

source can provide this. Small areas of accent color will, however, give vitality and dramatic interest.⁹¹

The floor would be in a neutral-colored vinyl composition, expected to last about 18 years and costing about \$1.50 a foot. In the long run, this is the best buy for small stores.⁹²

II. Layout and space

To achieve an aura of a complete ski shop, the spacing will be average -- not so crowded and overstocked as a discount store, not as roomy and open as a chic boutique.

The store would have well-defined departments such as skis, ropes, handles, t-shirts, vests, etc. These would be labelled and easy to find from the entrance. All ski inventory would be displayed, increasing the amount of selling space. Fixtures and counters would be brightly-colored and modern, with Formica tops.

The skis would be organized according to manufacturers on vertical racks which allow the skis to lie horizontally. Each rack would be seven feet by two feet by eight feet high, holding six skis. Twenty five racks would be required to hold approximately 160 skis, or 20 skis of each of the eight brands.

When placed in the store, two racks, end to end, would be back to back with two other ski racks, composing one row. There would be 3½-foot aisles between aisles, and 5-foot aisles would run perpendicular to the rows. The rest of the store area would be used for accessories, an office, a work shop, a receiving area, restroom and a smattering of enticing displays.

The image projected by this type of layout would be one of openness and convenience, with the skis in a grid layout. If a customer knows what he wants, he can walk right to it without searching. If just browsing, he'll know in which direction to browse.

3. Merchandise Management

Proper merchandise management ensures the consumer receives the right merchandise at the right time, place, quantity and price. "Whether a large department store or an independent, 'The retailer's major asset and its most manageable asset is its inventory.'"⁹³

Managing inventory is one of the essential ingredients in making a business a success, and not the easiest of tasks. Selection of inventory is one of the easiest jobs to perform but a difficult job to do properly to appeal to the target markets. "'Because of inflation, there is more pressure for asset management. Inventory is the store's biggest asset.'"⁹⁴ Overbuying, underbuying, or buying the wrong thing can lead to stock imbalances or being stuck with an item that won't sell.

a. Buying and Handling

When buying water skis, it is essential that the buyer understand the three target markets for which he is buying. This will ensure having the right merchandise on hand.

The typical channel of distribution used in water skis is from the manufacturer to the retailer to the consumer, with

the manufacturer as the channel leader, setting the pace. Manufacturers send retailers catalogs and price lists through the mail, rather than sending a salesperson or representative. Any personal contact must be made through the initiative of the retailer.

As all water ski manufacturers are located in Oregon and Washington, the best place to contact the manufacturer is at a central market, such as the Chicago Boat Show. Here, the retailer can discuss terms of sale, discounts and datings with each manufacturer.

In the case of the ski shop, such contacts have already been made. Most requests for dealerships have been granted to David Goss by the manufacturers, eager to get more exposure for their skis.

Quantity discounts granted by ski manufacturers are generally one to two percent off an order of 25 to 50 skis. Seasonal discounts are allowed if purchases are made from November through February.

Payment for ski goods is usually a future dating -- end of month. Freight costs are always C.O.D., whether by U.P.S. or by truck delivery.

At the ski shop, goods would be received in the receiving room by one of the shop employees -- not by store sales people. Physically pricing the items will also be done in the receiving room, adding new stock to the physical inventory list.

BRAND: INCHES: 38 40 42 44 48 60 61 62 63 64 65 66 67 68 69 70

8. TAPERFLEX:									
Apex	adj.			1	1				
	blank			1	1				
G-200						1		1	1
Flexible	concave adj.			1	1				1
DTX	adj.			1				1	1
Silver Streak								1	

*Derived from manufacturers' brochures and catalogs

**'adj' indicates the ski comes with adjustable bindings.

***'blank' indicates the ski must be fitted with a fixed binding.

Ski merchandise will not have much support for the first few years. Overstocking would be costly if stock could not be sold in the summer and had to be held over the winter. However, orders to cover spot shortages would arrive in five to seven days.

I. Turnover

The stock turnover would equal the projected sales volume (650) divided by the average inventory (162), or four. As the business grows, this figure would remain the same: sales would increase at a proportional rate to stock.

II. Markup

The initial markup on the inventory can be computed by adding the operating expenses, reductions and profit, and dividing this by the sum of the net sales plus reductions.⁹⁵ In this case, mark up will need to be the manufacturers' suggested 40 percent to cover expenses. This will be discussed further in the pricing section.

III. Gross margin return on investment (GMROI)

The GMROI calculation puts turnover and markup into perspective for better merchandise management.

$$\text{GMROI} = \frac{\text{gross margin}}{\text{total sales}} \times \frac{\text{total sales}}{\text{average inventory investment}} = \frac{.4}{1} \times \frac{4}{1} = 1.6 \text{ } ^{96}$$

In using the formula, the markup (40 percent) is substituted for the first proportion and the turnover (four), for the second. This yields \$1.60 for the gross margin return on investment. The calculations indicate that for every dollar in sales, 40 cents is available to cover operating costs and profit; that for every dollar invested in inventory, four dollars in sales are generated; and that for each dollar invested in merchandise inventory, \$1.60 is generated in gross margin. ⁹⁷

c. Merchandising Planning, Budgeting and Control

I. Planning and budgeting

Sales for the coming year have been projected at \$148,570, as an objective. Based on this the beginning-of-month (BOM) inventory can be determined. Table 3 indicates the amount of inventory that should be in stock at the beginning of each month. The percent of business for each month was estimated by how much business the area marinas do each month.

The stock/sales ratio was calculated by dividing the turnover into the number of months. A stock/sales ratio of three will bring about an annual target turnover of four.

With this stock-to-sales ratio, the amount of inventory needed to be in stock at the beginning of each month can be calculated: the BOM stock would be three times as great as the projected sales.

TABLE 3⁹⁸

BEGINNING-OF-THE-MONTH STOCK

<u>MONTH</u>	<u>% OF BUS.</u>	<u>X</u>	<u>SEASON'S FORECAST</u>	<u>=</u>	<u>PLANNED MON. SALES</u>	<u>X</u>	<u>S/S RATIO</u>	<u>=</u>	<u>BOM STOCK</u>
Jan.	1		\$148,570		\$ 1,485.70		3		\$ 4,457.10
Feb.	2		148,570		3,972.50		3		8,914.20
March	4		148,570		5,942.80		3		17,828.40
April	7		148,570		10,399.90		3		31,199.70
May	15		148,570		22,285.50		3		66,856.50
June	24		148,570		35,656.80		3		106,970.40
July	18		148,570		26,742.60		3		80,227.80
Aug.	10		148,570		14,857.00		3		44,571.00
Sept.	5		148,570		7,428.50		3		22,285.50
Oct.	3		148,570		4,458.10		3		13,371.00
Nov.	8		148,570		11,885.60		3		33,656.80
Dec.	3		148,570		4,457.10		3		13,371.30
TOTAL:	100				\$148,570.00				\$445,710.00

The information in Table 3 is useful in times when reordering is necessary. However, the ski shop's initial inventory will not be ordered by the BOM figures, but by the inventory schedule previously indicated, in order to receive seasonal and quantity discounts in winter months.

Price reduction sales will be forecast because they alter the BOM stock and planned purchases. Sales would be planned for the first week in July at 30 percent off, or \$2,000 of monthly sales; for the last week in August at 25 percent off, or \$1,000; and for the third week in November at 35 percent off,

or \$1,000 of the monthly sales. These price reductions would be in effect storewide, to attract customers and traffic.

Planned purchases each month would include the end-of-the-month (EOM) inventory, plus sales and reductions, minus BOM inventory. For example, planned purchases for July are illustrated in Table 4.

TABLE 4⁹⁹

MONTHLY PLANNED PURCHASES

\$ 80,227.80	EOM July
26,742.60	planned sales
<u>+ 2,000.00</u>	planned reductions
108,970.40	needed
<u>-80,227.80</u>	BOM July
\$ 28,742.60	planned purchases

Following this plan, planned purchases for July would be \$28,742.60 in retail dollars.

In actuality, this plan would be impractical for a ski shop as purchases are made so far in advance. The main selling season for skis is from April through August. The brunt of the ordering, after the initial purchase, would be made before then.

Planned purchases would much more logically be made quarterly, rather than monthly. In this situation, the first "quarter" would be from January through May; the second, June; the third, July and August; and the fourth, September through December.

Using a revised BOM inventory plan, which we will call beginning of quarter (BOQ), the following table could be used.

TABLE 5
BEGINNING-OF-THE-QUARTER STOCK

<u>QTR.</u>	<u>% OF</u> <u>BUS.</u>	X	<u>SEASON'S</u> <u>FORECAST</u>	=	<u>PLANNED</u> <u>QTR. SALES</u>	X	<u>S/S</u> <u>RATIO</u>	=	<u>BOQ STOCK</u>
1st	29		\$148,570		\$43,085.30		3		\$129,255.90
2nd	24		148,570		35,656.80		3		106,970.40
3rd	28		148,570		41,599.60		3		124,798.80
4th	<u>21</u>		148,570		<u>31,199.70</u>		3		<u>93,599.10</u>
TOTAL:100					\$148,570.00				\$445,710.00

Reductions would remain the same as in the monthly plan, but planned purchases are now much more in line with the anticipated purchase times. Table 6 is an example of the planned purchases for the first quarter.

TABLE 6
QUARTERLY PLANNED PURCHASES

\$129,255.90	EOQ first quarter
43,085.40	planned sales
+ 0.00	planned reductions
172,341.20	needed
<u>-129,255.90</u>	BOQ first quarter
\$ 43,085.30	planned purchases

II. Control

Control is the last step in merchandise management, to assure that management knows where it stands. To control the

inventory, only planned purchases should be made. Coverage of spot shortages should be monitored carefully. This should insure that the shop does not overbuy. Once the planned purchases are made, the open-to-buy will be depleted and inventory buying for the quarter should end. A physical inventory would be taken once a month, manually, to place checks and balances on the book inventory.¹⁰⁰

4. Pricing

Ultimately, the prices offered by a store may easily determine whether a customer buys or not. To make the sale, prices in water skis must be competitive or the consumer will shop elsewhere.

To establish competitive prices, a standard markup of 40 percent of retail will be added to cost. This is the same percentage suggested by the manufacturers. Retail prices will be less than the manufacturers' suggested retail prices, though, as the seasonal and quantity discounts will be passed on to consumers as savings. Price comparison will be encouraged, as this shop will be able to offer lower prices on all skis in each of the three market segments.

A decision sequence is followed to establish a price schedule tailor-made for the ski shop. This sequence will form a workable schedule for the shop, by considering all factors.

1. Relating price to retail strategies.¹⁰¹ One of the store's strategies is to develop an image of a specialty store

carrying specialty goods at fair prices. People will shop there because they know whatever ski they want, the ski shop will have, and they know they can obtain the product for less than the suggested retail price. Pricing should allow a good margin, as demand is fairly high, yet be decidedly lower than the manufacturers' suggested retail prices.

2. Assessing channel control and retail competition.¹⁰²

As has been stated, channel control is in the hands of the manufacturers, and their markup will generally be followed, though due to discounts, their prices will not. On identical offerings, the competition will have higher prices and fewer services and offerings. Most marinas carry few brands and are not qualified to customize skis.

3. Selecting a price level strategy.¹⁰³ The ski shop's price level will be lower than market price levels for skis, and slightly lower than market price levels for accessories.

4. Planning initial markup.¹⁰⁴ The initial markup will be set at 40 percent, based on these calculations:

$$\begin{aligned} \text{markup} &= \frac{\text{operating expenses} + \text{reductions} + \text{profit}}{\text{projected net sales} + \text{reductions}}^{105} \\ &= \frac{\$54,970 + 4,450 + 0}{\$144,120 + 4,450} \end{aligned}$$

5. Relating possible prices to store policies.¹⁰⁶

Prices will be set at even-ending numbers, as odd-end pricing no longer motivates consumers to buy as when it first was used. Taxes will be easier to figure and addition reduced to simple terms. A one-price system will apply to all customers.

6. Relating possible prices to the nature of the offering.¹⁰⁷ As the skis will be obtained at a discount, the selling price will be lower. However, the skis offered will be high-quality, long-lasting skis, and will not be as cheap as those offered at discount houses.

7. Considering other environmental influences.¹⁰⁸ The low-price policy will be an asset in this time of national recession. Price-conscious customers will be attracted, knowing they'll get quality for their money.

8. Establishing an initial price.¹⁰⁹ Price will be set at 40 percent of retail price, above the dealer cost, with discounts.

This pricing sequence reconciles the actual figures with the store's strategies. These figures give a first-year markup table that looks like this:

TABLE 7 ¹¹⁰
MARKUP TABLE

INITIAL MARKUP \$59,420	}	REDUCTIONS	\$ 4,450	}	MAINTAINED MARKUP
		MAINTAINED MARKUP:	54,970		\$54,970
		OPERATING COSTS	54,970		
		+			
ORIGINAL RETAIL \$148,570	}	PROFIT	0	}	SALES
		INVOICE COST	89,150		RETAIL
					\$144,120

Table 7 shows suggested markup on retail as 40 percent. Price reductions are limited to reductions through quantity purchases from manufacturers and to sales reductions. Using Table 7, markup on retail would be 40 percent for 90 percent

of the sales and 10 percent for 10 percent of the sales, purchased by customers on sale. Maintained markup would be \$54,970.

With this \$54,970, all costs other than invoice must be paid: salaries, maintenance, utilities, fixturing and display, insurance, office supplies, promotional expenditures, etc. This may not be feasible at today's prices.

5. Communication with the Consumer

The purpose of communicating with the consumer is to develop the store image in the consumer's mind, leaving him with a positive set of attitudes. This can be accomplished through promotion, personnel and customer services.

'Your communications plan -- advertising and merchandise presentation -- should reflect your positioning objectives. They should emphasize what you want customers to recognize and remember about you. They should underscore what you have determined are your most important positioning dimensions.'¹¹¹

a. Promotion

In operating a small business, one of the unpleasant tasks for many managers is deciding how much advertising to use and in what media. Because advertising results are difficult to monitor, many managers feel advertising expenditures are an illusive cost. They generally have no advertising tactics. When a salesperson walks in the front door, they buy as the mood hits them. Using this method, advertising is a waste of time and money. Effective advertising takes time

to plan and execute if it is to fit in with the store's objectives, image and budget. It requires as much thought as do purchasing and pricing.

From a theoretical viewpoint there is a logical explanation for advertising being the smaller retailer's most common marketing problem. Product, place, and price are relatively fixed by forces over which he has little control. Promotion is the one of the "four Ps" that is most flexible, and advertising is generally the most important promotional tool for consumer goods.¹¹²

However, if the store aims and image are kept uppermost in the manager's mind, forming an advertising plan and budget follow rather easily.

Advertising helps clarify and enhance a store's image, through the products it shows and its style, so the items chosen are most important.

. . . As advertising is a reflection of the store, the retailer must be certain to give the right impression in the ad. A good ad is one that sells the merchandise, the idea and the store. It must have stopping power and news value. It must give all the facts necessary to make a buying decision. It must be specific.¹¹³

With this in mind, a decision sequence can be utilized to determine a specific advertising plan. First the target segment must be determined, based on market growth, competition and the firm's capabilities.¹¹⁴ In the case of the ski shop, the three target segments would be appealed to in an environment of slow market growth, stiff competition and with the skills of the firm as yet unknown.

Next, the ads placed must make a direct-action appeal to price. Indirect appeals would present water skiing as

youthful, invigorating and stylish.¹¹⁵ This appeal would be aimed at the family and teenage target markets.

Media selection would be based on impact and cost per thousand, mainly utilizing local media.¹¹⁶ From there, sales response and cost would determine the budget decision.

Finally, the plan would be implemented and controlled by outcome and feedback.¹¹⁷

Using this decision sequence, the ski shop will have a feasible advertising plan. This plan will appeal to all segments, using both direct-action and image advertising, at the least possible cost to response.

Newspaper advertising would be beneficial, with bold artwork for an exciting, invigorating look. Angola has a weekly newspaper with 7,500 circulation and shopper with 17,000 circulation. A combined rate for these is \$160 for a quarter page. Image ads would be run bi-weekly, beginning in May and ending in August, with two in November as Christmas ads. Total cost would be \$800 for ten weeks.

Radio advertising on the local station is \$4 a half-minute. Two hundred twenty five spots would run from the middle of May to the middle of August, for reduction sales and image spots. Seventy five ads would be run in November, again for Christmas advertising. Radio spots would have single themes, using upbeat background music. Cost would be \$1,200.

Magazine advertising would consist of half-page ads twice yearly in Water Skiing and Spray magazines. These

introductory ads would establish the shop in the minds of readers and introduce the mail order catalog. Cost would be about \$1,000. Other magazine advertising is done by manufacturers in these magazines.

The cost of a mail order catalog would approximate \$1,500, but it would pay for itself. According to Bart, 50 percent of his business is mail order. Mail orders would increase the floating volume by pulling in customers from all over the tri-state area. The catalog would be six by nine inches and run 32 pages, with order blanks enclosed. Four flats would be run in process color, leaving the other 24 pages in black and white.

These forms of advertising would be effective for the first year, but this plan is not inflexible. A new plan would be formulated each year or every six months. The present plan would be altered in the future to accommodate the budget, environment and store image.

A specialty store should change its ad style when its merchandise philosophy has been altered, if its customer has changed, if the ads look old fashioned or they are being widely imitated or because the old style is no longer effective and inflexible. While institutional ads are good, for a specialty store they are unnecessary. Item ads are more effective. 118

One other consideration concerning projection of the store image through promotion is that of a store name and logo. Whatever is chosen, each should be easily remembered, but not common; clean and crisp, using simple graphics and by all means, descriptive.

b. Personnel

Personnel employed by the ski shop can do much to properly project the store's image by being knowledgeable, helpful, clean and courteous. The salespeople need to be able to relate to the problems of the novice as well as to those of the competitive champion. Two sales people would be necessary during the summer months, as well as one or two inventory and service employees.

"The retailer should have a very clear idea of the job he wants to hire for, rather than the employee."¹¹⁹ A salesperson job would entail selling the merchandise, using the cash register, stocking the shelves, smiling, and perhaps pulling a physical inventory. The inventory and service job would require placing boots on blank skis, refinishing skis, checking in new inventory as it arrived and helping with the monthly physical inventory. A job might also be open for maintenance and yardwork.

To find people qualified to fill these positions, a search could begin by advertising in the classifieds, through state-run public employment services, private employment agencies, temporary manpower agencies and schools. Veterans, retirees, and handicapped and retarded citizens are also good employees.¹²⁰

To train new employees it would be necessary to hold regular staff meetings, give written instructions, use a buddy

system with an experienced employee, and have new employees read trade manuals and publications such as Spray and Water Skiing.¹²¹

To keep good employees, it is suggested that a retailer open up communication lines, use employee suggestions and possibly offer profit sharing. Offering vacation time, health insurance and other fringe benefits also help satisfy employees.¹²²

With the increase in the minimum wage it is even more essential to cut costs by retaining productive and loyal employees. What is needed is increased recognition of employee performance efforts and responsibility.¹²³

Not all employees are responsible. Unfortunately, some employees may not even be trustworthy. Ground rules on employee theft would be posted to ward off temptations that employees may have, with dismissal as another deterrent.

c. Customer Services

The services offered by a store attract first-time customers and keep old customers loyal. These services are also costly and should not be applied to the marketing plan liberally, without precautions.

Customer service policies would be established and posted. These policies work to the advantage of the store and its customers. Some suggestions follow.

Credit would not be offered to customers because the shop must maintain liquidity and cash flow. However, the shop will offer a ten-day holding period and a 90-day layaway plan, without

layaway charge. Also, a program would be established so a customer could try a ski before purchasing it, with five percent down and proper identification. When the ski is returned in good condition but not purchased, the five percent will be refunded; if purchased, the five percent will go toward the balance due.

Summer hours would be from 9 a.m. to 6 p.m. Sunday through Thursday, and 9 a.m. to 9 p.m. Friday and Saturday. This gives working people a chance to come in after work or on weekends. Winter hours would be from 9 a.m. to 1 p.m. Wednesday through Sunday.

The shop would offer finishing and customizing jobs on blank skis, as well as repairs. Returns on new merchandise would be accepted if the ski does not hold up under normal skiing conditions. Free parking and restrooms will be available. Mail orders will be taken with a small fee charged for shipping.

6. Management Control

a. Planning

Controlling a retail business takes a manager who is not only willing to work long, hard hours, but who will take the time to control the business and plan ahead. A common problem among managers is they get so wrapped up in the day-to-day acts of being in business, they don't take the time to look ahead a month, six months, a year or five years.

The simple truth is that few executives are really interested in being intimately involved in planning because inherently they recognize that planning is a time-consuming, specialized function, for which they are sometimes ill-qualified.¹²⁴

In planning for the new ski shop, David Goss will have to turn many tasks over to his employees. This will leave him more time for planning and reflection.

There is no way to avoid the fundamental truth that planning requires executive attention. It takes time away from today's activities -- where an immediate payback is evident -- and allocates that time towards future benefits -- from which benefits are less clearly discernible.¹²⁵

Effective planning by the manager must be unique to the firm and should create, not stop, an occurrence. It should be based on careful analysis of objectives and ask for specific results.¹²⁶ And of course, effective planning requires effective communication: A vital role of the manager's is the ability to communicate well by listening and an awareness of other people's views.¹²⁷

Planning is an ongoing process: many of the objectives, and even the target markets, may change. To keep up with the many shifts in the marketplace, it is necessary to make a thorough market analysis, develop an attractive product line, and develop an effective sales effort. The store must achieve financial stability, develop managerial expertise, and develop and follow a flexible master plan, which would include growth projections.¹²⁸

With these flexible managerial objectives stated, especially the development of managerial expertise, problems of cash, personnel, record keeping, merchandising and tax planning could hopefully be avoided or dealt with effectively.

With a college background in business management, Goss has the academic training necessary to deal effectively with planning. Experience may be lacking, but can be developed, if his training is utilized well.

b. Financial Control

A retail business cannot be started unless it is fairly certain that cash revenue will at least equal cash costs. This can be determined using the breakeven analysis.

The breakeven analysis is a forecasting tool especially useful to first-year businesses as it projects fund flow using basic data. The breakeven analysis illustrates the difficulties ahead for the ski shop.

TABLE 8
SKI SHOP COSTS AND REVENUES

SALES LEVEL	\$144,120
TOTAL FIXED COSTS*	54,970
TOTAL VARIABLE COSTS (INVOICE COSTS)	89,150
ANNUAL LOAN REPAYMENT**	10,000
TAXABLE INCOME (PROFIT)	0
CORPORATE TAXES***	0

*salaries, advertising, rent, depreciation and interest.

**on ten-year, \$100,000 loan

***20 percent of the first \$25,000 of taxable income

These costs and revenues figure heavily into the break-even analyses¹²⁹ which follow in Tables 9 through 11.

TABLE 9

BREAKEVEN POINT (BEP)
(PROFIT AND LOSS)

$$\text{BEP} = \frac{\text{TFC}}{1 - \frac{\text{TVC}}{\text{SALES LEVEL}}} = \$144,657.89$$

Table 9 illustrates the point at which costs equal revenues.

TABLE 10

CASH BREAKEVEN POINT (CBEP)
(CASH FLOW)

$$\text{CBEP} = \frac{\text{TFC} - \text{DEPRECIATION} + \text{LOAN REPAYMENT}}{1 - \frac{\text{TVC}}{\text{SALES LEVEL}}} = \$155,184.21$$

Table 10 illustrates the point at which cash costs equal cash revenues.

TABLE 11

CBEP AFTER TAXES

$$\frac{\text{TFC} (1 - 20\% \text{ OF TAXABLE}) - \text{DEPRECIATION} + \text{LOAN REPAYMENT}}{(1 - \frac{\text{TVC}}{\text{SALES LEVEL}}) (1 - 20\% \text{ OF TAXABLE})} = \$13,303$$

Table 11 illustrates the cash breakeven point after taxes, where the taxable is 20 percent of the first \$25,000 of taxable income.

During the first year of operation, the ski shop does not expect to make an accounting profit, but does expect to break even. However, even though there should not be an accounting loss, there would be a cash loss, caused by the repayment on the loan principle, as seen in Table 12.

TABLE 12
CASH LOSS

$$\begin{aligned} \text{CASH} &= \text{SALES} - \text{TVC} - \text{TFC} - \text{CAPITAL REPAYMENTS} - \text{TAXES} \\ &= \$144,120 - 89,150 - 54,970 - 10,000 - 0 \\ &= \$-10,000 \end{aligned}$$

This cash loss of \$10,000 would seriously affect the solvency of the business, especially if the situation continued in the next few years, or if actual sales do not reach expected sales volumes.

c. Insurance

"More than half of the small businesses in the U.S. carry no group insurance plans for their employees and 10% have no property/liability coverage despite average annual sales of \$500,000.¹³⁰

Opening a retail store is risky, but proper insurance can take much of the risk out of the venture. For the water ski store the best insurance to have would be the special multi-peril package policy, with property/liability coverage. The property coverage option would cover property and contents. The liability coverage would protect the business from premises and operations liability.¹³¹

IV. Recommendations and Conclusions

There is a great opportunity and a willing market for a ski shop in Angola. The merchandise is name brand and reasonably priced, the location is ideal, and the image, presented through store design, personnel and promotion, would leave a favorable impression in the minds of consumers. However, three circumstances make the operation infeasible at the present time.

First, the projections have been based on the assumption that the ski shop would be able to obtain 100 percent of the floating potential sales volume. Not to say that this is impossible, but it is indeed unlikely. Even if some sales volume is captured from area marinas, the sales volume projections may not be achieved because of the present state of the economy.

Although it is true that people will buy whatever it is they need for self-expression, the cost of fuel and boating may cause consumers to look in other directions to express themselves. Gasoline for boats is \$1.50 a gallon. While there will always be those willing to pay the price to live as they please, most people will look to other modes of water recreation, such as sailing. Sales of boats and skis will probably be down in the coming years, due to the new energy and inflation consciousness.

The last difficulty is the negative cash flow of \$10,000. Knowing ahead of time that the store will be in debt at the end of the first year of business would have to be faced with

either courage or stupidity. The future is hard to predict. By the end of the second or third year, the debts may be paid off, or they may snowball into bankruptcy. At this point, with other factors as deterrents, the attempt should not be made.

The concept is good; in other aspects, Angola is ready for this type of store. But currently, the costs are too high. In a few years the environment may change to the point where opportunities will outweigh the costs.

ENDNOTES

¹Eleanor G. May and Malcolm P. McNair, "Department Stores Face Stiff Challenge in Next Decade," Journal of Retailing, 55, No. 3 (Fall 1977), p. 52.

²Leah Rozen, "Consumer of '80s seen as more difficult to sway," Advertising Age, 50 (July 9, 1979), p. 46.

³Ibid.

⁴Leo J. Shapiro and Dwight Bohmbach, "June survey finds fear of altered life styles," Advertising Age, 50 (July 2, 1979), p. 2.

⁵Eleanor G. May and Malcolm P. McNair, "The next revolution of the retailing wheel," Harvard Business Review, 56, No. 5 (September-October 1978), p. 86.

⁶Helen Axel, ed. A Guide to Consumer Markets, 1977/78. (New York: The Conference Board, Inc., 1977), p. 163.

⁷Doreen Mangan, "How the specialists dominate sporting goods," Stores, 61, No. 7 (July 1979), p. 32.

⁸May and McNair, "The next revolution of the retailing wheel, pp. 84-85.

⁹Ibid., p. 87.

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