

January 31, 2006
Constantinos Coursaris

Cheer Cutie: From Streets to Clicks

Cheerleaders are of a unique breed. They burst with excitement at cheerleading competitions, nearly dizzying the crowd with their energy. They are easily excitable, always enthusiastic and have an incredible penchant for being the centre of attention. And you should see the way they nearly hyperventilate at the sight of the newest Cheer Cutie clothes: it's enough to make any entrepreneur's heart swell with pride!

- Leslie Wilson, Cheer Cutie Founder and Sole Proprietor

Leslie Wilson was on her way to meeting the consulting group that had been hired to develop a growth strategy for Cheer Cutie. It was a cold winter morning, typical December weather for Burlington (Ontario, Canada), and Wilson was rethinking Cheer Cutie's marketing strategy. She felt that a specific online marketing strategy was needed, while the existing offline one needed refinement. After a lot of leg work, the company's initial website (see Exhibit 1) had been launched five months earlier in July, 2004. Based on initial feedback, the website was redesigned (see Exhibit 2, <http://www.CheerCutie.com>) to enhance its appeal to the target market. The new website had gone live that week (on December 11, 2004), which was also intended to include an online sales capability to fit with Cheer Cutie's growth objective. This also meant that Wilson would now have to resolve the issue of how the company should be restructured to facilitate this growth, as it was neither efficient nor practical to be a one-person business in a booming industry.

HISTORY OF CHEER CUTIE

Wilson began to research the possibility of starting a cheerleading apparel business in September, 2001. Findings included that existing apparel was limited, predominantly "athletic" in nature (e.g. t-shirts, athletic pants), and was not congruent with the attitudes/needs/wants of modern-day cheerleaders. Thus, an opportunity existed to create fun, "cute" clothing oriented towards cheerleaders, and by January 2002 Cheer Cutie was registered to target that niche market.

Wilson's personal experience with cheerleading provided her with extensive knowledge on the sport, athletes (and potential customers), and industry. Wilson had been a Canadian All-Star competitive cheerleader, a coach for camps and clinics, a competition co-ordinator, and founder/coach/competitor of competitive cheerleading programs at the high school and university levels for several years. Building on this experience, as well as her undergraduate degree in Commerce, Wilson went on to write an instructional cheerleading book for Random House (published July 2003) titled "The Ultimate Guide to Cheerleading". The book sold over 12,000 copies with minimal marketing mostly via online book retailers (see Exhibit 3). Currently, it ranks as the best selling cheerleading book on Amazon in the UK¹ and in the US². Wilson is also a freelance writer for American Cheerleader Magazine (www.americancheerleader.com), Cheer Biz News (www.cheerbiznews.com), and Wish Magazine.

THE CHEERLEADING INDUSTRY

Background information

It is a little known fact that cheerleading has been around for a century and that original participants were men. Popularized in the US as the "official" fans/supporters for North American football, it was not until after the Second World War that the majority of cheerleaders were female (who currently comprise approximately 98-99% of all participants). Aside from the demographics, the nature of the sport has also undergone change. Until the mid 1980's, cheerleaders primarily "cheered"/"led cheers" at football games. Today, the majority of cheerleaders participate in "competitive" cheerleading (i.e. a 2-2.5 minute routine with athletic elements including stunting - building pyramids, tossing cheerleaders, holding one another in the air, etc. - dancing, tumbling/gymnastics, jumps and occasionally a "cheer section"), rather than a "cheering" program. Athletes are scored on levels of difficulty, synchronization, creativity, flow of the routine and execution of technical elements (e.g. calibre of gymnastics skills, whether a stunt was successfully completed, such as all pyramids staying up, etc.). The industry is experiencing tremendous growth as cheerleading increasingly receives mainstream attention. Competitions are often aired on TSN/ESPN with high viewership. Some cheerleading events (e.g. UCA at Disney World, NCA Collegiate Cheerleading Championships) draw more than 10,000 athletes. For interested athletes, this growth means increased competition in gaining membership on both scholastic and all-star/club teams (especially in the US), where the required level of technical ability can be at par with that of a national level gymnast. The flip side is that cheerleaders can now earn many collegiate level scholarships available in the US (e.g. covering tuition, living expenses, books, etc.).

¹ Source: www.amazon.co.uk, January 31, 2006.

² Source: www.amazon.com, January 31, 2006.

Market Estimates

An examination of the market reveals cheerleading is a one billion dollar industry (e.g. consisting of cheer instruction, competition fees, competition uniforms, practice apparel, other cheer apparel, accessories, and travel fees) with over 6 million participants worldwide³ in more than thirty-eight countries⁴.

The largest market is in the US, where currently, there are approximately four million active cheerleaders⁵, concentrated mostly in the states of Florida, Texas, Kentucky, Alabama, North Carolina, and California. In recent years, there has been a shift towards club/All-Star “for-profit” competitive programs, rather than scholastic teams (i.e. “not-for-profit” structure) that “cheer” for school teams. This trend suggests an increasing willingness to pay for cheerleading services and products.

There is limited market research information on the Canadian market. As in the US, there are both scholastic and club/All-Star teams. Where permitted, some athletes participate on both types of teams. Exhibit 4 presents a list of the provincial cheerleading associations that regulate the sport along with their respective market size (in terms of teams), totalling an estimated 15,000 cheerleaders. An additional 5,000 cheerleaders are not directly involved in competitions and the provincial associations, but participate in unstructured scholastic or community teams. Each team consists of approximately 15 to 30 members (most teams consist of 20 to 25 cheerleaders).

In Europe, main participating countries include Germany, UK/Scotland, Finland, Slovenia, Sweden, Norway, Italy, and Russia⁶. Unlike North American, European cheerleading teams are not associated with schools, but rather are club only in nature, either run independently or by the city in which the team resides. Market research information was limited/outdated, but most European countries have an association in place. Two of the main European cheerleading associations are the United Kingdom Cheerleading Association (www.abc-ukca.co.uk) and the British Cheerleading Association (www.cheerleading.org.uk). The latter represents 249 member clubs and its popularity is evident from its website traffic (i.e. 56,211 unique visitors read 162,701 pages from this site - 1.20 million “hits” - during October 2004⁷). Exhibit 5 shows a breakdown of the estimated 250,000+ European cheerleaders by country.

In the rest of the world, Japan leads the cheerleading market with roughly 240,000 participants involved (i.e. coaching, cheerleading, volunteers, etc.)⁸. Other countries presenting opportunity include Australia, New Zealand, China, Singapore, Malaysia, Taiwan, where cheerleading has been increasing in popularity over the last five years.

The above estimates for cheerleading participants can be segmented according to age. These categories, along with their respective market size, are: PeeWee Cheerleading (under the age of 9, ~15%), Junior/Tweens (9-12 years old, ~25%), Varsity/Teen (13-18 years old, ~45%), and University/Club (over the age of 18, ~15%).

³ Source: www.geocities.com/cheersmore_99/funfacts.html, accessed January 31, 2006.

⁴ Source: British Cheerleading Association, www.cheerleading.org.uk/handbook/diduno.htm, accessed January 31, 2006.

⁵ Source: 2-4-6-8. *American Cheerleaders and Football Players*. Umbrage Editions, New York, 2003.

⁶ Source: www.cheerleading.org.uk/handbook/stats.htm, accessed January 31, 2006.

⁷ Source www.cheerleading.org.uk/index.htm, accessed January 31, 2006.

⁸ Source: Japanese Cheerleading Association, www.jca-hdqrs.org, accessed January 31, 2006.

CHEER CUTIE BUSINESS MODEL

As a start-up, Wilson wanted to enter the market with two product lines: a *Cheer Cutie* line and *Custom Apparel*. The *Cheer Cutie* line included tees, raglans, shorts, sweats, bags, hats, etc., denoting “Cheerleader”/”Cheer Cutie”/cheerleading logos and/or designs (see Exhibit 6). These designs targeted cheerleaders, coaches, and “cheer moms”. Clothing is sold at cheerleading competitions and events in the following provinces: Nova Scotia, Quebec, Ontario, Manitoba, and Saskatchewan. Wilson also sold in Europe, mostly in Finland and in the UK, where she had previously worked as a coach. An opportunity existed to sell in the US as well, but this was not done so far, due to limited resources (e.g. time, funds). It should be noted that import/export implications (e.g. duty, taxes) make it difficult to sell at international events.

On-site sales typically follow the cheerleading season (i.e. February through May, with a few in December). This seasonality leads to cash flow inefficiencies and requires accurate projections regarding inventory so as to minimize the carrying cost and revenue loss associated with unsold merchandise that is eventually marked down in order to be pushed. Another challenge for Wilson is the difficulty associated with obtaining booth space at cheerleading events. Generally, only provincial association (non-profit) events allow for such booths. For-profit events are not likely to allow Cheer Cutie presence, as it creates a conflict of interest with the host/organizing company (i.e. due to their own cheerleading clothing sales). In addition, a few provinces do not allow commercial activity/promotion at their events. For example, all cheer events and competitions (scholastic and club) in New Brunswick (NB) are governed by the NB high school athletic board and prohibit the involvement of all businesses at their events.

For those events that allow businesses to be present (i.e. set-up booths), Wilson would attend personally and typically bring along an assistant, incurring costs for flight, hotel stay for one or two nights, and car rental. In addition, most events have booth fees ranging from \$100-450, but they can be as high as \$850 in the UK. These expenses can add up negating the revenue potential associated with a particular event. Participation, however, may have other intangible benefits, such as brand promotion and market research. Still, the largest portion of the costs associated with participation at a single event arises from the aforementioned travel related expenses. For this reason, Wilson was considering the use of “provincial/state sales representatives”, who will be responsible for setting up a booth at events in their region. The compensation structure for these representatives was unclear, and Wilson was debating between straight salary, pure commission, or a two-tier compensation structure incorporating both salary and commission. This decision will have to consider the introduction of the online sales capability of the Cheer Cutie website. Once online ordering becomes a viable shopping venue, the selling strategy may be modified. For example, selling at local events will continue, but perhaps with fewer items on-site (e.g. the “hot” items) and using the event more as a promotional tool for online sales, rather than being the primary method of selling goods.

The *Cheer Cutie* line (and Cheer Cutie) is also undergoing a re-branding phase towards a more focused identity. This identity is reflected by the “cute” with a “personality” and less “sterile” new logo (see Exhibit 7), as well as by the new website for Cheer Cutie. This effort is mainly an attempt to attract more customers.

Aside from its branded clothing, Cheer Cutie had previously tried to incorporate other products into product line, such as books, teddy-bears, and cheerleading accessories. Upon testing the market at events, it became apparent that clothing moved the fastest out of all cheer products, as cheerleaders wanted to purchase something they could wear right away. Hence,

Wilson moved away from the diversified product offering at events, but she still wondered whether a diverse product line should be made available on the Website.

Also evident from event sales is the fact that most purchases come from repeat customers. Leveraging this finding, Cheer Cutie attempts to keep customers coming back by constantly offering new items. It is common to hear “I have this one, this one, this one...but not this one!” from cheerleaders in attendance. This is a competitive advantage, as many of the other apparel companies have the same products at every event. Cheer Cutie’s constantly changing product mix is a factor in the success of the company.

Moving away from event sales, the second Cheer Cutie product line is *Custom Apparel*. This collection includes team practice sets (e.g. shorts, tees) and packages (e.g. pants + shorts + tees). There is a minimum order quantity of 12 required for each item. While *Custom Apparel* represents an additional source of revenue, it presents several challenges, including cash flow, turnaround time, order complexity, and certain market limitations.

Cash flow

Current policy requires a minimum deposit of 50% prior to beginning processing an order. Many teams order last minute, which means that in order to make a deadline (e.g. team event), Cheer Cutie ends up fronting the funds necessary to start the order (i.e. cost of manufacturing), while the deposit arrives considerably late. In addition, although full payment is required before the release of the goods, because of the same “deadline” problem, goods are often shipped immediately in good faith, but it is often weeks or even months before the outstanding balance is received. While this tactic may be important for providing excellent customer service, it creates inefficiencies and poses a significant cash flow problem.

Turnaround time (i.e. long process cycle)

Samples are sent to teams (and often not returned) to “size” the athletes. Colours, text, and logos must be custom designed by a graphic designer (or Wilson) and then sent to the coach for approval. Often changes are required and the order is re-submitted for approval. Upon approval, a quote is sent, the deposit is received (ideally on time) and then the inventory is ordered. Inventory is sent directly to the screener (i.e. company that handles the placement of art work on apparel) and arrives within 3-5 days, provided there are no back-orders. Screening takes an additional 1-2 weeks and then the order is shipped to the customer (i.e. team). Since a lot of time is spent on finalizing a custom order that often has a lower profit margin (given the lower prices charged for “bulk” orders) than an item in the *Cheer Cutie* line, *Custom Apparel* is not too appealing to Wilson. However, she wondered if the problem may simply be inefficient pricing for this line.

Order complexity

Cheer Cutie does not provide teams with warm-ups, competition uniforms, shoes, megaphones, poms, etc. In the event that a custom order is placed requiring such items in addition to *Custom Apparel*, Wilson orders those items from the US. Locating a supplier for custom items can be time consuming and a logistical nightmare, and consequently Wilson felt it was not worth pursuing.

Market limitations

A team associated with a particular cheerleading company or that is coached by an individual with ties to a particular cheerleading company will only order from that company. It is estimated that between 50-75% of the teams in Ontario have ties with a particular company and will thus not order from Cheer Cutie. Furthermore, cheerleaders on these teams are strongly discouraged from wearing products for personal use (i.e. non-team function) that are not carried by the affiliated company (such as Cheer Cutie items sold at competitions/booths/online). This figure is significantly lower outside of Ontario, where less than 25% of the teams deal exclusively with a particular company.

CHEER CUTIE'S BUSINESS OPERATIONS

Over the last three years, Wilson had run the business alone and had been successful in reaching new markets, expanding the customer base, improving the brand awareness, and perhaps most importantly understanding the needs of the targeted customers. Exhibit 8 shows the important milestones Cheer Cutie had reached during this time. Having been unsuccessful initially in securing financing (i.e. business loan) from several banks, all of this was achieved with the minimal start-up capital of \$1,000. At this time Cheer Cutie could raise \$10,000 through a bank loan if needed to fund the proposed growth strategy. Currently, by targeting the right audience (i.e. female cheerleaders currently participating in a cheerleading program, either scholastic or club - privately run or for-profit company) and positioning its product offering as "fun, fashionable, quality, and affordable cheerleading wear", Cheer Cutie was able to penetrate the market as shown in Exhibit 9.

Cheer Cutie's financial performance so far does not reflect the opportunity that exists in the cheerleading market. The company has experienced negative cash flow both in 2003 and 2004 due to excessive travel/booth expenses. It became apparent with time that event participation would likely be profitable when more than 15 teams were competing. Participating in an Ontario cheerleading competition/event, Cheer Cutie can reasonably expect \$100 of revenue per team (i.e. out of the 15-25 team members, some of them will buy products individually that will total \$100). For events outside of Ontario, the expected average revenue per team rises to \$150. The opportunity for direct sales is evident from the financial projections in Exhibit 10, while Exhibit 11 includes a list of the main Canadian cheerleading events that would typically have more than 15 teams. With an efficient organizational structure and an effective marketing strategy, event participation can be lucrative. One issue that Wilson is unclear on is how the website and the online sales capability will contribute to Cheer Cutie's bottom line.

The popularity and success of Cheer Cutie in the early stages of the company's existence was in part attributed to its customer service and marketing mix. While turnaround time for *Custom Apparel* is approximately 3-4 weeks, for the *Cheer Cutie* line the lag is between 10 days to 2 weeks, depending on the product (e.g. screen-printing is considerably faster than embroidery/tackle twill). This turnaround is well received by the customers. The four components of the marketing mix, as they pertain to Cheer Cutie, are outlined below.

Product

Cheer Cutie products aim to be cute, “everyday style” apparel with some type of cheerleader designation/design (e.g. “cheerleader”, “Cheer Cutie”, CC logo). The apparel is not “athletic” (e.g. not athletic t-shirts, athletic track pants), but rather is casual enough to be worn either “out” (e.g. school, social events) or to practice. The designs are embellished with screen-printing/sparkles/rhinestones and other elements, while the styles reflect current fashion trends. The underlying policy regarding apparel in the Cheer Cutie product mix is “age appropriate” (i.e. girls as young as 8 or 9 are purchasing the same items as teens who are 17 or over) and would successfully pass the “parent test” (i.e. “if this was my 8 year old daughter, would I allow her to wear this to school/out, etc.”). This policy promotes social responsibility and reinforces a positive image of cheerleaders rather than contributing to the negative stereotypes. The product mix changes at least twice a year (i.e. fall/winter and spring/summer lines), and new products are introduced at almost every event. The constant introduction of new products is Cheer Cutie’s competitive advantage, as it helps in differentiating Cheer Cutie from its competitors. Other vendors rarely offer new products, and if so, new items are introduced less frequently.

Price

The price points for Cheer Cutie products range between low to moderate, as Cheer Cutie has chosen a high sales volume, low price/profit margin strategy. Exhibit 12 highlights the prices and associated profit margins for various items carried by Cheer Cutie. Some specialty items are more expensive (e.g. tackle twill/embroidered sweatshirts in the fall/winter line), in an attempt to promote the idea of “exclusivity” (i.e. only a specific number of sweatshirts released once). While prices at events are tax-inclusive to facilitate quick transactions, website prices are tentatively set “before tax”. Wilson was still considering the associated potential implications and in addition needed to decide whether online prices should remain the same, be lower or higher than event prices. These pricing strategy details needed to be resolved immediately, as the online sales capability would be made available later on this month (i.e. December 11, 2004).

Place (Distribution)

The offline channel is currently driven by the seasonality of the industry. Distribution of the Cheer Cutie line involves the manufacturer shipping the products directly to Wilson, who personally sells them at cheer events/competitions across Canada. Depending on the structure of the expanded organization (e.g. sales representatives in various regions), distribution will have to be revisited. Similarly, *Custom Apparel* is currently being shipped from the manufacturer to Wilson, who subsequently forwards it to the team. In addition to the offline distribution, the online sales capability introduces novel considerations (e.g. delivery time, order customization, returns, bracketing) regarding logistics. Wilson was inclined to outsource this task to a one-stop logistics provider that would handle distribution for both channels, but more thought was required, before a decision would be made on this matter.

Currently, 85% of suppliers are North American manufacturers/distributors. Screen-printing, embroidery, and tackle twill are done locally (Guelph, Ontario), while rhinestones/heat transfers are purchased from a company in South Korea (these items represent less than 10% of the product line). All finished goods are made in North America.

Furthermore, the online sales capability aims to offer apparel year-round (overcoming the issue of seasonality and limited sales opportunities), making it available to international customers (mostly in the US), and increasing inventory turnover, thereby decreasing inventory holding time and allowing for new products to be introduced to market faster.

Promotion

Given the limited funds available to Cheer Cutie, there has been minimal promotion so far, as can be seen specifically by inspecting the four elements of the promotional mix: advertising, personal selling, sales promotion, and public relations. The advantages and disadvantage of each of these elements should be considered prior to developing Cheer Cutie's promotional strategy. In addition, past activities should be considered as they can offer insight on what has worked and what has not.

- Advertising

Cheer Cutie was previously advertised in American Cheerleader Junior Magazine (1/3 page for \$1,350US). While the publication's reach is high and targeted, the decision to advertise in this manner was premature, given that sales channels were at the time limited (i.e. sales only at events and over the telephone, no online sales, catalogues, or retail distributors and consequently low conversion of prospects). Once operations and the supply chain are optimized, magazine advertising, although costly, may prove to be a valuable tool, particularly in enhancing Cheer Cutie's brand in the US.

In addition, by attending the various cheerleading events, Cheer Cutie is able to deliver advertising with a personal touch (through Wilson or the sales representatives). There are many advertising ideas for cheerleading events (e.g. brochures for venues without a booth option, including brochures in the coaches' packages, giving away door prizes, handing out of door knob signs to promote Cheer Cutie), but it is unclear as to which ones are the best choices in terms of Return On Investment (ROI) and how their effectiveness should be measured (e.g. leads, conversions, generating site traffic).

Wilson feels that one of the advertising objectives is to redirect traffic to the website. At the same time, since her expertise with online marketing is limited, Wilson is unsure how to leverage Cheer Cutie's web presence for advertising. For the time being, cheerleading message boards and websites of cheerleading organizations and teams have been used to promote Cheer Cutie (e.g. link exchanges).

In addition, direct mail has also proved to be successful in reaching potential customers. Many of the provincial organizations will send out a brochure or flyer with their yearly rule guides to teams. Wilson has created and continually maintains a database from previous customers and targets them for repeat sales with direct mail or email messages.

- Personal selling

A key component of the current business model, personal selling has been handled exclusively by Wilson so far by attending many cheerleading events every year. This responsibility may shift in the future to regional sales representatives (who would require training). In addition, mainstream retail stores are increasingly selling cheerleading apparel (e.g. Suzy Shier, Stitches, Miss Teen, Bootlegger).

- Sales promotion

Every year Cheer Cutie marks down items near the end of the season in order to push them. No coupons or other substitutes are issued. It is more important to reduce inventory, and consequently to allow the introduction of new merchandise, than to attempt to hold on to the stock and try selling it at full price and earning a few dollars more per item. As mentioned earlier, Cheer Cutie's competitive advantage is the constant introduction of new items. In addition, some discounts were previously offered as incentives to purchase team practice sets. This strategy, however, was unsuccessful as it increased the labour costs, reduced the profit margin, and the sales volume did not make up for the latter.

- Public relations

Public Relations (PR) is one element that Cheer Cutie has not been able to utilize, and perhaps the new website, along with other means, can help address this gap.

The effectiveness of the marketing strategy becomes increasingly important as direct competitors are constantly entering the market. Furthermore, the promotional strategy becomes critical, since the cheerleading world is fairly small. Most teams belong to provincial organizations that conduct meetings, clinics and competitions for coaches during the year. Raising Cheer Cutie's brand awareness with these provincial organizations has proved in the past to be successful in the company's promotion as they are often happy to refer a contact for Canadian cheerleading apparel to their respective coaches.

CHEER CUTIE'S COMPETITORS

The cheerleading industry is constantly growing; with it grows the number of suppliers. Most of these companies supply competition uniforms, practice apparel, custom wear, and cheer accessories (e.g. shoes, poms, megaphones). It is uncommon that a company would supply only cheer apparel, and there are few direct competitors offering cheerleading-inspired every-day apparel like the *Cheer Cutie* product line. Most suppliers have websites and offer both online shopping and international shipping. Exhibits 13 and 14 provide a list of Cheer Cutie's main competitors operating out of the Canadian and the US markets respectively. As for overseas, the most prominent international operator is First Cheer (www.firstcheer.com), which also offers online shopping.

While industry rivalry is intense, there is also a significant barrier to entry found particularly in Canada. This barrier arises when athletes coached by staff from a particular company (e.g. ProSpirit, PCA), or who belong to a particular club run under this company, are openly discouraged from purchasing clothing that is not from their respective companies. A significant 50-75% of the teams in Ontario fall under this category, while less than 25% of the teams outside Ontario have similar ties and consequent exclusivity.

CHEER CUTIE'S VISION AND 2005 OBJECTIVES

Cheer Cutie's vision is to provide fun, fashionable, and quality cheerleading apparel at affordable prices for everyday and/or practice wear to customers worldwide. In addition, it aimed to develop and maintain a strong brand to the extent that Cheer Cutie was in the consumer's reference set for cheerleading apparel. Performance objectives against the strategic plan to achieve its vision included:

1. Increasing organization capability and capacity by establishing an efficient organizational structure and distribution system, while leveraging the launch of the redesigned website and its soon-to-be-made-available online sales feature;
2. Reducing costs;
3. Growing sales; and
4. Ensuring a strong strategic position.

REVISITING CHEER CUTIE'S GROWTH STRATEGY

It would become increasingly difficult to compete in the cheerleading industry without restructuring Cheer Cutie and redeveloping the company's marketing strategy for both the online and offline channels. The success of these initiatives would be measured in time through indicators reflecting on costs, sales growth, and the strength of the company's strategic position. Furthermore, since the redesign of Cheer Cutie's new website concentrated on enhancing its aesthetic appeal to the company's target audience while maintaining its original functionality, the new website's overall effectiveness needed to be evaluated against the objectives it was set out to achieve prior to going live (i.e. prior to replacing the current site). As Wilson reached to open the front door of the consulting group's office, she paused for a moment reflecting on the fact that Cheer Cutie had the potential to be one of the most lucrative cheerleading clothing companies in the industry. She was looking forward to reviewing the recommendations about to be presented.

EXHIBIT 1

Cheer Cutie's Original Website

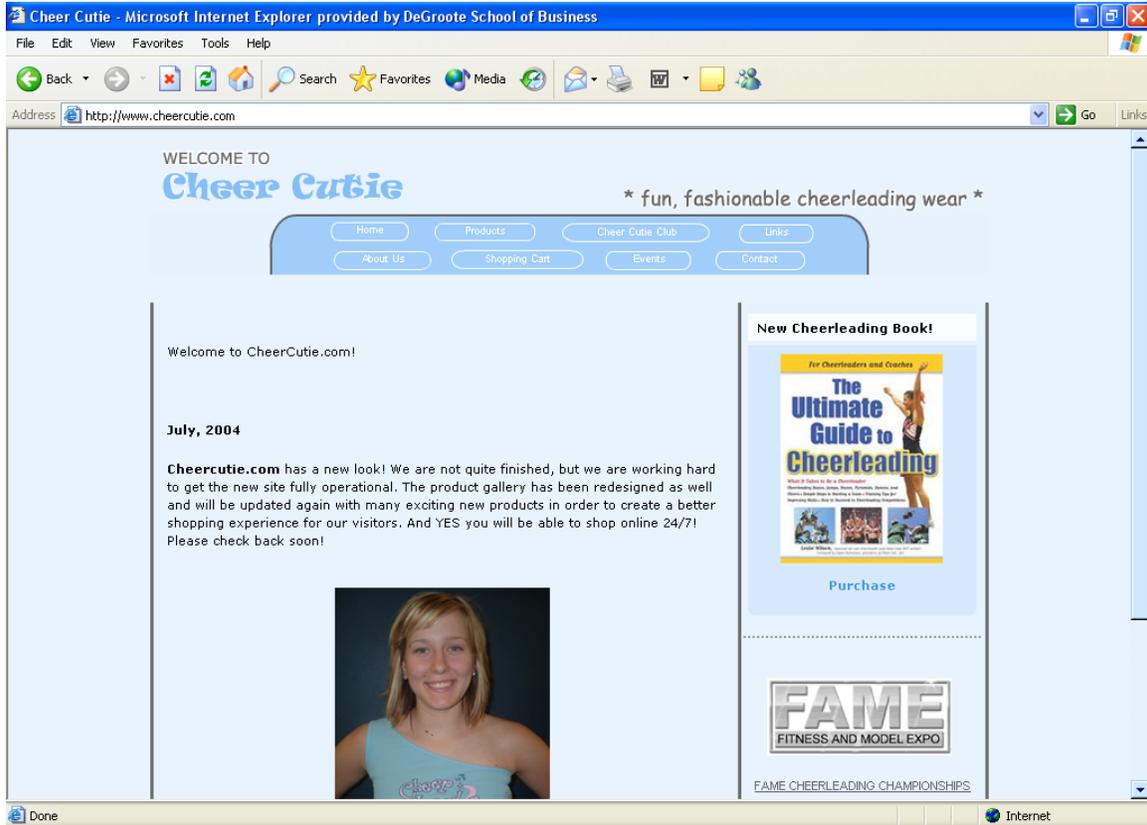


EXHIBIT 2

Cheer Cutie's Redesigned Website

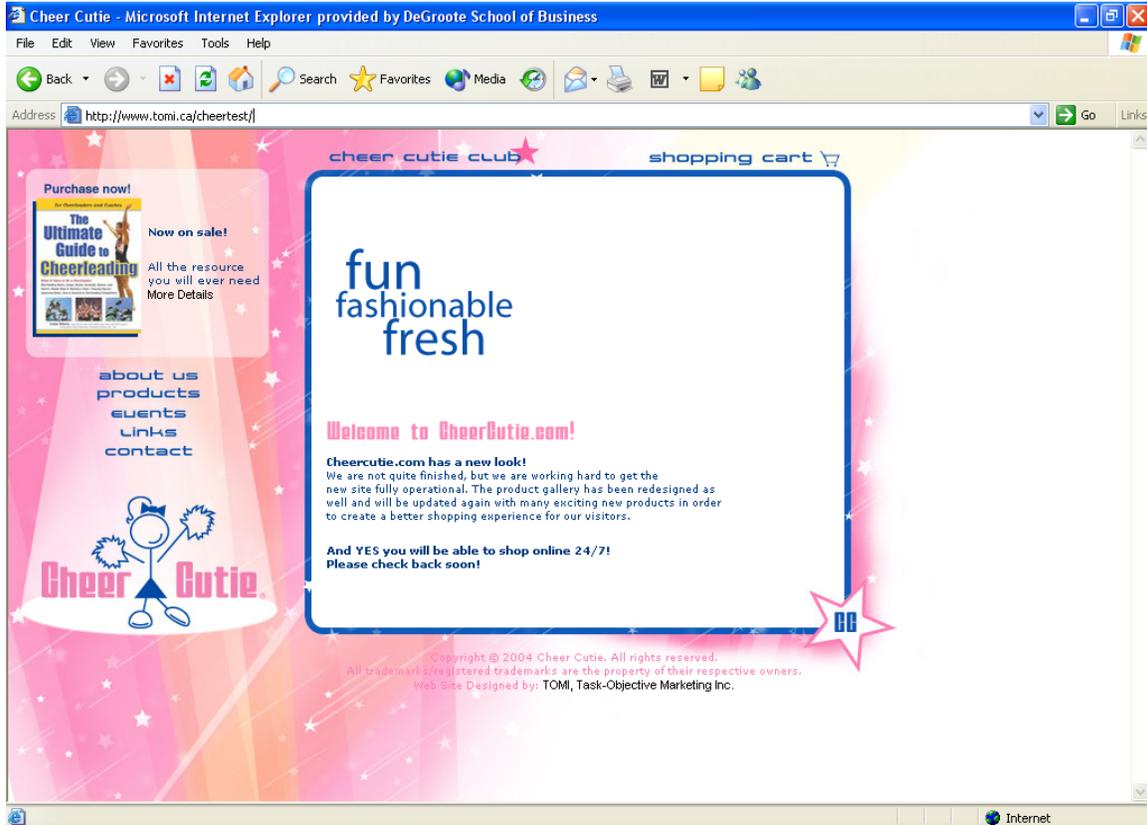


EXHIBIT 3

Retailers of *Ultimate Guide to Cheerleading*

- Canadian residents can purchase a copy at Chapters/Indigo
- American (and most countries) can purchase a copy at one of the following online or in-store book retailers:
 - Amazon
 - Barnes & Noble
 - Books-a-million
 - Powell's
 - Wordsworth
- UK Residents can purchase a copy at First Cheer (www.firstcheer.com) and Amazon (www.amazon.co.uk)
- European residents can also purchase a copy at First Cheer

Source: www.ultimateguidetocheerleading.com, January 31, 2006.

EXHIBIT 4

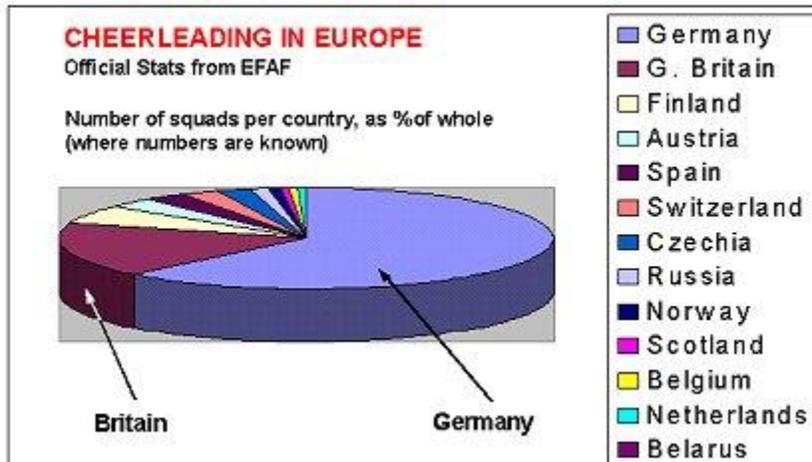
Canadian Cheerleading Associations

- Ontario Cheerleading Federation (www.ocf.on.ca)
 - 200 registered teams; 60-70 compete per year
- Nova Scotia Cheerleading Association (NSCA) (no website)
 - 50-75 registered teams
 - Nova Scotia Club Cheerleading Association (a member of NSCA, making up a part of the 50-75 teams) (www.nsclubcheer.8m.com/custom2.html)
- Manitoba Cheerleading Association (www.cheermanitoba.com)
 - 60 teams
- Alberta Cheerleading Association (www.albertacheerleading.ca)
 - 60+ teams
- British Columbia Cheerleading Association (www.bccheerleading.ca)
 - 40+ teams
- Quebec Cheerleading Associations
 - 50 teams (split between the two associations below)
 - Association des Cheerleaders du Quebec (www.cheerquebec.com)
 - Commission Provinciale de Quebec (eteamz.active.com/cpcheer/index.cfm?)
- New Brunswick Cheerleading Association (www.nbca.homestead.com)
 - 40 teams
- Newfoundland Cheer Association (www.newfoundlandcheerleading.com)
 - 20 teams

EXHIBIT 5

Breakdown of European Cheerleading Market

- Estimated at 250,000+ cheerleaders (based on 1998 figures)



Source: www.cheerleading.org.uk/handbook/stats.htm, January 31, 2006.

EXHIBIT 6

Cheer Cutie's 2005/2006 Product Line (Samples)

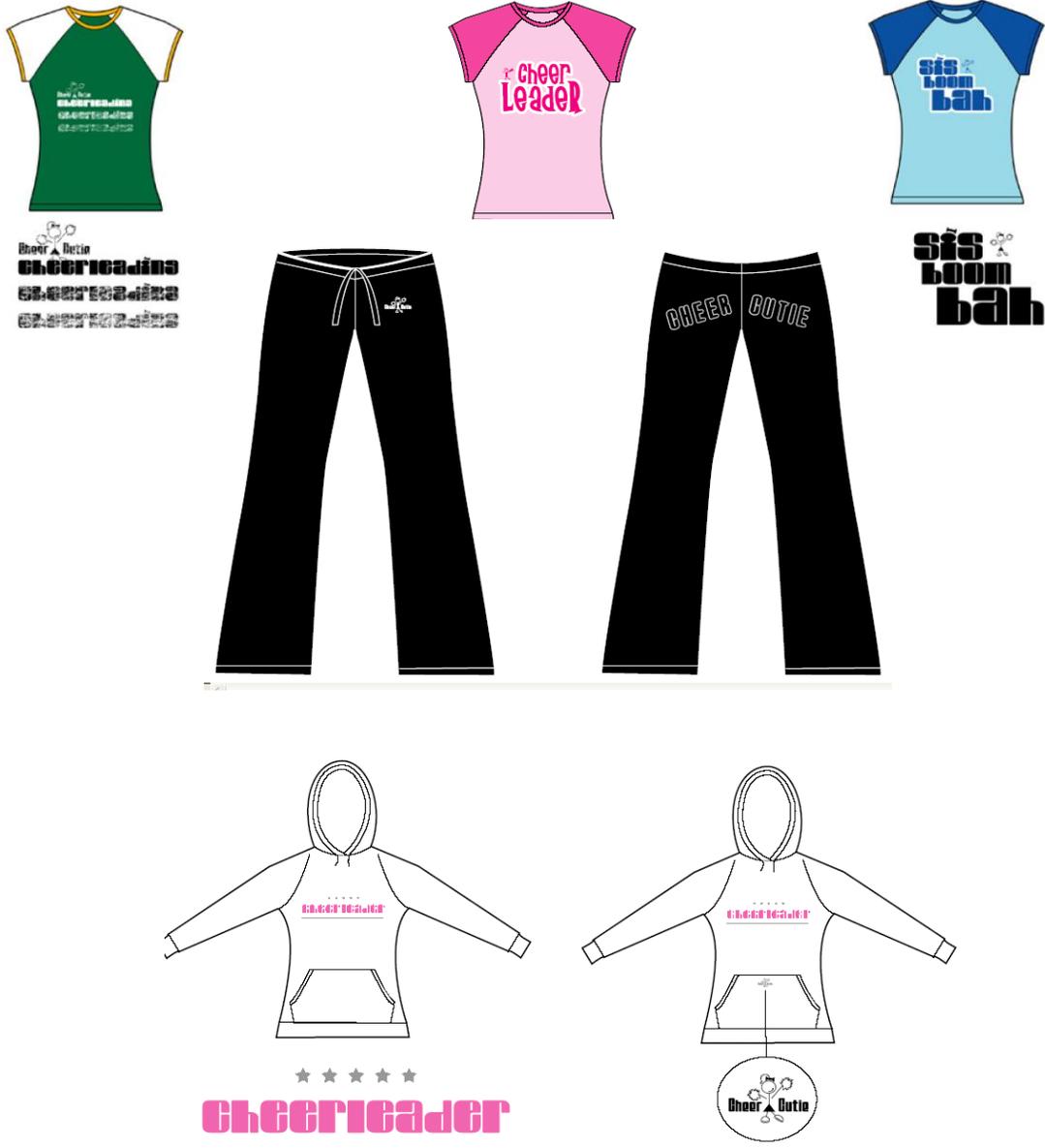


EXHIBIT 7

Cheer Cutie Logo



EXHIBIT 8

Cheer Cutie Milestones

2002

- **January:** Registration of Cheer Cutie as a sole proprietorship
- **February – April:** Booths at Ontario Cheerleading Federation (OCF) during competition season (3 regional competitions, 1 provincial competition) in Montreal and Halifax;
At this time, only three competitors present at OCF events: Cheer Cutie, PCA, Stunt Factory.
- **June – July:** Clothing sold in Finland
- **September – December:** Began *Custom Apparel* service;
Attended a few small competitions in December.

2003

- **February – May:** Presence at events in Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan;
New competitors entering the cheerleading apparel scene.
- **June – August:** Clothing sold in Finland (numerous cities, including Helsinki for the Jr. Europeans) and the UK (Manchester & Leicester).
- **September – December:** *Custom Apparel* orders; a few cheerleading competitions. Cheer Canada begins selling clothing in Winnipeg;
New competitor: Cheer Bug.

2004

- **February – May:** Same cheerleading events as 2003;
New competitors: Seventeen11, FlyGirl, Extreme Apparel & Sportswear

NOTE: Seasonal business based on the competition cycle

- February – March: Regional competitions (local and provincial)

EXHIBIT 9

Cheer Cutie Percentage Sales by Segment

Segment	Ages	Segment Size	CheerCutie % Sales
PeeWee	< 9	15%	2%
Junior/Tween	9-12	25%	10%
Varsity/Teen	13-18	45%	80%
University/Club	> 18	15%	8%

EXHIBIT 10**Cheer Cutie's Financial Performance Projections at Cheerleading Events**

	Ontario	Nova Scotia
<i>Income</i>		
Revenue	2000	6000
COGS	1200	3600
<i>Operating Margin</i>	800	2400
<i>Less Expenses</i>		
- Booth setup fee	100	250
- Travel (gas, car, flight)	50	800
- Hotel	0	200
- Wages (assistant)	75	150
<i>Total Expenses</i>	225	1400
<i>Net Income</i>	575	1000

Notes:

1. Revenue: Projections based on the assumptions that for Ontario events the average number of teams competing is 20 and the average revenue per team \$100, while in Nova Scotia those numbers are 40 and \$150 respectively.
2. Cost of Goods Sold (COGS): Assumed to be 40% (conservative average of all products)
3. Booth: Setup fees are more expensive for larger events, like the one in Nova Scotia
4. Travel: Ontario events only require gas, whereas non-Ontario events require additionally airfare and car rental (airfare is assumed to be \$350 per person and car rental \$100 – two persons attending non-Ontario events due to the large size of the event and consequent booth traffic).
5. Hotel: Overnight stay is required for non-Ontario events and typically a two-night stay is required (approximate hotel cost \$100/night).
6. Wages: Wilson hires an assistant at \$75 per day

EXHIBIT 11

Canadian Cheerleading Events (typical season)

Date	Location	Teams
February	Ontario	25
February	Ontario	30
March	Ontario	30
March	Ontario	30
March	Nova Scotia	45
March	Saskatchewan	20
March	Saskatchewan	20
March	Manitoba	50
April	Manitoba	50
April	Ontario	20
April	Ontario	60
April	Nova Scotia	40
May	Nova Scotia	30

EXHIBIT 12

Cheer Cutie Product Line and Pricing in CAD and Profit Margins

ITEM ¹	Sale Price	Pre-Tax Price ²	Cost of Goods Sold (COGS)		Profit Margin before operating costs	Profit Margin as a % of price
			Blank ³	Print /Emb. ⁴ Costs		
Sleeveless t-shirt, tank tops (print)	18	15.65	6.5	2	7.15	39.73%
Tees, raglans (print)	20	17.39	6.5	2	8.89	44.46%
Tees, raglans (rhinestones)	25	21.74	6.5	3.5	11.74	46.96%
Shorts (print)	18	15.65	8	2	5.65	31.40%
Sleeveless cotton hoodies (print)	22	19.13	8.5	2	8.63	39.23%
Long sleeve cotton hoodies (print)	25	21.74	12	2	7.74	30.96%
Sweatpants (print)	35	30.43	17	2	11.43	32.67%
Sweatshirts (print)	45	39.13	15	4.5	19.63	43.62%
Sweatshirts (embroidery)	50	43.48	15	10	18.48	36.96%
Sweatshirts (tackle twill/embroid.)	58	50.43	15	15	20.43	35.23%

1. Items shown make up Cheer Cutie's entire product line by category; multiple versions (i.e. designs) of a single item may be offered

2. Ontario Sales Taxes comprise of the Provincial Sales Tax (PST) of 8% and the Government Sales Tax (GST) of 7% – when a sale occurs at an Ontario event both taxes are applied; for all other provinces only the GST is applied. Prices shown assume both taxes (PST and GST) have been applied to the Sale Price, therefore the Profit Margin calculated would apply to Ontario sales.

3. Blank costs include shipping from wholesaler

4. Embellishments based on min. orders of 24 ea. (includes set up costs, graphic designing fees, etc.)

EXHIBIT 13

List of Cheer Cutie's Competitors in Canada

- *Bug Athletics*, Guelph, Ontario (www.cheerbug.com) - Similar products, yet still somewhat athletic in nature. Offers custom team apparel. No online ordering.
- *Cheer Basics*, Waterdown, Ont. (www.cheerbasics.ca) – Supplies/manufactures mostly competition uniforms and some basic cheer apparel. Offers custom team apparel. No online ordering.
- *ProSpirit*, Scarborough, Ont. (www.prospirit.ca) – Manufactures custom team apparel basics (e.g. shorts, tees, sports bras) and competition uniforms. Offers custom team apparel and some cheerleading apparel yet athletic in nature. Offers cheerleading clubs, instruction, camps, and competitions.
- *The Stunt Factory*, Waterloo, Ont. (www.stuntfactory.com) – Offers custom team apparel and some cheer apparel. Designs for cheer apparel are fairly outdated with no new products introduced in the last ~2 years. Offers cheerleading instruction and camps.
- *Xtreme Apparel & Sportswear* (www.xtremeapparel-sportswear.com) – Offers custom competition uniforms, some cheer apparel/accessories, and “cute” apparel.
- *FlyGirl* (www.flygirl.ca) – Some similar cheer apparel. Offers custom competition uniforms. No online ordering. Offers cheerleading clubs, instruction, camps, and competitions.
- *Power Cheerleading Athletics* (www.powercheerleading.com) – Offers custom competition uniforms, custom cheer apparel, and athletic cheer apparel (e.g. tees, sweatshirts/pants, sports bras). Style is athletic in nature. Great brand recognition (well known and popular) with nearly 25 years as a cheerleading company offering instruction, clubs, competitions, camps, apparel, etc. No online ordering.
- *Cheer Canada*, Winnipeg, Manitoba (no website yet) – Presence in Manitoba and Saskatchewan events. Offers similar style clothing to Xtreme Apparel, along with custom (e.g. team sweat suits, team sets) and “cute” apparel.
- *Total Spirit*, Vancouver, British Columbia (www.totalspirit.com) – Offers athletic apparel (e.g. custom practice apparel, shoes, warm-ups) and accessories

EXHIBIT 14

List of Cheer Cutie's Competitors in the US

- *Threads of Fun Spiritwear* (www.threads-spiritwear.com)
- *The Cheerleading Company* (www.cheerleading.com)
- *The Cheer Store* (www.thecheerstore.com)
- *Cheerzone* (www.cheerzone.com)
- *Team Cheer* (www.teamcheer.com)
- *Cheerleader Superstore* (www.teamleadershop.com)
- *Ram Graphics Spiritwear* (www.ramgraphics.com)

Note: Visit www.cheerleading.net and click on “suppliers” for a comprehensive listing of American companies in the cheerleading industry.

Case Study Teaching Notes

Cheer Cutie: From Streets to Clicks

Synopsis of case

Cheer Cutie, a cheerleading-inspired apparel company, was going through a significant transformation. After redesigning its website, Leslie Wilson, CEO, felt that an online marketing strategy was needed, while the existing offline one needed refinement. The new website aimed to enhance its appeal to the target market and to include an online sales capability to fit with *Cheer Cutie*'s growth objective. This also meant that Wilson would now have to resolve the issue of how the company should be restructured to facilitate this growth, as it was neither efficient nor practical to be a one-person business in a booming industry. Consequently, the company's organizational structure and logistics also had to be revisited. Although the potential reengineering efforts seemed daunting, *Cheer Cutie* had the potential to be one of the most lucrative cheerleading clothing companies in the industry.

Case objectives and suggested courses

This case study focuses on several key issues emerging from the company's decision to transition from a quasi-physical operation to either a virtual or hybrid one. Consequently, the case deals with a comprehensive management problem involving implications on strategy, organizational structure, finance, logistics, and marketing. The case could be used in courses relevant to any one of these functional areas. However, most implications arise due to the company's increasing use (or value exploration) of the Internet. Hence, an e-business course or one that covers e-business as a subset would be ideal (e.g. a marketing course discussing online retailing).

Discussion questions and suggested answers

A set of questions is provided for use by the instructor in facilitating the class discussion on the case. These questions are provided under a number of topical areas that may also be used in terms of the administration of the case.

- E-Business
 - What are the key success factors to a company's presence on the Internet?
 - What are the options and implications on logistics supporting a digital storefront?
 - How can the company be structured to support both the online and offline presence?
 - Which web design attributes are critical in enhancing the interface? (with respect to any goal, that is clearly articulated, e.g. increase sales, generate a database of prospects, create an online community)
- Strategy
 - How effectively is the company positioned given its recently introduced online presence?
 - How should the company be positioned to leverage both online/offline channels?
- Marketing
 - Which online / offline marketing strategy is suitable for this company?
 - Are there synergies between the online and offline channels?

Linkage to underlying concepts and theory / Tips for resolving the case problems

The following outline is provided as a suggested approach to resolving the case problem by linking to relevant concepts as needed.

Key issues

Begin with an analysis of key issues and rank those issues according to urgency and/or importance. A probable list of relevant issues, along with their priorities, includes the following:

- Highest Urgency and Highest Importance
 - Strategy / Brand positioning
- Highest Urgency and Lowest Importance
 - Operations including Organizational structure (restructuring) and logistical enhancements through Business Process Reengineering
- Lowest Urgency and Highest Importance
 - Cash flow / Financial resources
- Lowest Urgency and Lowest Importance
 - Marketing strategy (online/offline promotional mix; scope)

Analysis

Proceed with a qualitative analysis through the use of:

- i) SWOT
- ii) Five Forces
- iii) Competitive analysis

Proceed with a quantitative analysis through the use of:

- i) Demographic analysis of target market
- ii) Financial assumptions
- iii) Pro forma (for at least three years)

Alternatives and Recommendations

Evaluate the set of alternatives and recommendations according to:

- Coverage
- Realism and Practicality
- Evaluation Criteria
- Logical tie into analysis
- Justification for selected alternatives

Recommendations could reflect on the following areas:

- Strategy (examples: clicks and streets, i.e. event participation, vs. pure play, i.e. online only, vs. offline only, vs. exclusive distribution by established retailer)
- Brand development (e.g. through endorsements/testimonials/affiliates, networks, prizes and give away items, passive advertising)
- Commission structure vs. Franchising (for reorganized / expanded organization)
- Promotional strategies (Google AdWords, link/banner exchanges, print advertisements in cheerleading industry magazines, etc.)

Note: alternatives should reflect on the following:

- Profitability of events / initiatives (consider if they are worth pursuing)
- Summary of costs (overall budget and ROI)

Implementation and Action Plan

Evaluate the implementation and action plan according to:

- Detail
 - Performance measures / goals defined
 - Pricing strategy defined (i.e. price points, margins, off/online prices)
- Consideration of cost and control issues
- Contingency plan
 - Identify what the trigger events are for each recommendation
 - Consider negative implications from failed initiatives

Suggested teaching patten or flow

This is a multi-dimensional management case that is best suited for either the end of a course, or as part of a higher level course focusing on the case methodology. As such, two variations are provided below as suggestions in its administration, although the first variation is more likely to be effective in students the substantial comprehension of the concepts involved in this case.

Variation 1:

The case is assigned to groups of students. Groups may be given either a three-hour, 24-hour, or one week period to analyse the case and present its findings within a 30-minute presentation. The groups will be responsible to conduct their respective research using any sources available to them (including the Internet, if available). Deliverables should include the following components: i) an identification of the key issues (any subset of those outlined above); ii) an analysis of the company, iii) an analysis of the industry; iv) a set of recommendations with respect to the issues identified; v) an implementation plan / timeline for the recommendations made; vi) contingencies to any portion of the recommendations or unmet key issues.

Variation 2:

The case is distributed to a set of students a few days prior to the in-class discussion. Each student will be responsible for generating a list of questions within a certain functional area (e.g. strategy, organization, logistics, finance, and marketing). The number of questions can be left open, although a minimum number of questions can be set to two, regardless of functional area. Each student is then responsible for performing the necessary research and answering the identified questions. During a class session, a discussion on the case ensues moderated by the instructor. The discussion could start with strategy, followed by operations (including organization structure), continue with financial considerations, and close with marketing. If this sequence is followed, then marketing could refer to the promotional mix, whereas any segmentation-targeting-positioning discussion could occur under strategy. Students are then given the opportunity to present their questions and recommendations. Once the original set of questions and their suggestions has been presented, an in-class discussion is held on the merit of each of the answers. This discussion will not only highlight gaps in the students' respective analyses, but also the importance of considering the dynamics involved for management dealing with the various implications of this case.