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Sustainable Innovation at REI; REI 2.0, Innovating Sustainably in Today's Sharing Economy


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REI 2.0

INNOVATING SUSTAINABLY IN
TODAY'S SHARING ECONOMY

WILLIAM DOBIE | JEREMY SANTOS | CRYSTAL WANG | DEME XENOS

**“LIFE IS AN INTEGRATED,
PURPOSEFUL, PRIZED,
AND POWERFUL GIFT.”**

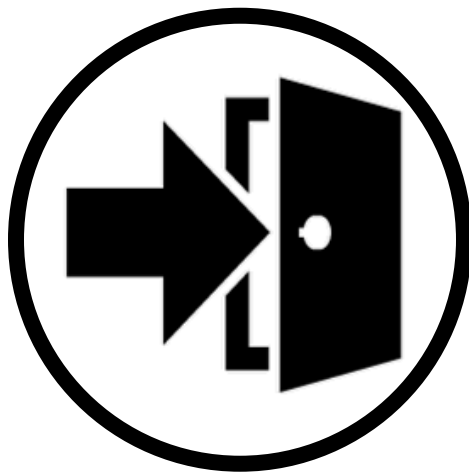
- BRIAN TEEL | VICE PRESIDENT | REI VIETNAM PROGRAM



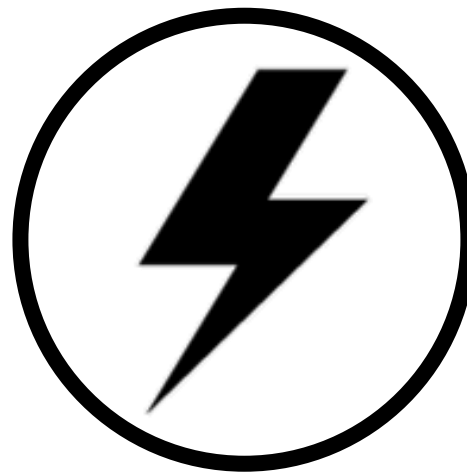
APPROACH



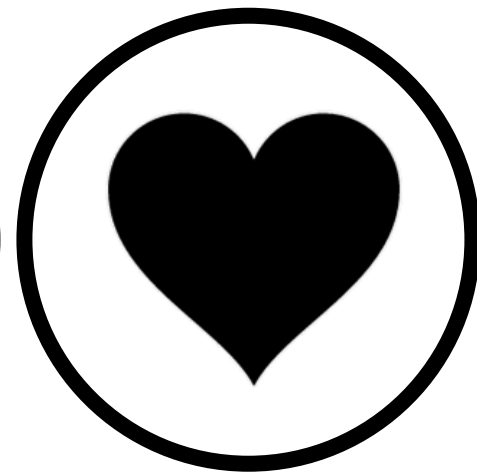
**CURATING
PRODUCTS**



**CREATING
ACCESS**



**CATALYZING
EXPERIENCES**



**CORE
PRACTICES**



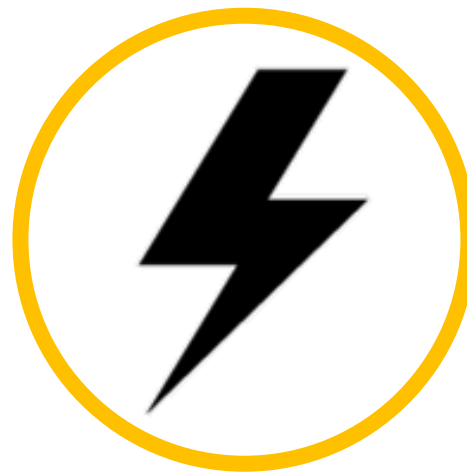
APPROACH



CURATING
PRODUCTS



CREATING
ACCESS



CATALYZING
EXPERIENCES



CORE
PRACTICES

**TO LEVERAGE THE SHARING ECONOMY
AND DEVELOP A DISRUPTIVE STRATEGY
TO CATALYZE EXPERIENCES.**



**WHAT DOES IT MEAN TO
CATALYZE
EXPERIENCES?**



“OUR CORE PURPOSE IS TO **INSPIRE, EDUCATE, AND OUTFIT PEOPLE FOR A **LIFETIME OF OUTDOOR ADVENTURE AND STEWARDSHIP.**”**

CSR



**PEOPLE
PLANET
PROFITS**

CSR = STEWARDSHIP

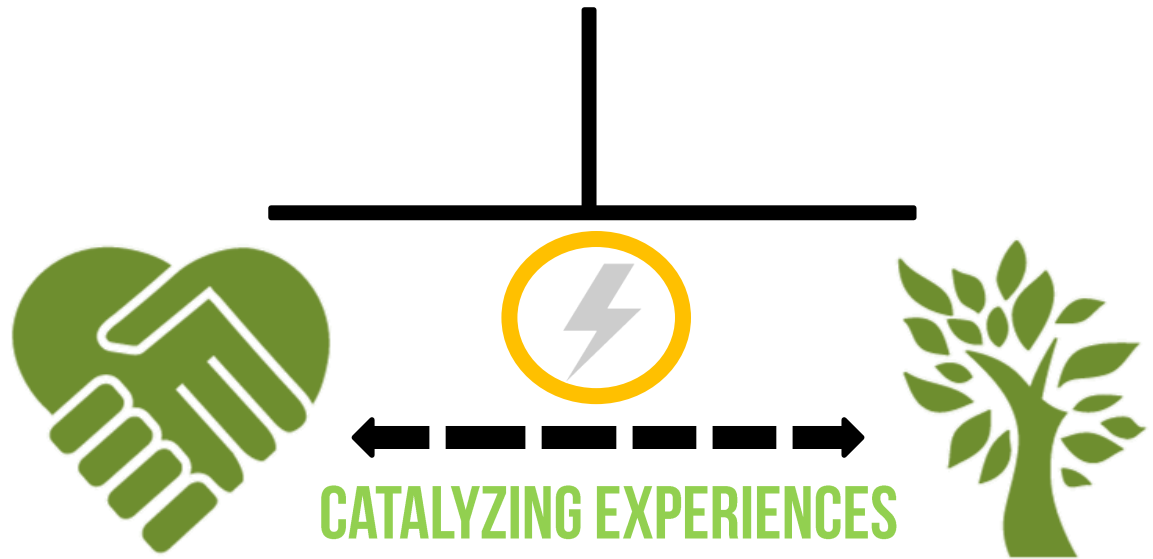


**PEOPLE
PLANET
PROFITS**

CSR = STEWARDSHIP



CSR = STEWARDSHIP



#TRENDING

IN THE

SHARING ECONOMY

TRENDS

VIA HARVARD BUSINESS REVIEW



BRICK & MORTAR

4.0% CAGR



E-COMMERCE

9.5% CAGR



SHARING ECONOMY

25.0% CAGR



COLLABORATIVE CONSUMPTION

access to goods + services via bartering, trading, leasing, exchanging, reselling, & swapping (ex: *ZipCar*)



COLLABORATIVE PRODUCTION

groups of individuals collaborating to design, produce, or distribute goods (ex: *Waze*)



COLLABORATIVE LEARNING

open learning experiences where people share resources + knowledge + skills (ex: *Wikipedia*)

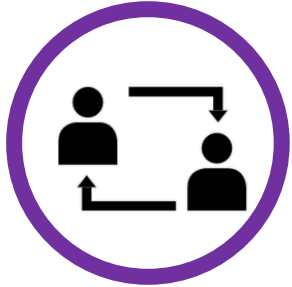


COLLABORATIVE FINANCE

funding, lending, & investing outside of the traditional financial institutions (ex: *Crowdfunder*)



OUR GOALS



LEVERAGE SHARING ECONOMY

sharing of productive assets; keeping with growing trends



SUSTAINABLE INNOVATION

continue improvements to environmental impact



CATALYZE EXPERIENCES

enable quality experiences + limit use of natural resources

**WHAT CAN WE DO TO
ACHIEVE THESE GOALS?**



STAKEHOLDERS



REI LEADERSHIP

value alignment, inspiration, education, quality, sustainability, profit, corporate giving, access

EMPLOYEES

empowerment, community, sustainability, access to gear, ethics, experiences

CO-OP MEMBERS

community, quality, knowledge, ethics, sustainability, experiences, involvement

COLLABORATORS

value alignment, impact on supply chain

ENVIRONMENT

resource utilization, waste, sustainable engagement



GEAR SHARING

facilitate peer-to-peer lending
disrupts how customers get their products

pro: maximizes resource utilization
con: customers can circumvent REI



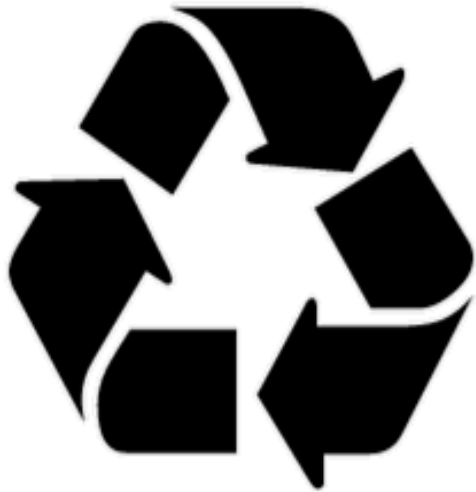


GEAR REPAIR

educating to prolong product life
disrupts product consumption

pro: maximizes resource utilization
con: reduces demand for new products





REPURPOSE

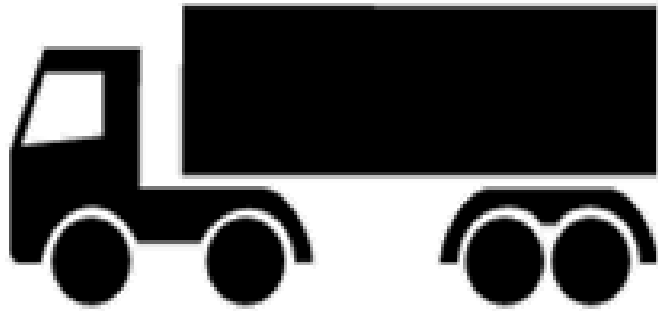
SUPPLY CHAIN WASTE

utilize by-products for a new purpose
disrupts product disposal and resource use

pro: extends value within the supply chain
con: doesn't catalyze consumer experiences



OPTIMIZE USE OF TRANSPORTATION



leverage collaborative networks

disrupts distribution of goods

pro: increase productivity of existing assets
con: logistical hassles + reduced control





CROWDSOURCING R+D

utilize customer input for product development
disrupts product design process

pro: producing only what customers want
con: doesn't catalyze outdoor experiences





“TED TALKS”

knowledge-sharing with community experts
disrupts how information is shared

pro: disseminates community knowledge
con: no focus on products that enable experiences





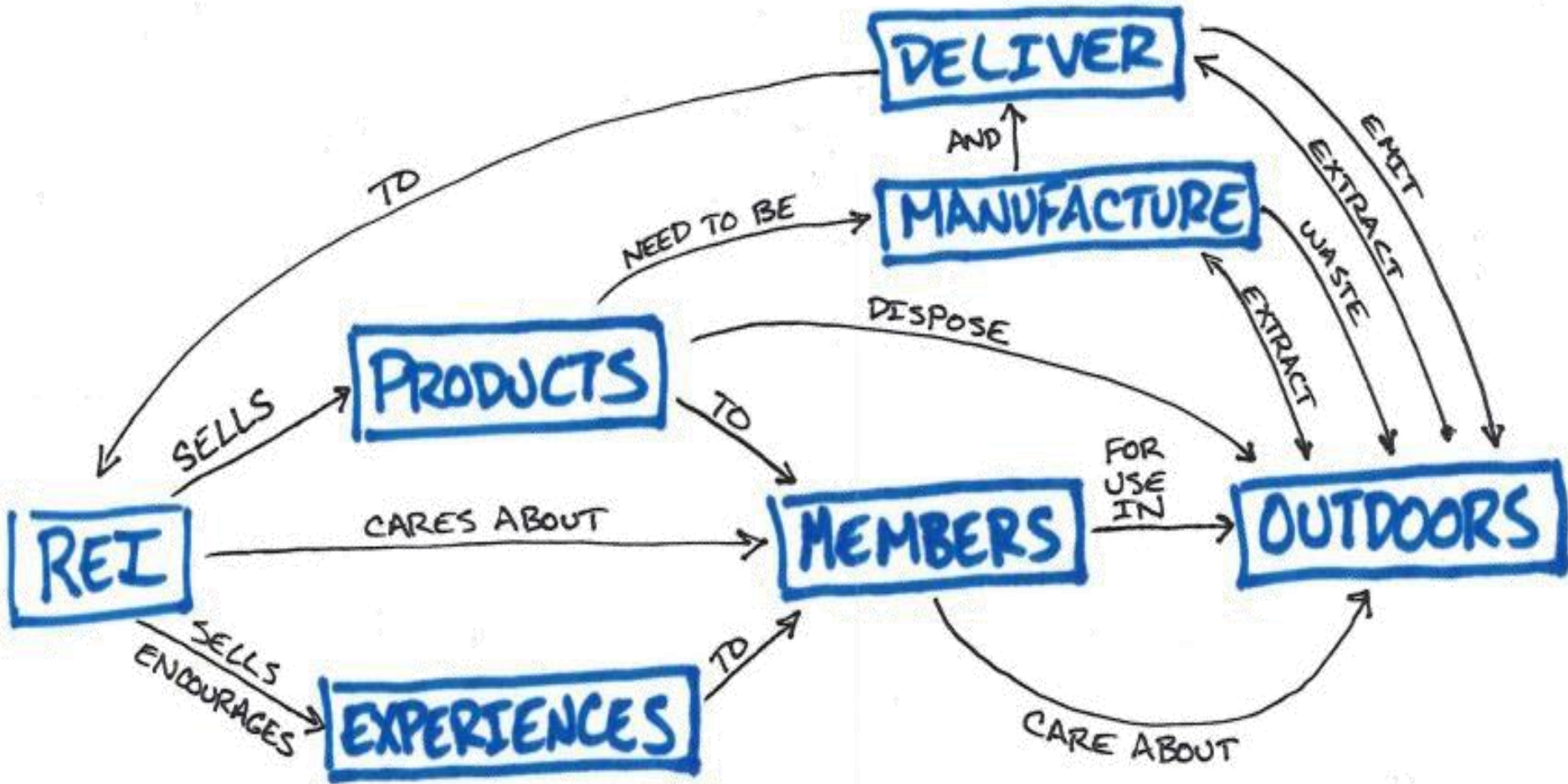
INTERACTIVE PLATFORM

increase access to quality outdoor experiences
disrupts current customer journey

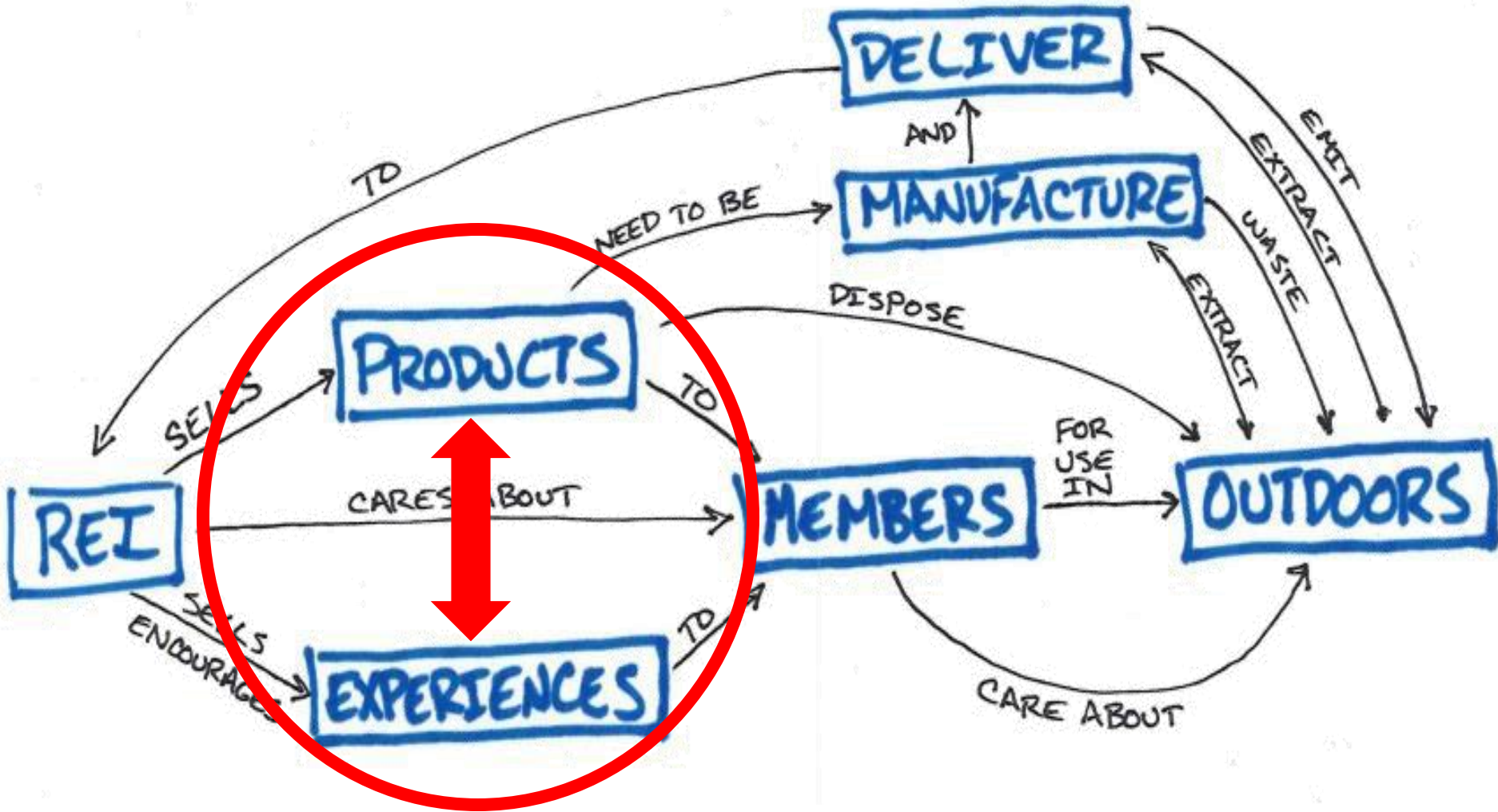
pro: directly links products + experiences
con: requires long-term investment



RELATIONSHIP MAP



RELATIONSHIP MAP





CURRENT EXPERIENCE

ADDRESSING CUSTOMER PAIN POINTS

PLANNING

PRE-TRIP

WHERE AM I GOING TO GO?
WHO WILL I GO WITH?
WHAT DO I NEED TO GO THERE?
WHERE DO I GO TO GET WHAT I NEED?
HOW WILL I GET THERE?

REFLECTING

POST-TRIP

HOW WAS MY EXPERIENCE?
HOW CAN I SHARE MY EXPERIENCE?
HOW CAN I HELP OTHERS HAVE THIS EXPERIENCE?
WHERE SHOULD I EXPLORE NEXT?



CURRENT EXPERIENCE

ADDRESSING CUSTOMER PAIN POINTS

PLANNING


PRE-TRIP

WHERE AM I GOING TO GO?
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POST-TRIP

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HOW CAN I SHARE MY EXPERIENCE?
HOW CAN I HELP OTHERS HAVE THIS EXPERIENCE?
WHERE SHOULD I EXPLORE NEXT?



VERTICAL INTEGRATION

OUR STRATEGY?
TO MAKE THE
COMPLEX, SIMPLE.



INTERACTIVE PLATFORM



ESCAPE by REI



INTERACTIVE PLATFORM



integrates entire planning process
simplifies decision-making from choosing destination to gear



lowers barriers to entry to outdoor experience
increases knowledge sharing & lowers cost of supplies



leverages principles of sharing economy
enhances utilization of existing resources



extension of REI community
shares REI expertise & connects outdoor enthusiasts



ESCAPE_{by REI}

INTERACTIVE PLATFORM



[HOME](#) [EXPLORE](#) [WRITE REVIEWS](#) [PLAN A TRIP](#) [FIND GEAR](#) [LEARN](#) [LOG IN](#)

ESCAPE | TRY NEW GEAR
DISCOVER | CONNECT



KAYAKING



HIKING



MOUNTAIN BIKING



CAMPING



SKIING/SNOWBOARDING



OVERVIEW | ANALYSIS | STRATEGY | EVALUATION | RECAP | APPENDIX



ESCAPE | TRY NEW GEAR
DISCOVER | CONNECT



KAYAKING



HIKING



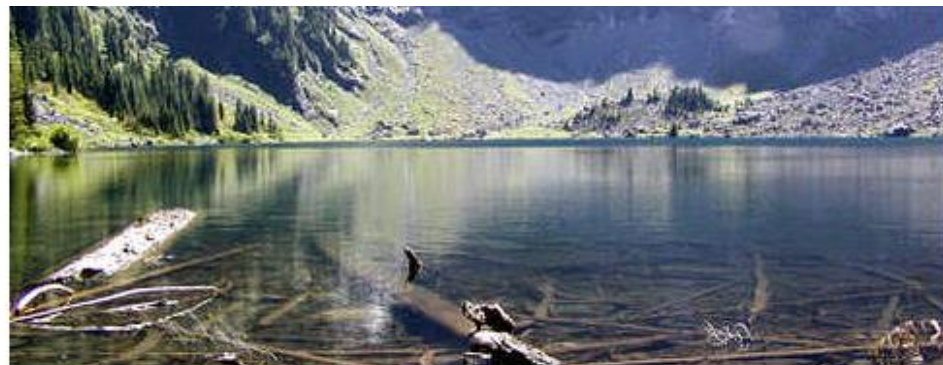
MOUNTAIN BIKING



CAMPING



SKIING/SNOWBOARDING



LAKE TWENTY-TWO TRAIL

Granite Falls, WA

[More Info](#)



SNOQUALMIE FALLS TRAIL

Snoqualmie, WA

[More Info](#)



ESCAPE | TRY NEW GEAR
DISCOVER | CONNECT



KAYAKING



HIKING



MOUNTAIN BIKING



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LAKE TWENTY-TWO TRAIL

Granite Falls, WA

[More Info](#)





SNOQUALMIE FALLS TRAIL

Snoqualmie, WA

[More Info](#)

Search for a trail, park, or camp site

 Hi, John 

LAKE TWENTY-TWO

Granite Falls, WA | 30°F | 61.5 miles from you



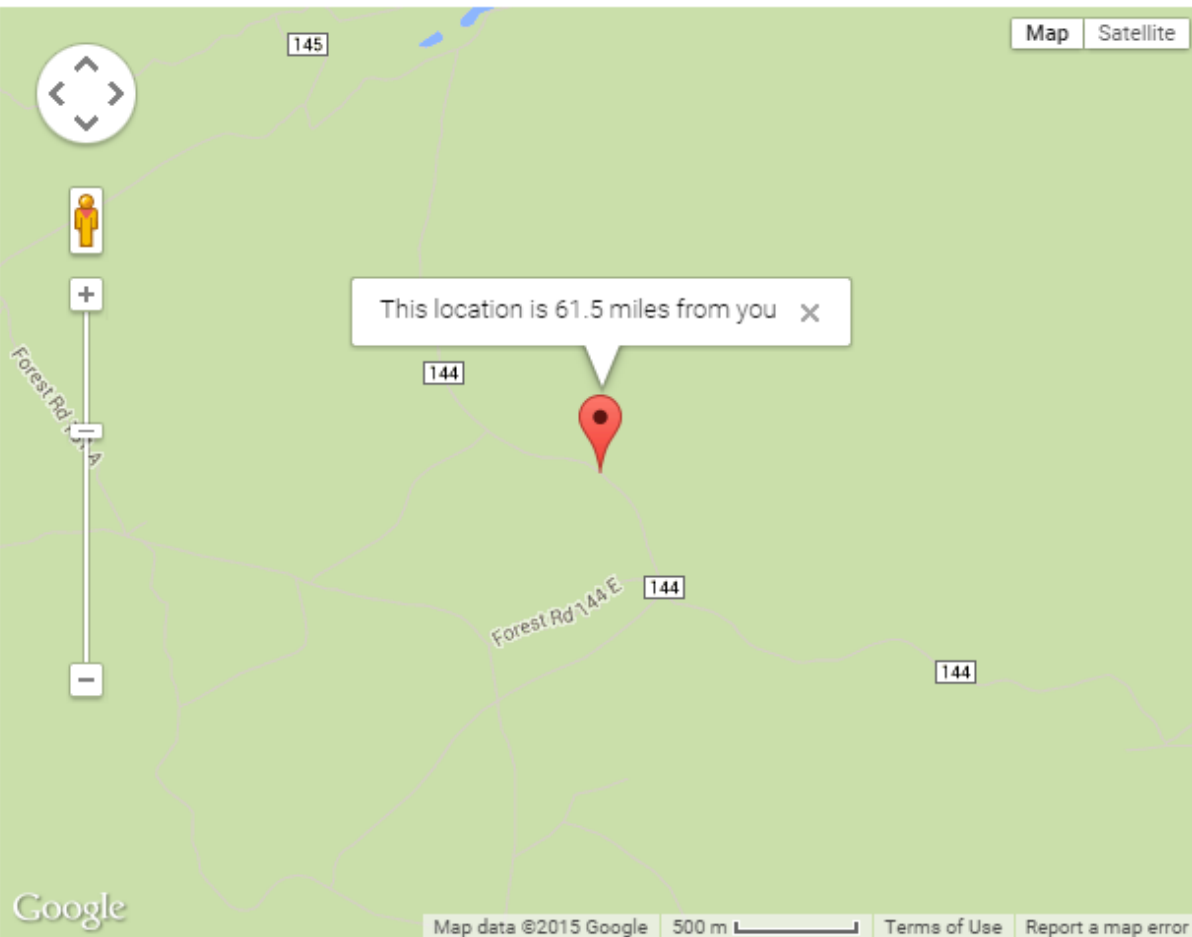
Elevation: 1300 feet
Duration: 5.5 miles / 3.5 hours
Type: Hike, Out and Back
Difficulty Rating: ★★ ★



108 reviews  [Read More](#)
Jeremy Santos, Deme Xenos and 8 other friends have been to Lake 22



Expert Advice: Don't be afraid to use those trekking poles for balance!
Highlights: Near Big Four Ice Caves
Gear Needed: Trekking Poles, Hiking Shoes, Day Hiking Packs...



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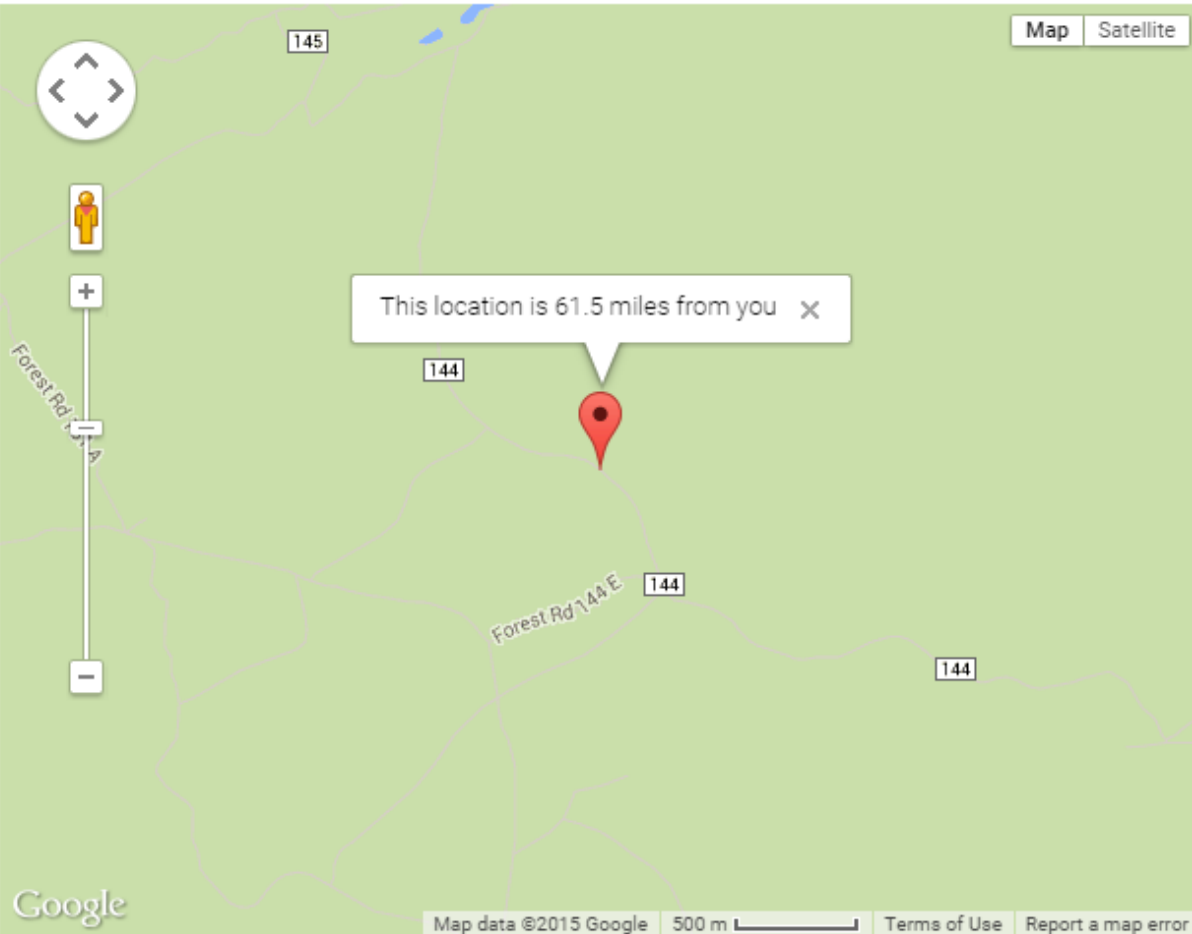
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LAKE TWENTY-TWO

108 reviews

Hiking



Hi, John



33515 Mt Lp Hwy
Granite Falls, WA 98252

[Get Directions](#)



[See all 75 photos](#)



"Don't be afraid to use those **trekking poles** for balance!"



Expert Advice



"I am used to doing **beginner hikes**, so was a little concerned with this one, but it was great!" in 5 reviews



"The lake is very close to the **Big Four Ice Caves**, so make sure you make a trip there too!" in 18 reviews



Trail Information


[See Gear Checklist](#)

Elevation: 1300 feet
Duration: 5.5 miles / 3.5 hours
Type: Hike, Out and Back
Difficulty Rating: ★★★
Features: Lake, River, View
Season: June to October

LAKE TWENTY-TWO

 108 reviews

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 Hi, John 



33515 Mt Lp Hwy
Granite Falls, WA 98252
[Get Directions](#)



[See all 75 photos](#)



"Don't be afraid to use those **trekking poles for balance!"**

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Season: June to October

GEAR CHECKLIST for Mount Rainier



What you need

Backpack:

A 65-70+ liter pack will be large enough to carry all of your personal gear, food, and water.

Sleeping Bag:

We recommend a bag rated from between 0° to 20° F.

Ice Axe:

The length of your axe depends on your height. Click onto "Expert Advice" on the right for more detailed description.

Mountaineering Boots:

Insulated mountaineering boots with completely rigid soles are needed to climb Mt. Rainier.

Equipment owned



Find Gear ▶



Find Gear ▶



Find Gear ▶

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Equipment owned



Find Gear ▶



Find Gear ▶



Find Gear ▶



Find the Perfect Backpack Near You



Hi, John ▼



Our Recommendation

[Buy](#)[Borrow](#)

REI Crestrail 70 pack

- ActivMotion® hipbelt: pivots to follow the natural motion of your hips helping balance and stabilize the pack when you're hiking on uneven

[Buy](#)[Borrow](#)

Osprey Packs Aether 70 Backpack

- Lightweight and comfortable Aether 70 is a versatile pack with adequate space and organization for weekend or weeklong trips

[Buy](#)[Borrow](#)

The North Face Zealot 70 Backpack

- Opti Fit technology allows you to measure your torso and then set the pack to fit your body like a glove

Find the Perfect Backpack Near You



Our Recommendation



Buy Borrow

REI Crestrail 70 pack



Buy Borrow

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- Lightweight and comfortable Aether 70 is a versatile pack with adequate space and organization for weekend or weeklong trips

- Opti Fit technology allows you to measure your torso and then set the pack to fit your body like a glove

BORROWING PROCESS



STEP 1

VIEW OPTIONS



STEP 2

ADD TO CART (RESERVE)



STEP 3

GO TO RENTAL FACILITY

STEP 4

RECEIVE GEAR



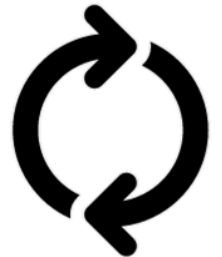
STEP 5

ENJOY!



STEP 6

RETURN...REPEAT!



SO WHAT?

**TOTALLY ELIMINATE YOUR
INDUSTRY'S PERSISTENT
CUSTOMER PAIN POINTS**

**DRAMATICALLY
REDUCE COMPLEXITY**

* "7 WAYS TO DISRUPT YOUR INDUSTRY"
BY BRUCE KASANOFF & MICHAEL HINSHAW

**INTEGRATION OF A
FRAGMENTED PROCESS**

**DIRECT LINK BETWEEN
PRODUCTS + EXPERIENCES**

**EXTENSION OF THE
REI COMMUNITY**



ESCAPE by REI



GOALS ACHIEVED

UTILIZING SHARING ECONOMY



→ knowledge + gear sharing

INNOVATING SUSTAINABLY



→ gear sharing + improvements in efficiency

CATALYZING EXPERIENCES



→ increased accessibility by lowering barriers to entry

→ extension of REI community



ESCAPE_{by REI}

REI LEADERSHIP

future-proofs REI from industry trends

EMPLOYEES

empowerment via curated reviews

CO-OP MEMBERS

simplifies trip planning process

COLLABORATORS

real-time demand information

ENVIRONMENT

increased sustainable engagement

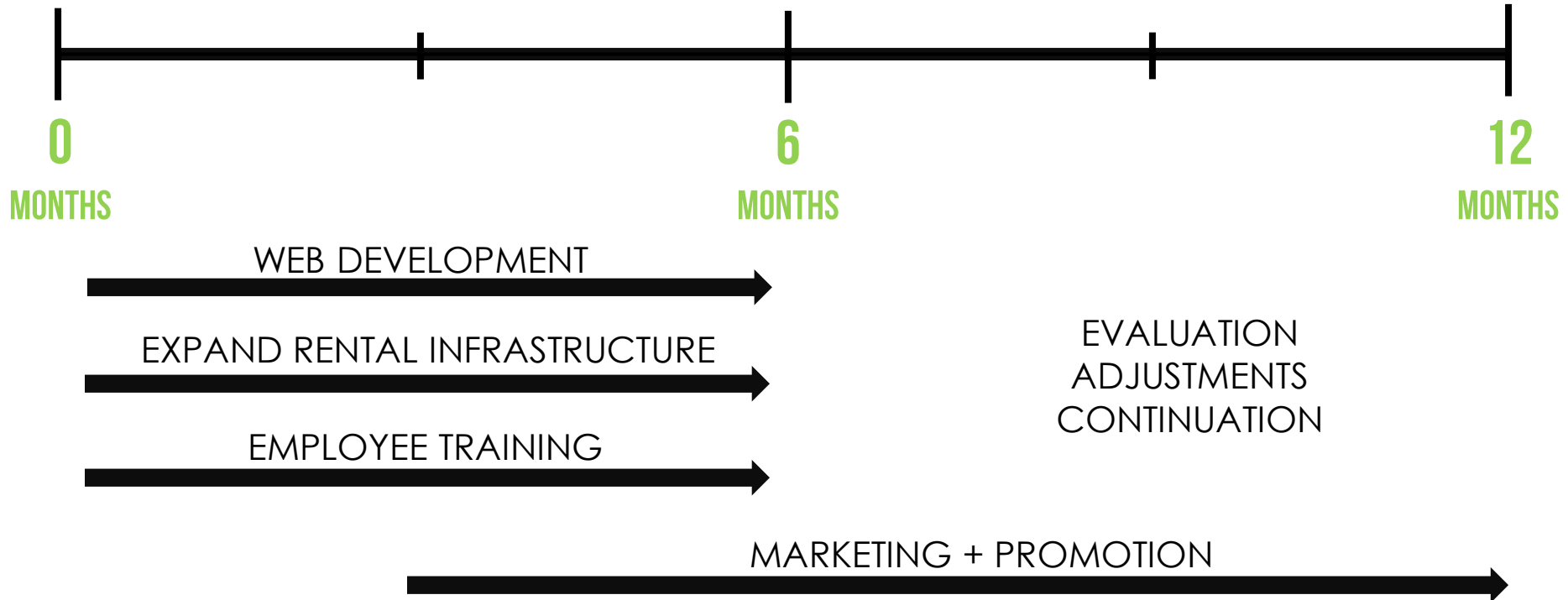
IMPLEMENTATION

SHORT TERM: YEAR 0 TO YEAR 1



TRIAL LAUNCH

IN PUGET SOUND (8 STORES,
INCLUDING FLAGSHIP STORE)





IMPLEMENTATION

LONG TERM: YEAR 1 TO YEAR 5



**HOW DO WE
EVALUATE
THE IMPACT?**



MEASUREMENT

KEY PERFORMANCE INDICATORS BY 2020



20%

ADOPTION BY ACTIVE
CO-OP MEMBERS

20%

GROWTH IN
MEMBERSHIP

30%

INCREASE IN TOTAL
GEAR REVIEWS



2x

TOTAL VOLUNTEER
HOURS SERVED



5%

IN INVENTORY



RISKS + MITIGATION

WHAT IF “ESCAPE”
DOESN'T CATCH ON?

WHAT IF PEOPLE DON'T
CONTRIBUTE CONTENT?

WHAT IF IT REDUCES
CURRENT SALES?

WHAT IF THERE IS A DECREASE
IN QUALITY OF RENTAL GEAR?

WHAT IF IT INTEGRATES POORLY
WITHIN OVERALL COMPANY?

HIGH PROMOTION

GAMIFICATION

PRICING STRATEGY

EMPLOYEES + POLICIES

TRAINING + CONSULTANTS



FINANCIALS

5-YEAR PROJECTION

\$252M

RENTAL +
CROSS-SELLING
REVENUE

\$11M

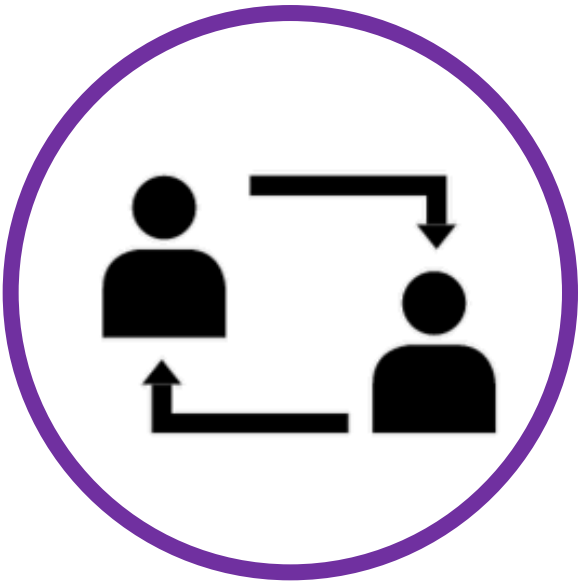
COST OF
IMPLEMENTATION

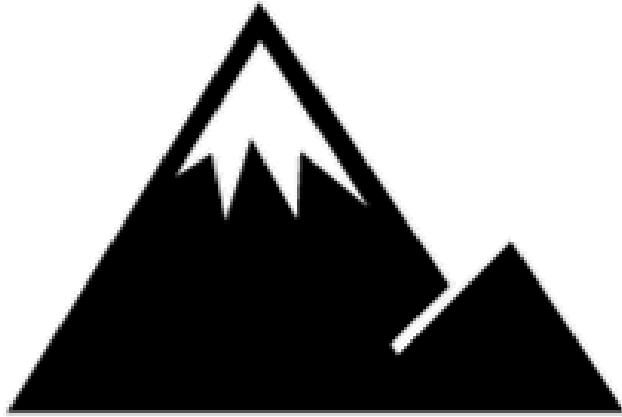
\$241M

NPV WITH 18%
DISCOUNT RATE

TRAINING
MARKETING
ERP SYSTEM
SUPPLY STATIONS
WEB DEVELOPERS
CONTENT MANAGERS

**LET'S TAKE A
MOMENT TO
RECAP.**





ESCAPE

by REI

APPENDIX

4 PILLARS OF
COLLABORATIVE ECONOMY

SHARING ECONOMY

INDUSTRY TRENDS

MARKET SHARE

SWOT

PORTER'S 5 FORCES

WAYS TO DISRUPT INDUSTRY

STAKEHOLDER CRITERIA + Qs

DECISION MATRIX

BENEFITS

- REI + PRODUCER
- EMPLOYEES + ENVIRONMENT
- CUSTOMERS

RISKS

INCORPORATING REI ADVENTURES

INCORPORATING EXISTING FEATURES

STEWARDSHIP

SUSTAINABLE OPERATIONS

FINANCIALS

COST TO DEVELOP WEBSITE

PRICING

EXAMPLE PRICING

ASSUMPTIONS FOR KPIs

IMPLEMENTATION

ESCAPE LOGISTICS

LENDING GEAR

GAMIFICATION



4 PILLARS OF A COLLABORATIVE ECONOMY

Some or all of these traits characterise organisations that make up the collaborative economy. In addition, it is possible to categorise the collaborative economy into four pillars of activity, depending on their purpose. These are:

Pillar 1 Collaborative consumption²

Gaining access to goods or services through bartering, renting, lending, trading, leasing, exchanging, reselling and swapping. This includes redistribution markets (e.g., Furniture Re-use Network), product service systems (e.g., Zipcar), and collaborative lifestyles (e.g., Grub Club).

Pillar 2 Collaborative production

Groups or networks of individuals collaborating to design, produce, or distribute goods. This includes collaborative design (e.g., Quirky), collaborative making (e.g., OpenStreetMap) and collaborative distribution (e.g., Nimber).

Pillar 3 Collaborative learning

Learning experiences that are open to anyone and where people share resources and knowledge to learn together. This includes open courses and courseware (e.g., FutureLearn), skillsharing (e.g., Skilio), and crowdsourced knowledge (e.g., Wikipedia).

Pillar 4 Collaborative finance

Funding, lending and investment services offered outside of traditional financial institutions. This includes crowdfunding (e.g., Crowdfunder; Space Hive), peer-to-peer lending (e.g., Zopa), complementary currencies (e.g., ECHO - Economy of Hours) and collaborative insurance (e.g., Bought By Many).

“MAKING SENSE OF THE
UK COLLABORATIVE
ECONOMY EXECUTIVE
SUMMARY”

Kathleen Stokes, Emma
Clarence, Lauren
Anderson, April Rinne

September 2014

NESTA COLLABORATIVE
LAB UK

“About Nesta Nesta is an innovation charity with a mission to help people and organisations bring great ideas to life. We are dedicated to supporting ideas that can help improve all our lives, with activities ranging from early-stage investment to in-depth research and practical programmes.”

http://www.nesta.org.uk/sites/default/files/making_sense_of_the_uk_collaborative_economy_summary_fv.pdf



UNDERSTANDING THE SHARING ECONOMY

KIRK'S RESEARCH

RECIRCULATION
OF GOODS

INCREASED UTILIZATION
OF DURABLE ASSETS

EXCHANGE OF
SERVICES

SHARING OF
PRODUCTIVE ASSETS

NESTA DEFINITION

COLLABORATIVE
CONSUMPTION

COLLABORATIVE
PRODUCTION

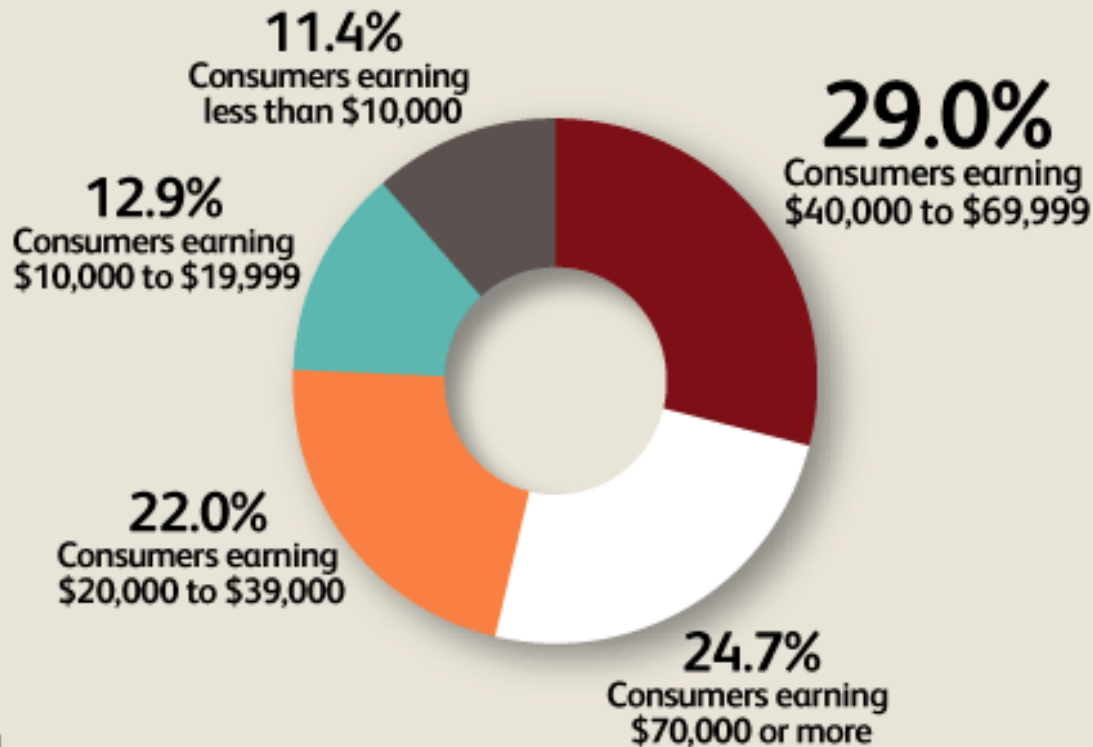
COLLABORATIVE
LEARNING

COLLABORATIVE
FINANCE

INDUSTRY TRENDS

Major Markets

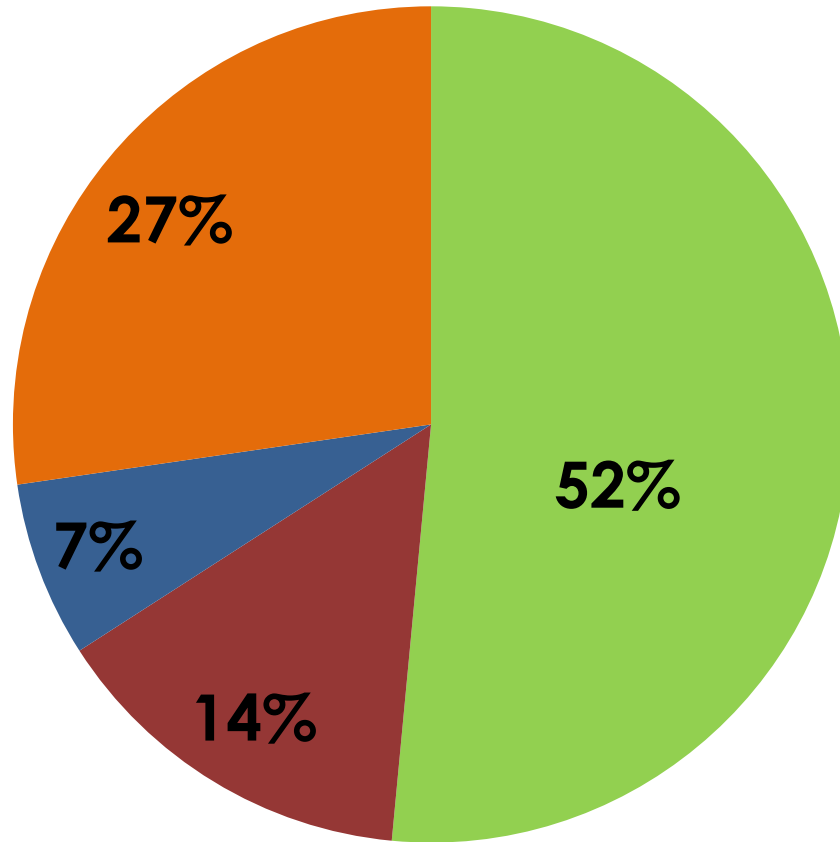
Major market segmentation (2014)



Total \$4.0bn

SOURCE: WWW.IBISWORLD.COM

MARKET SHARE IN INDUSTRY



■ REI ■ Patagonia ■ VF Corporation ■ Other



SWOT ANALYSIS

STRENGTHS | INTERNAL ANALYSIS

Knowledgeable employees
Strong brand reputation
Highly actively membership results in loyal customer base

WEAKNESSES | INTERNAL ANALYSIS

Higher inventory costs
Slow decision making process as a co-op

OPPORTUNITIES | EXTERNAL ANALYSIS

Trends in disposable income
Developments in shared economy

OPPORTUNITIES | EXTERNAL ANALYSIS

Shifts towards e-commerce
Lower cost retail competitors



PORTER'S 5 FORCES

COMPETITION

Medium, rising number of stores with hiking & outdoor equipment

POWER OF SUPPLIERS

Low, large market share → greater negotiating power

POWER OF BUYERS

Low, consumers are willing to pay premium for quality products

THREAT OF POTENTIAL NEW ENTRY

Medium, larger sales volume needed for wholesale discounts

THREAT OF SUBSTITUTE PRODUCTS

Medium, variety of differentiated products



“HOW TO DISRUPT AN INDUSTRY”

BY BRUCE KASANOFF & MICHAEL HINSHAW

<http://www.fastcompany.com/1839009/7-ways-disrupt-your-industry>

1. **Totally eliminate your industry’s persistent customer pain points**
2. **Dramatically reduce complexity**
3. Cut prices 90 percent (or more)
4. Make stupid objects smart
5. Teach your company to talk
6. Be utterly transparent
7. Make loyalty dramatically easier than disloyalty

***FOCUSED ON 1 & 2 AS THE DEFINITION OF
DISRUPTION FOR THIS ANALYSIS + PRESENTATION.**



CRITERIA FOR DECISION EVALUATION

Does this align with our **values**?

Does this preserve our **reputation for quality products**?

Does this enhance our **reputation for quality experience**?

Does this facilitate the **sharing of knowledge**?

Does this **empower employees**?

Does this **inspire customers**?

Does this **maximize resource utilization**?

Does this **minimize waste production**?



DECISION MATRIX

Criteria	Gear Sharing	Gear Repair	Repurpose Waste	Optimize Transportation Use	Crowdsource R&D	“TED Talks”	Interactive Platform
Value Alignment	+2	+2	+2	+2	+1	+1	+2
Quality of Products	0	+1	0	0	+3	0	0
Quality of Services for Members	+2	0	0	0	0	+3	+3
Knowledge-sharing	0	+2	0	0	+1	+3	+3
Employee/ Customer Empowerment	+1	+1	0	0	+3	+3	+3
Environmental Impact	+2	+2	+3	+3	+2	0	+2
Total	+7	+8	+5	+5	+10	+10	+13



BENEFITS

REI

- Provide data on regional activities, allowing rei to only carry what people need, reducing inventory waste (i.e. Walmart neighborhood stores)
- The platform lets rei introduce members to new experiences and gear
- Increases customer engagement
- Future proofs REI from disruption

PRODUCERS

- Producers will have real time data on customer trends
- Allows them to reduce waste by adjusting / only producing what customers actually want

EMPLOYEES

- Empowerment:
providing employees with opportunities to curate / review trails
- Value alignment:
people want to work for a sustainable comp and this takes it to the next level

ENVIRONMENT

- Maximize resource utilization
- Minimize waste
- Reduce overall environmental impact
- Increased sustainability
engagement + stewardship

CUSTOMERS

- Lowers barriers to entry for new experiences
- Helps connect customers with the products they need
- Reducing waste because you try before you buy
- Eliminates the isolated knowledge (all at REI)
- Provides members with a resource to learn and enrich their lives with crowd sourced knowledge (i.e. Britannica vs Wikipedia)
- Fully integrates the customer experience (no reason to go anywhere else)



PLATFORM MAY NOT CATCH ON

Solved by sales clerk promotion

Employee curated content at beginning + current rei reviews

Easy to login / setup (FB integration)

Our members are interested in a new platform

MEMBERS DON'T ENGAGE WITH PLATFORM

Solved by gamification and awarded credits that are donated to local nature projects

THE WEBSITE MAY FEEL LIKE JUST ANOTHER WAY TO SELL PRODUCTS

Solved by personalization + test with focus groups

BORROWING PRODUCTS MAY CANNIBALIZE FULL PRICED SALES

Solved with pricing decisions

PEOPLE DON'T WANT TO GIVE BACK

Follow up to give people info about opportunities + give reward/ titles



INCORPORATION WITH REI ADVENTURES

REI ADVENTURES currently in existence

Currently:

Trip itineraries are currently sent out with required/recommended gear

Recommendation:

- Send itineraries through REI Escape
- Compare required gear with gear currently owned
- Recommend options to buy or borrow gear

INCORPORATION WITH REI ADVENTURES

REI ADVENTURES currently in existence



[HOME](#) [EXPLORE](#) [WRITE REVIEWS](#) [PLAN A TRIP](#) [FIND GEAR](#) [LEARN](#) [LOG IN](#)

Plan and Find Your Perfect Trip

TRAVEL WITH REI



"Definitely worth the trip!"



See all 4,675 reviews ▶

OVERVIEW | ANALYSIS | STRATEGY | EVALUATION | RECAP | APPENDIX



INCORPORATING EXISTING FEATURES

REI FOUNDATION:

- Gather “Escape” community to help REI Foundation support its partners:

Children & Nature Networks
Futuro Media Group’s LatinoUSA
Outdoor Foundation
YMCA of the USA

EXPERT ADVICE:

- Encourage employees to share gear specific knowledge - curated content on **REI Escape**
- Utilize current “Expert Advice” on REI website - e.g. how to choose a tent
- Utilize current REI YouTube channel on equipment demonstration



STEWARDSHIP

DONATE

Inspiring sustainable engagement

Donate to local projects (General donation, or for specific supplies)

Donate to other projects (e.g. REI Volunteer Vacations)

Receive recognition for donations on Escape profile

VOLUNTEER

Inspiring sustainable engagement

Follow-up email after outdoor experience - “Want to give back?”

Volunteer via REI partnerships with local organizations - e.g. WTA

Volunteer via REI Volunteer Vacations

Help preserve nature while learning about importance of your actions

led by community experts w/ knowledge about local ecosystem

Share experience on Escape site

Recognition and achievements for participation

Encourage friends to donate to local projects



REI SUSTAINABLE OPERATIONS

Greenhouse Gas Emissions

Aspiration: Become climate-neutral in our operations by 2020

Energy

Aspiration: Grow our business while managing our total energy use

Waste

Become a zero waste-to-landfill organization by 2020

Paper

Align our use of paper with our values through strategic sourcing

Green Building

Create buildings that reflect REI's values and minimize environmental impact

Product Sustainability

Know, disclose, and address product impacts through their life cycle



FINANCIALS

Discount rate	18%					
	1	2	3	4	5	
Cross Selling Revenue Increase	0%	0.25%	5%	7%	10%	
Cross Selling Revenue Increase	\$ -	\$5,072,400.00	\$ 100,000,000.00	\$ 140,000,000.00	\$ 200,000,000.00	Based on Mckinsey Estimate
Purchasing Efficiency	\$ -	\$ -	\$ 872,500.00	\$ 1,308,750.00	\$ 17,450,000.00	Inventory optimization 2.5,3.5,5%
Rental revenue	\$ -	\$6,000,000.00	\$ 7,500,000.00	\$ 9,375,000.00	\$ 11,718,750.00	1% of sales in yr 1 with 30% growth and 30% to REI
Development Team	-\$ 500,000.00	-\$ 500,000.00	-\$ 500,000.00	-\$ 500,000.00	-\$ 500,000.00	5 Devs for 100k
Content Managers		-\$ 150,000.00	-\$ 150,000.00	-\$ 150,000.00	-\$ 150,000.00	3 content managers for 50k
Website Development	-\$ 221,000.00					High end of enterprise websites
Supply Stations total costs			-\$ 4,550,000.00	-\$ 1,750,000.00	-\$ 1,750,000.00	300000 per station, based on % of rental revenue (1%)
Employee Training	-\$ 20,700.00	-\$ 20,700.00	-\$ 20,700.00	-\$ 20,700.00	-\$ 20,700.00	10 employees, 138 stores. 15 per hr
IT consulting		-\$ 200,000.00				Pre implimentation advising
ERP System Implimentation			-\$ 2,000,000.00			ERP system cost
Marketing		-\$ 50,000.00	-\$ 3,000,000.00	-\$ 1,000,000.00	-\$ 1,000,000.00	-\$ 100,000.00
Benefits	\$0.00	\$11,072,400.00	\$107,500,000.00	\$149,375,000.00	\$211,718,750.00	
Discount Costs	-\$595,046.23	-\$669,068.37	-\$5,296,916.83	-\$2,044,346.55	-\$2,044,346.55	5.07, 7 regional stores
Total Costs	-\$10,649,724.54					
Total Discounted Benefits	\$251,803,649.14					
NPV	\$241,153,924.61					



COST TO DEVELOP WEBSITE

ELEMENTS	DESCRIPTION	COST	
Number of Pages	250+	\$	-
Style of Design	Enterprise	\$	15,000.00
Copywriting # of pages	25-50	\$	7,500.00
SEO w/ Placement Guarantee	150 keywords	\$	10,000.00
Responsive Design		\$	3,000.00
Database Integration	In-depth Full Development	\$	25,000.00
e-Commerce Functionality	Enterprise	\$	25,000.00
CMS	Enterprise	\$	25,000.00
	Total Cost	\$	110,500.00
	Actual cost*	\$	221,000.00

***NOTE:** Actual cost is Total Cost x 2 for conservative estimate of development cost.



PRICING

REI TAKES
30%
OF RENTAL
REVENUES

\$100 DEPOSIT
FOR NON-MEMBERS.
NO DEPOSIT REQUIRED
FOR REI MEMBERS.

\$100 CLEANING FEE FOR
EXCESSIVELY DIRTY / WET GEAR

LOST / UN-RENTABLE ITEMS PAY
FULL RETAIL VALUE

RENTALS CAN BE CANCELED
UP TO 24 BEFORE OR PAY 1
DAY RENTAL COST

2 WEEKS
RENTAL COSTS
60%
OF ITEM'S
PURCHASE
PRICE

ITEMS ARE RATED
**ENTRY LEVEL, INTERMEDIATE,
ADVANCED, AND
ENTHUSIAST**
BASED ON RETAIL PRICE AND
QUALITY OF ITEM.



EXAMPLE PRICING + RATING

Product Type	Product Level	Average Price	Current Condition	Adjusted Price	Rental Price per Day	REI Daily Revenue
Tent	Intermediate	\$175	0.85	\$149	\$6.38	\$1.91

Current Condition Multiplier

New	1
Very Good	0.85
Good	0.7
Fair	0.55
Poor	Do not accept

Tent Product Levels

Entry Level	\$100
Intermediate	\$175
Advanced	\$200
Enthusiast	\$300

Recoup Period

2 weeks = 60% of purchase price

REI Cut **30%**



KPI ASSUMPTIONS

Gamification increases engagement by 29% - Venture Beat

Effective **cross selling** can increase rev by as much as 20%. Assumed 10% at end of year 5 to account for environmental differences – McKinsey

\$221,000 is 2x the firm's quote price for an enterprise grade **website** from webpagefx – accounts for complexity of system and uncertainty

Inventory optimization savings based on 5% estimate from Genpact

IT **consulting costs** based on average implementation of large it firm (i.e. Accenture)

ERP System price based on estimate from management information systems by Kenneth Laudon

Developer cost based on Seattle Area (**flagship store** location) developer salaries



IMPLEMENTATION (SHORT-TERM)

0 TO 6 MONTHS

I. Website

II. Infrastructure

- A. Building on existing gear rental space
- B. Decrease Inventory purchases, accept member gear
- C. Maintain quality (< 15% "fair")
- D. Employee training -evaluate, grade and manage gear
- E. Data Team – hire 5 to developers manage big data analytics
- F. Content Managers for online platform (x3)
- G. Develop partnerships with volunteer orgs



IMPLEMENTATION (MED-TERM)

6 MONTHS TO 3 YEARS

I. Marketing

Online, SEO, FB and referrals for donation credits

Print, Catalog, Mail, Magazines (i.e. Backpacker)

In-store, word-of-mouth

II. ERP System (ie Oracle)

III. Infrastructure (Production)

Work w/suppliers to refine production & R+D

Implement Analytics for consumer behavior (i.e. Genpact or Tableau)



IMPLEMENTATION (LONG-TERM)

3 YEARS TO 5 YEARS

I. Infrastructure (Gear Lending)

Shift from in-store to supply stations

→ Near destination for use- Minimize transport costs

Secure lockers for LT storage

1-2 Employees to ensure quality, security, Knowledge

Partner w/3 PI to arrange backhauls for distribution centers



ESCAPE LOGISTICS (LONG-TERM)

RENTAL SYSTEM

Lenders will drop off their gears at “REI Locker”

REI would utilize their current rental trend to know how much inventory to stock (base on seasonal demand etc)

Renters go online to check out availability for equipment

Optional short questionnaire to determine what they need (or this can be integrated into their profile) - mainly to make outdoor activities more accessible for beginners

KEY:

REI is the one to figure out what is needed and make the exchange happen (they are the HUB) - “we want to be there every step of the way”



HOW TO LEND GEAR

- I. Create Profile: Personalize “My Pack” by answering questionnaire
- II. Option of “lend your gear” (after REI selection) Drop off gear at REI
- III. Get 70% of the rental transaction every time someone rents the gear
- IV. Pick up the gear when needed
- V. *Note: REI has the final control over what gear to rent from users - complete inventory control



GAMIFICATION

“**GAMIFICATION** TAPS INTO THE **BASIC DESIRES AND NEEDS** OF THE USERS **IMPULSES** WHICH REVOLVE AROUND THE **IDEA OF STATUS AND ACHIEVEMENT.**” – BADGEVILLE

How Gamification will be used

- Review products and trails to earn titles and points that can be donated to local projects (i.e. trail master if you review 50 trails)
- Add friends to earn more points
- Volunteer and give back to unlock exclusive titles