|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| By Skye Spaulding, Bayden Woodland, Ian Snider and Pasha Bolokhov |  |  |  |  |

Capital Iron

Business Plan

Table of Contents

1. [Summary 2](#_Toc414270242)
2. [Background 3](#_Toc414270243)
3. [Assumptions and Constraints 4](#_Toc414270244)
4. [Current Business Model 5](#_Toc414270245)

[Value Proposition 5](#_Toc414270246)

[Business and Revenue Models 5](#_Toc414270247)

[Comparative analysis 5](#_Toc414270248)

1. [Proposed Improvements 7](#_Toc414270249)

[Marketing 7](#_Toc414270250)

[Stock 7](#_Toc414270251)

[Online Presence 8](#_Toc414270252)

[Scope 11](#_Toc414270253)

1. [Appendix 13](#_Toc414270254)

[Business Canvas 13](#_Toc414270255)

# Summary

Capital Iron is a small local business with a large variety of stock. They have stayed on lower Vancouver Island until now, and while they have expanded to include three stores in the area they haven’t tried to expand past it. Despite this, a store like Capital Iron has huge potential to appeal to people all over the island and should seek to expand their customer base, not just in terms of demographics but also in terms of location. There are several ways they can do this, they can work on their marketing strategies, update their stock, improve their website and create new stores.

# Background

Capital Iron’s current business is based on selling products to people, face to face, in store, around lower Vancouver Island. Currently they don’t have a specific type of product they focus on selling, but generally carry everything that people might need in their day to day lives. To ensure that they have everything, Capital Iron has split its stores into several well organized departments that have morphed substantially over the years.

When Capital Iron first opened, they were a scrap metal business who worked on deconstructing old ships and selling them for parts. Over the years, the demand for scrap dried up and they slowly morphed into the store they are today, starting with their hardware section and slowly expanding.

Today they have expanded their business to include three stores on the lower island. There is one in downtown Victoria, another in Sidney and a third in Langford. They have also split their stock between their stores to make room for everything they want to carry.

# Assumptions and Constraints

Without knowing the exact revenues and expenses of Capital Iron, some assumptions have been made. It is assumed that as a company spanning three physical locations, the cost of expanding to build a fourth store is within reason for the company's budget, given perhaps a year or two of planning. It is also assumed that the store's selection of products does not change so fast that cataloging all available products would be more costly than beneficial (for example, it's assumed that only one or two new items are added to or removed from the catalogue per week at maximum, although even a ten item variance is within reason if the company can afford to pay a cataloguer.)

# Current Business Model

## Value Proposition

Most of Capital Iron’s value comes from being a local Victoria retailer with a reputation for good service and quality products. They are also known for having a large variety of products including camping gear, hardware supplies, cookware, clothing and appliances. This makes it very efficient to shop there as a customer can find everything they need.

## Business and Revenue Models

Capital Iron has a very traditional revenue model. They generate income by moving products through a physical store. This model means that they will always have a surplus of goods, except in their outdoor appliance departments where products are more costly and sales less frequent.

## Comparative analysis

Because of the variety of product types they’ve chosen to carry, they’ve had to make concessions with what departments are in each store. Their downtown Victoria store for instance doesn’t have many of the departments it had a few years ago. Their fabric and antique departments have moved to other stores to make room for more popular sections.

This ability to change with the times does not extend to all of their practices however, and their current advertising strategy fails to attract a broad audience. Capital Iron relies primarily on word of mouth and their fliers with the occasional charity sponsorship to fill the gaps. These strategies, while effective, cannot contend with the strategies of larger stores like Walmart.

Instead of working to get new customers, Capital Iron builds brand loyalty through good service and reputation. These two things are the main way in which Capital Iron contends with superstores, who can almost always beat Capital Iron’s prices on the same types of goods. Capital Iron has built its reputation as a local landmark and piece of Victoria history.

Because they are such an old store, Capital Iron has well established relationships with many of their suppliers. This has made it so that they can make exclusivity deals with some, like Canadian Goose, for the lower island region. These deals are good for Capital Iron as they draw in perspective customers for those specific products.

As Capital Iron presents itself as a small local store they haven’t worked at creating a large web presence. Although their website is by no means small, it suffers from a poor design and a lot of meaningless content. Their blog for instance is only contains their Facebook feed and their YouTube channel hasn’t posted anything since Christmas.

The company a lot of untapped potential for growth, both on the web and in their physical retail stores.

# Proposed Improvements

## Marketing

Capital Iron currently does very little of its own advertising and relies on word of mouth to draw customers to its business. Because Capital Iron is an extremely local business, this strategy has worked for them so far, however due to their unchanging stock and out of the way location, they fail to appeal to the younger demographic. To increase their customer base, they should make changes to their flyer and online blog, distribute a weekly e-flyer, and add a comprehensive catalogue of what products they carry to their website.

In its present form the Capital Iron sales flyer is organized by department and very graphically heavy. The graphic components of the flyer can make it hard to read. By simplifying the design, the flyer could become much more readable.

There is an online flyer available through the Capital Iron website, however, it is a 'png' format image of the paper flyer that Capital Iron distributes. A more web friendly version of the flyer could be created and distributed via email to customers on a free subscription basis.

Currently, there are no individual products listed on the Capital Iron website under the department headings. Instead, brands that Capital Iron carries are listed, along with short description of the department. It would be best if each product carried were listed with its price and availability. More details under Online Presence.

### Cost

Designing new flyers and catalogues should be a simple undertaking. Hiring a graphical designer or marketing expert might be important if the skills can’t be found in the store’s current staff. Online distribution may tie into the costs listed under the Online Presence section, but physical distribution would require mail delivery and printing. Because of this, it might be prudent to focus more on electronic deliveries and leave the physical flyers to choice subscribers.

## Stock

Capital Iron carries camping gear, marine gear, outdoor living products, apparel, home hardware, fireplaces, kitchenware, fabric, and furniture. Many of these products are not used by the younger demographic. To increase the appeal of Capital Iron to the younger demographic, they should start to carry electronic devices. Capital Iron strives to maintain a traditional general store feel, providing many items that are essential to everyday living. With the increase of the use of electronics such as computers and mp3 players, carrying these items would keep the tradition while attracting younger people to the store.

### Cost

Developing a good relationship with one or two electronics producers should be a simple task, and provided that the advertisement for the expansion was good enough, the store should be able to recover the costs of new purchases quickly. If a smaller test run were successful, that may open the door to build a larger electronics department.

## Online Presence

In the modern day, a company's web site should be attractive, functional, and informative, yet simple and easy to use. It's well known that an up-to-date digital presence can bring about drastic changes to the company's perception and acceptance by its customers.

The online representation of Capital Iron leaves a lot to be desired. There are several reasons why customers might want to use the site. Here is a list of the top reasons:

* Finding the location or hours of the store.
* Looking at the store's stock, browsing for a certain item.
* Getting a feel for the store's attitude and sales outlook.
* Searching for special sales or deals.

The website should be designed based on these considerations. Unfortunately, Capital Iron’s website doesn't seem to cater to these simple goals. While the users can easily find the store's location and hours, the other points from the list are not laid out well or even included.

The current blog on the Capital Iron website is labeled under a header titled “What’s New?” that links to a news feed of recent events. This page has a sidebar that links to “Upcoming Events”, “Reviews”, and “February 2014” under the header of “Archives”. “Upcoming Events” and “Reviews” should be moved to separate headers on the main website’s header. The “Upcoming Events” section should tell the reader there are no upcoming events instead of just showing a blank page, as it currently does. The Archive for February 2014 should be abandoned, and archiving should start and continue from the month it is implemented fully.

### Graphical Style

It seems that much of the site's artistic style and layout is designed to draw attention to the store's long history. Although moving the historical description out of the way may seem to diminish the legacy of the company, hinting at its history with an elegant, antique graphics style should be enough for most users, and the store's history could still be included on its own page rather than taking up valuable space on the site's home. Wood panel textures might create the atmosphere that the company seems to be going for. Currently, the graphics surrounding the text on the site stop and turn abruptly to white space about halfway down the page, which makes it look as though the page hasn't finished loading. Some more photographs of the store's interior would help create a sense of familiarity for new customers-- walking into the store they would get the sense that they'd been there before, and may even be able to navigate it better.

Although the company's page is by no means information-overloaded, a three-column layout has a tendency of being considered old and “overwhelming”. A two column (or better yet one column) style would be easier to process. Modern website styles tend to have information down the middle with graphics flanking the text on either side. There are multiple functions for these images. Firstly, they can help to create a consistent style for the site, in this case a “historical” theme. They can also be used as a silent and unobtrusive advertisements (a happy family on a camping trip sitting near the tent, or a happy woman wearing winter clothing in the snowy mountains). These images would help the page's borders and spacing while also subtly hinting at the lifestyle Capital Iron wants people to associate with their products. It would also benefit them to display the products themselves.

### Page Information

The site's current home page contains very little information. The main section is a short paragraph about the historical significance of the store, which gives the impression that there is nothing to say about the store in the modern day. All throughout the site there is a general feeling that the designer had nothing to say, and aside from the store's location and hours, that may be more or less true.

A lot of information could be added to make the site more meaningful and concise. Information about the store's products would bring much more search engine traffic for those looking for a particular item, and would add a sense of assurance about inventory and modern professionalism. A poorly laid out or managed web site can have a very negative impact on a company's image.

The department names displayed on the current site are of little to no use to customers. While they provide a general idea of the kinds of products the store might carry, they offer no concrete information.

YouTube videos are great, but they shouldn't form the core of the department content (as they currently do). The current version of Futureshop.ca is a good example of how a website loaded with products might look. Setting up a similar site for Capital Iron would be easier given that the store has a significantly smaller number of departments. It should be possible for the user to see the image of each product, and for each product to have its own page. A product should be accompanied with a description and technical specifications where applicable. Any product's page should include rating and customer feedback or customer reviews. The absence of these in our digital and social-networking age is beyond justification. Linking to Facebook, G+, Twitter, and other social-networking sites is an optional, but potentially valuable consideration.

If you'd like to imagine the website's navigational layout as a tree, we can imagine that a basic navigation bar at the top or side of any page to be its trunk. The departments should have their own pages, forming 'branches', and stuck to each branch are all of the 'leaves', in the form of product pages. Each department page should include overview type images of the departments, such as shelves with typical products that sit in the department.

With a computer system linked into the cash registers, it would be viable to immediately and constantly track the flow of inventory out of the store-- and of course warehouse procedures should log the arrival of new goods. What this means is that with a little extra effort, the site's product list could contain information on how many of a given product are currently in stock, updated in real-time.

The presence of catalogs or weekly flyers might provide a good reason for customers to return to the site regularly. If there is a motivation for customers to check in occasionally, the store will remain in their minds, making them more likely to visit and make purchases. The flyers could act as mental 'snack food' to digest for frequent visitors, while the catalogs would offer a 'magazine' experience for shoppers who want to browse more casually. These features could be accompanied by discount coupons, deals, and email subscription opportunities.

Modernizing Capital Iron's web presence could have a huge impact on its customer base. The goal is to make the structure of the website as linear as possible, to include relevant background images and subtle advertisements. It should be possible to combine a modern architecture of a web-site with the historical legacy of the company, to simplify and, at the same time, fill in the content of the site, providing it with some more popular and useful features.

### Cost

Despite making such drastic changes to the website, this prepossession does not need to cost a lot to be feasible. Most of the cost would be the cost of paying two or three more employees. Capital Iron could hire one or two website designers full time to redesign and then maintain their website, and a photographer to take pictures for the catalog.

## Scope

Capital Iron has a good niche as a Vancouver Island based business. However, as things stand now they can only reach the lower island. One avenue is to increase their business to include the whole island through the creation of an online catalog and partnering with a Vancouver Island based courier service. This would allow them to widen their customer base while still maintaining their local image. As Capital Iron offers a large variety of goods, some perhaps not available in smaller communities, they could insert themselves into the culture of small towns on Vancouver Island.

The unique spirit of the store makes it an attraction for both tourists and locals. The characteristic mood and atmosphere of the store matches with the artistic and cultural trends of people across Vancouver Island and the Gulf Islands. If Capital Iron were placed closer to the smaller towns and communities of the island, it could have immense success and popularity. Staying on the island is important for its local image.

Opening a new branch of a store is of no doubt a very costly and often risky undertaking. There is little guarantee that opening stores in Qualicum Beach, Nanaimo, or Duncan would be profitable. It could be, with perhaps a little more research, strategically viable however to open a single store in Nanaimo. Nanaimo has a population of almost 84 000, and the style of store is underrepresented in the area (for example, there is no Mountain Equipment Co-op store).

The advantage of a location in Nanaimo cannot be underestimated, as it is the cross-roads of both the island highways and ferries. Nanaimo is a kind of hub-city, being the center of traffic connecting the neighboring towns of Qualicum Beach, Parksville, Ladysmith, Duncan and Port Alberni and the areas further west. It is a major stop for traveling from Victoria up the island (and back). It is also the connection point on the route between Duncan, Qualicum Beach, and Courtenay areas. Furthermore, Nanaimo is a major port city of BC, and serves the Gulf Islands as well as Vancouver, making it the second tourist destination on the island.

The natural surroundings of Nanaimo, with the parks, mountains, and nearby islands have made its population very outdoor-spirited. In view of this it's reasonable to expect great interest from the locals to the outdoor section of the store, including kayaking, hiking, camping and so on. Those travelling to the skiing destinations, would find the winter section useful (e.g. Canada Goose products). There are far fewer tourist attractions in Nanaimo than in Victoria, and a Capital Iron store could become one of them.

### Cost

It is difficult to give estimates on the costs involved in opening another branch. Real estate prices are definitely lower in Nanaimo than in Victoria. Difficulty finding the store personnel is not anticipated. It is reasonable to assume that a new store would do as well, perhaps even better than the existing stores in Victoria.

# Appendix

## Business Canvas

Key Partners

* suppliers(columbia)
* local partners(charities)

Key Activities

* sell things
* buy things
* sponsorships

Key Resources

* inventory
* warehouses(stores)
* employees

Value Propositions

* local monopoly on certain products and brands
* one stop shop

Customer Relationships

* reputation (local)
* flyers
* sponsor community events
* friendly customer service

Channels

* flyers
* in store
* website
* word of mouth

Customer Segments

* people in victoria, nanaimo and sidney
* homeowners, outdoors people
* middleaged
* families
* middle class

Cost Structure

* paying for products
* paying employees
* electricity, heat
* shipping their products
* taxes

Revenue Streams

* selling products