  - 7% purchases others(Creatine, dietary fiber, etc)
  - 24% spends \$30-60
  - 13% spends \$60-100

- 5% spends \$100+
- 39% is willing to spend \$30-60 at Aztec Power
- 5% is willing to spend \$60-100 at Aztec Power
- Female members:
  - 50% purchases protein
  - 5% purchases amino acids
  - 14% purchases multivitamins
  - 5% purchases others(Creatine, dietary fiber, etc)
  - 18% spends \$30-60
  - 5% spends \$60-100
  - 5% spends \$100+
  - 23% is willing to spend \$30-60 at Aztec Power

Based on the findings from above, male members are obviously our main target group because they yield higher percentage of base population and spend substantially more than female members. Protein is overall the most popular supplements in terms of nutrition types. Multivitamin is relatively more popular among females for members who take supplements. More interestingly, the percentage of members who are willing to spend at Aztec Power are higher than they usually spend for both male and female in the range of \$30-60, which tells us Aztec Power will be the absolute substitute for other competitors if we can provide the benefits in price and convenience for ARC members.

### **c. Positioning**

The goal of Aztec Power is to become an ultimate “zero-stop” shop for our major customers. In order to attract ARC members to our store, convenience plays a natural advantage which can be attributed to our business model. Price is the next key decision making factor for our customers. The Points of Parity (POPs) and Points of Difference (PODs) help us to better benchmark our products and position our store in the market.

- POPs with competitors, such as Amazon, Bodybuilding, GNC:
  - Provide variety of supplements and nutrition;
- PODs with competitors:
  - Irreplaceable convenience in terms of location and service;
  - Pre-order service;
  - Competitive price;
  - Expert advice;

The value proposition of Aztec Power is to provide supplements with convenience and competitive price for ARC members.

## **Marketing Mix Decisions**

### **a. Product**

Since we are a miniature retailer that provides workout supplements and therefore our turnover rate is small, we do not carry any products with our own brand name. For the purpose of offering supplements to ARC members, our store will first carry the top popular sellers from the market, including protein, creatine, mass gainer,

pre-workout supplements, amino acids, multivitamins and dietary fiber to align with our earlier survey results. Market and consumer research will then be performed regularly on ARC members to find out what supplements our customers will look for down the line. The following is a draft list of products and corresponding product type we will likely to carry at the initial stage (16):

- Optimum Nutrition Gold Standard 100% Whey (Muscle building whey protein powder)
- Optimum Nutrition Micronized Creatine Powder (99.9% pure creatine for muscle building)
- Optimum Nutrition Essential AminoN.O. Energy (Amino acid powder for increased energy)
- Optimum Nutrition Fish Oil Softgels (Omega-3 essential fatty acids)
- BPI Sports Best BCAA (Amino acid powder for workout recovery)
- JYM Pre JYM (Pre-workout powder powerhouse)
- JYM Pro JYM (Blended protein supplement for maximum effectiveness)
- JYM Post JYM Active Matrix (Post-workout powder for recovery and growth)
- JYM Vita JYM (Daily multivitamin tablet)
- MuscleTech Phase8 (Muscle building protein powder blend)
- MuscleTech Platinum Multivitamin (Advanced high-potency vitamins and minerals)

## **b. Price**

Due to the nature of our business model, our store will save tremendous spending in startup costs. Savings in startup costs will carry over to the final price of the products. These savings will allow us to offer more competitive prices in comparison to our competitors such as GNC. The price mechanism is simple and the result should be effective. As long as the price we offer for the same product is the same or cheaper than what our competitors offer, we would have the upper hand attributed to the convenience of our location.

According to our survey, 95% of ARC members who take supplements purchase protein. Aztec Power will use protein as an overall Break-even Volume (BEV) for all products and \$45 per bottle. All of the estimations for revenue and expense will be based on the survey data. As such, the marketing perspective, instead of product perspective, will be applied to generate a reasonable BEV for Aztec Power. Therefore, the traditional BEV formula is of little use in these calculations. Aztec Power will accrue the average monthly total expense of \$225,630 during the regular semester. During the winter and summer breaks, Aztec Power will accrue the average monthly total expense of \$153,470 due to less customers present.

**BEV(Regular Semester) =  $\$225,630 \div \$45 = 5014$  bottles of supplements.**

**BEV(Summers and Winters) =  $\$153,470 \div \$45 \approx 3410$  bottles of supplements.**

### **c. Promotion**

Because of the beauty of Aztec Power's business model, the best promotion for an in-store shop is the reputation of price and service. Our store location is the best promotion already. On top of that, we will utilize social media (Facebook and Twitter) to further promote the business from free and internal resources. Additional promotion, such as posters and flyers will also be distributed throughout the campus. The estimation for labor and material costs is \$200.

### **d. Placement**

Aztec Power will only have one initial location, which is located inside ARC gym at SDSU. The market coverage includes ARC members, SDSU students, faculty members, and the nearby community. Due to the advantage of our location, a pull marketing strategy can be easily leveraged to build a solid reputation and long-term relationships with our target market groups.

## **Conclusions**

### **a. Timeline of implementation**

In Aztec Power's timeline of implementation we took a comprehensive approach which includes not only marketing efforts which are planned to be taken, but also establishing a business process and networking activities which are critical for keeping our marketing strategy consistent and effective.

We took a moderate perspective to set tactical goals in Aztec Power's timeline. Our strategy is to cover the whole target group and attract more people to Aztec Power.

All tasks are divided between our management team: Kate, Shivam, Roger and Stephen, and the delegation of tasks is based on the skills and abilities of each team member. Our business has a simple structure and our organizational process has a matrix structure to reach interdependency, flexibility and effectiveness (Please see **Appendix III** for Aztec Power detailed timeline).

In this marketing plan we are using SMART marketing objectives and the following timeline corresponds with Aztec Power strategic marketing objectives:

- 1) **Digital channel contribution objective** - (3) Advertising and Marketing section of the timeline, subsections (a), (b), (c), (d)
- 2) **Collaboration objective** - (2) Network and Collaborators section of the timeline
- 3) **Conversion objective** - (3) Advertising and Marketing section of the timeline, subsections (h), (i)
- 4) **Engagement objective** - (3) Adv. and Marketing section of the timeline, subsections (c), (f)
- 5) **Brand Resonance objective** - (3) Adv. and Marketing section of the timeline, subsections (g)

## **b. Budgets and Forecasts**

To estimate the total startup budget, all costs have been broken up into three major categories: One-time fixed cost, fixed cost, and variable cost. The detailed lists for



each category is included in **Appendix IV**. In order to provide more accurate estimations of the cost and to make the business plan more feasible, expected revenue should be allocated first. The following is a further explanation of the costs in **Appendix IV**.

According to our survey data, the expected monthly revenue should be the total monthly spending at Aztec Power from ARC members from four ranges: \$0-30, \$30-60, \$60-100, and \$100+. Again, the expected revenue is calculated in a conservative fashion with the lower end of the range being used. The expected monthly revenues are different during regular semesters and holidays since most of ARC members are SDSU students. According to the internal information from ARC, the average number of members is 16500 during regular semesters(Feb-May, Sep-Dec) and 10000 during summers(June-Aug) and winters(Jan).

**Expected Monthly Revenue (Regular Semesters)** =  $16500 \times 60\% \times \$0 + 16500 \times 35\% \times \$30 + 16500 \times 4\% \times \$60 + 16500 \times 1\% \times \$100 = \$229,350$ .

**Expected Monthly Revenue (Summers and Winters)** =  $10000 \times 60\% \times \$0 + 10000 \times 35\% \times \$30 + 10000 \times 4\% \times \$60 + 10000 \times 1\% \times \$100 = \$139,000$ .

**Legal/Professional Fee** includes any types of business startup applications, such as licensing fee, application for tax certificate, and any legal consulting spending.

**Rent Deposit** is a one-time rent deposit to ARC, the landlord of Aztec Power location. It is an approximate amount of the fixed part of the rent.

**Remodeling Fee** is associated with any costs involved setting up the booth/kiosk inside ARC. Such costs include labor, materials, and etc. The estimation of remodeling fee is referred from Mark's prediction.

**Cash on Hand/Operating Capital** is the minimum amount of liquid assets Aztec Power should have as a startup to keep the business running and to help service a full customer base..

**Marketing/Advertising Promotion** should not be too much of concern because our target customers physically pass by Aztec Power every day. The only cost involved is the labor to set up the social media account and print out posters and flyers, which is also mentioned in promotion in marketing mix decisions.

**Technology Cost** mainly includes the payment transaction system, website design, and development of the mobile apps. Average website design includes interface, content, transaction features costs \$12,000. The coherent mobile apps would cost \$10,000 for both ios and android systems. The payment transaction should cost \$1,000 to implement. Since technology development involves various uncertainties and risks, the total technology cost is set up to be \$25,000 with \$2,000 buffer budget (17).

**Rent/Lease Payment** can be either just a percentage of the revenue or a combination of a fixed payment with a percentage of the revenue. According to our communication

with ShakeSmart, the protein shake store right outside ARC, we were able to learn their rent model with ARC. Since Aztec Power is right inside ARC, the expected rent should be around 20% of the revenue regardless of which rent model is used. The rent will also include the rental storage to stock inventories from ARC.

**Rent/Lease Payment (Regular Semesters) =  $\$229,350 \times 20\% = \$45,870$**

**Rent/Lease Payment (Summers and Winters) =  $\$139,000 \times 20\% = \$27,800$**

**Insurance** cost should be relatively small because of our location benefited from the partnership with ARC(18).

The physical setting and business operation model should be efficient enough to have at most two employees working at Aztec Power at a time. One is mainly in charge of purchasing and the other is mainly in charge of inventory. The employee salary is based on a fixed amount plus a commission. Considering that the number of expected customers varies by hour and the day of the week, the total commissions from revenue will be equally divided among all employees. An appropriate compensation model for regular employees should be developed to generate an expected hourly salary of \$16, which is a reasonable rate to keep employees motivated, and it is also more competitive than most on-campus jobs. On the other hand, the nutrition expert will be getting paid at approximately \$20 per hour, which also includes a fixed amount plus the commission because they are not only providing nutrition expertise, but also doing regular employees' duties. The nutrition specialists candidates would most likely be the

interns/students from SDSU exercise and nutritional science department. The business hours are from 9:00am to 10:00pm every day. During the hours between 10:00am to 2:00pm, Aztec Power will have only one nutrition expert working at the shop. During the hours between 2:00pm to 10:00pm, Aztec Power will have two employees, and one of them is a nutrition expert, working at the shop. If we are using 30 days for a month.

Salaries to regular employees =  $\$16 \times 8 \times 30 = \$4800$

Salaries to nutrition specialists =  $\$20 \times 12 \times 30 = \$7200$

**Total Employee Salaries and Commissions** =  $\$4800 + \$7200 = \$12000$

If the percentage of buying price from suppliers to selling price to customers at Aztec Power is assumed conservatively at 60%.

**Cost of Goods Sold (Regular Semesters)** =  $60\% \times \$229,350 = \$137,610$

**Cost of Goods Sold (Summers and Winters)** =  $60\% \times \$139,000 = \$83,400$

**Gas and shipping Costs** apply when the product supply model requires us (purchaser) to pay a portion of the shipping expense.

**Interest Payment** is a monthly payment of the initial startup borrowed using a well reserved amount of \$260,000, which is more than what we need at \$259,520 of estimated total startup cost. The initial borrowing is broken into 12-month period payments with 3.0% monthly interest rate, which yields \$26,120 per month of interest payment in the first year.

**Legal/Accounting Fees** involves the payment for accounting professionals from the third party periodically. Regular bookkeeping and reconciliation is required on weekly basis.

**Technology Maintenance** includes domain, hosting, and any other types of maintenance for both websites and mobile apps.

The expected budget and revenue analysis yields incredible results for the first couple of years, and the performance will only get better as the business grows. Notice that there is a negative earnings from June to August in the first year because the summer enrollment at ARC and SDSU is expected to be lower than regular semesters; which, will potentially hurt our profit margin in conjunction with the liability of interest payment during the first year. After that, a strong bounce-back is anticipated, and tremendous growth is expected after the first year.

Even through our financial analysis and statement yield amazing results throughout the first two years(**Appendix V**), it is completely reasonable to have negative profit for the first several months due to the natural revenue curve for a startup business. The possible reasons include the probability and time our target customers need to cancel their earlier subscriptions and shift their loyalties to Aztec Power. But that is perfectly acceptable because most of our total expenses attribute a percentage of the revenue, such as COGS(60%), and the rent(20%), which provides a cushion and tolerance for poor business performance. On the other hand, as time passes by, our

superior convenience of location, competitive price of products, solid reputation of service will kick in along with sustainable business growth to provide the best accessibility of desired workout supplements for all ARC members.

## **Appendix I. Aztec Power Negotiation Process**

### **Contacts:**

Main contact: Mark Zakrzewski, Director, Aztec Recreation

Associated Students, San Diego State University

ShakeSmart: CEO Kevin Gelfand [kevin@shakesmart.com](mailto:kevin@shakesmart.com)

Aztec Shops: Debbie Burchianti [debbie.bruchianti@darth.sdsu.edu](mailto:debbie.bruchianti@darth.sdsu.edu)

Health Promotion: Kashmone Hamilton [khamilton@mail.sdsu.edu](mailto:khamilton@mail.sdsu.edu)

Amy Schiller is the Aztec Recreation Marketing Coordinator: [aschiller@mail.sdsu.edu](mailto:aschiller@mail.sdsu.edu)

## **Appendix II. Aztec Recreation Center Member Info**

Our customers are SDSU students, faculty, staff, alumni and community members.

Average membership during academic semester is 16,500

Average membership during summer is 10,000

Hybrid model: Financial model is closer to club models; Independent; allums; no affiliation with campus at all;

Pricing(flexible); Affiliate / Students / No affiliation

97% revenues from membership selling

Membership rates:

Student: \$19/mo

Fac/Staff/Affiliate: \$29/mo

Community: \$39/mo

Roughly 80% of our members are students, 14% are fac/staff/affiliate and 6% are community members.

Students are 13,200 of members

Total enrollment SDSU: about 30,000 (2014/2015), it was 27,000 (2011/2012) and 25,000 (2009/2010),

44% of SDSU students are ARC members



Task Name	Start Date	End Date	Assigned To	Duration	% Complete	Predicted Errors	2015			2016			2017		
							Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
1 Watch how-to video on this template (4:16)															
2 Click to learn how to use this template															
3															
4															
5 Establishing	11/21/15	09/30/16		226d						Establishing					
6 Registering Aztec Power	11/21/15	12/23/15	Shivam	24d						Registering Aztec Power					
7 Assessing financial resources	11/21/15	01/01/16	Roger	31d						Assessing financial resources					
8 Making an agreement with ARC	01/01/16	02/01/16	Kate	22d						Making an agreement with ARC					
9 Building the infrastructure, renovation	01/01/16	04/01/16	Kate, Stephen	66d						Building the infrastructure, renovation					
10 Stock inventory	06/01/16	08/15/16	Shivam	54d						Stock inventory					
11 HR: hiring, interviewing and training our salesperson and a nutritional specialist	06/01/16	08/01/16	Kate, Roger	44d						HR: hiring, interviewing and training					
12 Settling up a marketing campaign	07/01/16	09/30/16	Shiva, Kate, Roger	66d						Settling up a marketing campaign					
13 Networking	02/01/16	09/01/16		154d						Networking					
14 Finding suppliers to minimize costs	03/01/16	06/01/16	Stephen	67d						Finding suppliers to minimize costs					
15 Building strong relationship with SDSU to access on-campus facilities	02/01/16	09/01/16	Kate	154d						Building strong relationship with SDSU to access on-campus facilities					
16 Building trust with Health organizations to compel with standards	02/01/16	09/01/16	Roger	154d						Building trust with Health organizations to compel with standards					
17 Building awareness among on-campus organizations and influential people to create a buzz	02/01/16	09/01/16	Kate, Shivam	154d						Building awareness among on-campus organizations and influential people to create a buzz					
18 Advertising and Marketing	03/01/16	01/03/17		221d						Advertising and Marketing					
19 Create a website	04/01/16	08/01/16	Stephen	87d						Create a website					
20 Create a strong presence in Social Media: FB, Instagram, Snapchat	04/01/16	08/01/16	Kate	87d						Create a strong presence in Social Media: FB, Instagram, Snapchat					
21 Start developing an app for ARC and Aztec Power	09/01/16	12/30/16	Shivam, Stephen	87d						Start developing an app for ARC and Aztec Power					
22 Create a loyalty program and create a price promotion strategy	03/01/16	06/29/16	Roger	87d						Create a loyalty program and create a price promotion strategy					
23 Start working with on-campus advertising channels: newspaper, website, fraternities etc.	03/01/16	06/29/16	Kate	87d						Start working with on-campus advertising channels: newspaper, website, fraternities etc.					
24 Integrate demand stimulating promotions within ARC member appreciation days	08/01/16	08/31/16	Shivam	23d						Integrate demand stimulating promotions within ARC member appreciation days					
25 Continue doing surveys to create an optimal product portfolio and promotional tactics	09/01/16	01/03/17	Roger	89d						Continue doing surveys to create an optimal product portfolio and promotional tactics					

#### Appedix IV

One-time Fixed Cost	
Legal/Professional Fee	\$ 8,000
Rent Deposit	\$ 12,000
Remodeling Fee	\$ 20,000
Cash on Hand/Operating Capital	\$ 10,000
Marketing/Advertising Promotion	\$ 200
Technology Cost	\$ 25,000
One-Time Miscellaneous	\$ 2,800
<b>Total One-time Fixed Cost</b>	<b>\$ 78,000</b>

Regular Semester Fixed Cost	
Rent/Lease Payment	\$ 45,870
Insurance	\$ 130
<b>Total Fixed Cost</b>	<b>\$ 46,000</b>

Variable Cost	
Employee Salaries and Commissions	\$ 12,000
Cost of Goods Sold	\$ 137,610
Gas and Shipping Costs	\$ 500
Legal/Accounting Fees	\$ 1,200
Technology Maintenance	\$ 200
Miscellaneous	\$ 2,000
Interest Payments	\$ -
<b>Total Variable Cost</b>	<b>\$ 153,510</b>

**Total Startup Cost** \$ 277,510

**Average Monthly Total Expense After First M** \$ 199,510

<b>Revenue (Regular Semester)</b>	\$ 229,350
<b>Revenue (Summer and Winter)</b>	\$ 139,000

Summer and Winter Fixed Cost	
Rent/Lease Payment	\$ 27,800
Insurance	\$ 250
<b>Total Fixed Cost</b>	<b>\$ 28,050</b>

Variable Cost	
Employee Salaries and Commissions	\$ 12,000
Cost of Goods Sold	\$ 83,400
Gas and Shipping Costs	\$ 500
Legal/Accounting Fees	\$ 1,200
Technology Maintenance	\$ 200
Miscellaneous	\$ 2,000
Interest Payments	\$ 26,120
<b>Total Variable Cost</b>	<b>\$ 125,420</b>

**Total Startup Cost** \$ 259,520

**Average Monthly Total Expense After First M** \$ 153,470

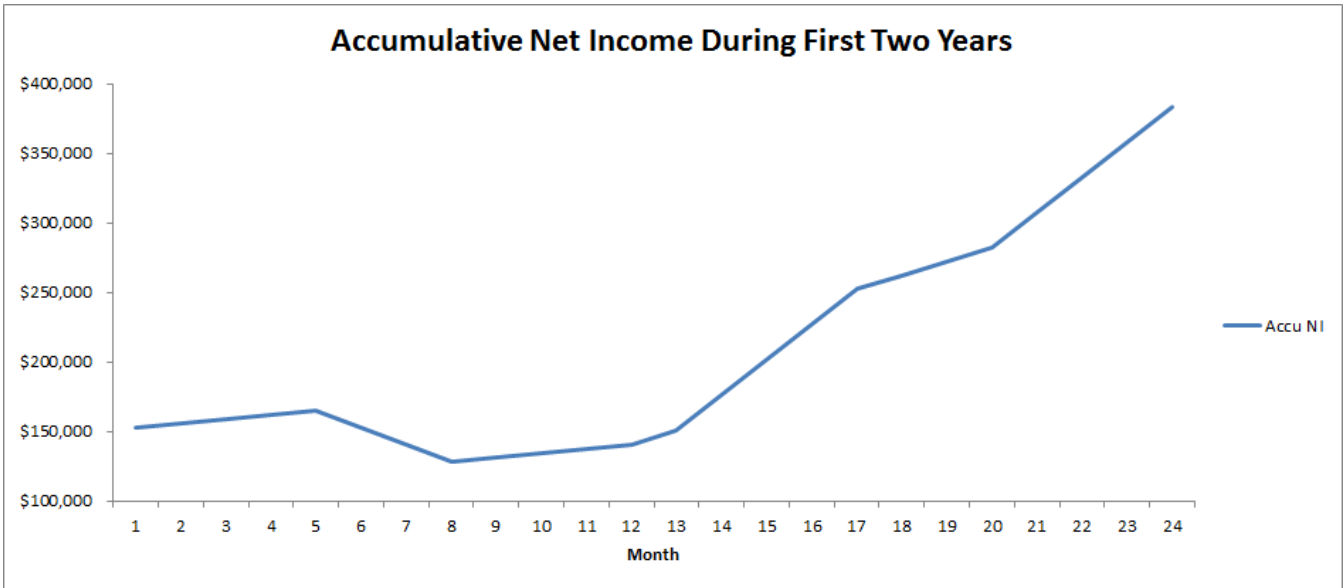
Appendix V

1st Year												
	Month 1 (Jan)	Month 2 (Feb)	Month 3 (Mar)	Month 4 (Apr)	Month 5 (May)	Month 6 (Jun)	Month 7 (Jul)	Month 8 (Aug)	Month 9 (Sep)	Month 10 (Oct)	Month 11 (Nov)	Month 12 (Dec)
Initial Borrowing	\$ 300,000											
Total Revenue	\$ 139,000	\$ 229,350	\$ 229,350	\$ 229,350	\$ 229,350	\$ 139,000	\$ 139,000	\$ 139,000	\$ 229,350	\$ 229,350	\$ 229,350	\$ 229,350
Total Expense	\$ 259,520	\$ 225,630	\$ 225,630	\$ 225,630	\$ 225,630	\$ 153,470	\$ 153,470	\$ 153,470	\$ 225,630	\$ 225,630	\$ 225,630	\$ 225,630
Profit	\$ 179,480	\$ 3,720	\$ 3,720	\$ 3,720	\$ 3,720	\$ -14,470	\$ -14,470	\$ -14,470	\$ 3,720	\$ 3,720	\$ 3,720	\$ 3,720
Tax (15%)	\$ 26,922	\$ 558	\$ 558	\$ 558	\$ 558	\$ -2,171	\$ -2,171	\$ -2,171	\$ 558	\$ 558	\$ 558	\$ 558
Net Income	<u>\$ 152,558</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>	<u>\$ -12,300</u>	<u>\$ -12,300</u>	<u>\$ -12,300</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>
Accum NI	\$ 152,558	\$ 155,720	\$ 158,882	\$ 162,044	\$ 165,205	\$ 152,906	\$ 140,606	\$ 128,307	\$ 131,468	\$ 134,630	\$ 137,792	\$ 140,954

2nd Year												
	Month 1 (Jan)	Month 2 (Feb)	Month 3 (Mar)	Month 4 (Apr)	Month 5 (May)	Month 6 (Jun)	Month 7 (Jul)	Month 8 (Aug)	Month 9 (Sep)	Month 10 (Oct)	Month 11 (Nov)	Month 12 (Dec)
Total Revenue	\$ 139,000	\$ 229,350	\$ 229,350	\$ 229,350	\$ 229,350	\$ 139,000	\$ 139,000	\$ 139,000	\$ 229,350	\$ 229,350	\$ 229,350	\$ 229,350
Total Expense	\$ 127,350	\$ 199,510	\$ 199,510	\$ 199,510	\$ 199,510	\$ 127,350	\$ 127,350	\$ 127,350	\$ 199,510	\$ 199,510	\$ 199,510	\$ 199,510
Profit	\$ 11,650	\$ 29,840	\$ 29,840	\$ 29,840	\$ 29,840	\$ 11,650	\$ 11,650	\$ 11,650	\$ 29,840	\$ 29,840	\$ 29,840	\$ 29,840
Tax (15%)	\$ 1,748	\$ 4,476	\$ 4,476	\$ 4,476	\$ 4,476	\$ 1,748	\$ 1,748	\$ 1,748	\$ 4,476	\$ 4,476	\$ 4,476	\$ 4,476
Net Income	<u>\$ 9,903</u>	<u>\$ 25,364</u>	<u>\$ 25,364</u>	<u>\$ 25,364</u>	<u>\$ 25,364</u>	<u>\$ 9,903</u>	<u>\$ 9,903</u>	<u>\$ 9,903</u>	<u>\$ 25,364</u>	<u>\$ 25,364</u>	<u>\$ 25,364</u>	<u>\$ 25,364</u>
Accum NI	\$ 150,857	\$ 176,221	\$ 201,585	\$ 226,949	\$ 252,313	\$ 262,215	\$ 272,118	\$ 282,020	\$ 307,384	\$ 332,748	\$ 358,112	\$ 383,476

Appendix VI



## Appendix VII

### BA627 Market Survey

**This survey is only for the purpose of academic research, it is not associated with ARC or any related business activities. All answers are kept confidential.**

1. What's your age?                      < 21                      21-25                      26-30                      > 30
2. What's your gender?                      M                      F
3. Which one of the following fits you the most?  
  
                Student                      Alumni                      Faculty/Staff                      Others
4. How often do you take any type of supplements for workout?  
  
                Every day                      Every week                      Occasionally                      Never
5. If you do, what types of supplement do you take? (Check one or more and specify brand name and type)  
  
☐ Protein  
☐ Pre-Workout  
☐ Post-Workout  
☐ Mass Gainers  
☐ Amino Acids  
☐ Sports Multivitamins  
☐ Others (Please specify)
6. Do you purchase your supplements online?  
  
                Yes                      Sometimes                      Never                      Website name:
7. How much on average do you spend each month for supplements?  
  
                \$0-30                      \$30-60                      \$60-100                      > \$100
8. How much would you like an ARC in-store nutrition shop from scale of 1-5.  
(1 as "Please don't open it!" 5 as "Yes! please! Open it!").  
  
                1                      2                      3                      4                      5
9. How much would you likely spend at the ARC in-gym nutrition store if there is one?  
  
                \$0-30                      \$30-60                      \$60-100                      > \$100

## References

- (1) Best Gym in the San Diego area - San Diego A-List. (n.d.). Retrieved November 24, 2015, from <http://sandiegoalist.cityvoter.com/best/gym/fitness/san-diego>
- (2) Membership. (n.d.). Retrieved November 24, 2015, from <https://arc.sdsu.edu/membership>
- (3) Rewards app - Shake Smart. (n.d.). Retrieved November 25, 2015, from <http://shakesmart.com/rewards-app>
- (4) Growing Number of Fitness Enthusiasts Drive Demand for Sports & Fitness. (n.d.). Retrieved November 25, 2015, from [http://www.prweb.com/releases/sports\\_drink\\_market/energy\\_bars\\_market/prweb12598310.htm](http://www.prweb.com/releases/sports_drink_market/energy_bars_market/prweb12598310.htm)
- (5) Watson, E. (n.d.). Younger Consumers Are Trending Toward More Health-Conscious Eating. Retrieved November 25, 2015, from [http://www.huffingtonpost.com/elwood-d-watson/younger-consumers-are-tre\\_b\\_6632166.html](http://www.huffingtonpost.com/elwood-d-watson/younger-consumers-are-tre_b_6632166.html)
- (6) President's Council on Fitness, Sports & Nutrition. (n.d.). Retrieved November 30, 2015, from <http://www.fitness.gov/resource-center/facts-and-statistics/>
- (7) Tarullo, J. (n.d.). Nutrition in College: Answers From the Experts. Retrieved November 30, 2015, from [http://www.huffingtonpost.com/julianne-tarullo/college-health\\_b\\_6704896.html](http://www.huffingtonpost.com/julianne-tarullo/college-health_b_6704896.html)
- (8) Thompson, D. (2013, March 8). Cheap Eats: How America Spends Money on Food. Retrieved November 30, 2015, from <http://www.theatlantic.com/business/archive/2013/03/cheap-eats-how-america-spends-money-on-food/273811/>
- (9) (n.d.). Retrieved November 30, 2015, from <http://www.forbes.com/sites/davidlariviere/2013/04/18/nutritional-supplements-flexing-their-muscles-as-growth-industry/>
- (10) GNC Holdings Inc. CI A GNC (U.S.: NYSE). (n.d.). Retrieved November 30, 2015, from <http://quotes.wsj.com/GNC>
- (11) (n.d.). Retrieved November 30, 2015, from <http://www.forbes.com/sites/davidlariviere/2013/04/18/nutritional-supplements-flexing-their-muscles-as-growth-industry/>
- (12) Wholesale / Distributorship. (n.d.). Retrieved November 30, 2015, from <https://www.vitalabs.com/distributors/>
- (13) Masin, P. (n.d.). Exercise Vs. Diet: The Truth About Weight Loss. Retrieved November 30, 2015, from [http://www.huffingtonpost.com/2014/04/30/exercise-vs-diet-for-weight-loss\\_n\\_5207271.html](http://www.huffingtonpost.com/2014/04/30/exercise-vs-diet-for-weight-loss_n_5207271.html)

- (14) Overweight and Obesity Statistics. (n.d.). Retrieved November 30, 2015, from <http://www.niddk.nih.gov/health-information/health-statistics/Pages/overweight-obesity-statistics.aspx>
- (15) The rise of the protein drinks for ordinary people - BBC News. (n.d.). Retrieved November 30, 2015, from <http://www.bbc.com/news/magazine-22753620>
- (16) Best Pre-Workout Supplements - 2015 Top 10 List. (n.d.). Retrieved November 30, 2015, from <http://www.bodybuilding.com/store/best-pre-workout-supplements.html>
- (17) (n.d.). Retrieved November 30, 2015, from <http://www.astegic.com/cost-to-develop-a-mobile-app>  
<http://www.executionists.com/blog/cost-to-build-websites-2014/>
- (18) 2014 General Liability Insurance Cost Analysis. (n.d.). Retrieved November 30, 2015, from <http://www.insureon.com/insureonu/costs/general-liability>