HOW TO START A CLIMBING GYM

A DETAILED CHECKLIST TO NAVIGATE SMALL BUSINESS OWNERSHIP AND ALIGN FOR INDUSTRY SUCCESS



HOW TO START A CLIMBING GYM | VERTICAL SOLUTIONS



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INTRODUCTION

Starting a business is hard. The U.S. Bureau of Labor Statistics indicates just over 20% of small businesses fail within the first year, and less than half actually survive for over five years. Starting an indoor climbing gym is even harder for a variety of reasons, many of which we will NOT discuss here. Hurdles aside, this is an exciting time to be venturing into the indoor climbing industry due to the consistent growth exhibited in the past several years, with no signs of it flatlining anytime soon.

Because you've already made the mental jump into entrepreneurship, you should be encouraged by the fact that the popularity of this sport has led to a tremendous amount of available resources, as well as proven funding success, if you are willing to put in the hard work and time necessary to build your own business. This Start-Up Guide is just one small first step on your path and will provide you with an overview of business start-up resources all in one convenient document.

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GETTING STARTED

THE PURPOSE OF THIS WHITE PAPER IS:

- ▷ To familiarize you with the five major action-item categories associated with starting, owning and operating a climbing gym. These are nonlinear and overlapping by nature, so do not follow this guide in consecutive steps, but rather when each is pertinent to you.
- To introduce you to the many indoor climbing-specific business tools and procedures necessary for success.

WHAT THIS PAPER WILL NOT COVER:

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BUSINESS FORMATION: DEFINING THE "WHO"

OVERVIEW

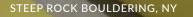
Forming a business can actually be a lot easier than some people imagine. Though, there are many moving parts during the initial start-up phase that some fail to address.

Below, we've included some basic business operations for you to focus on in the early stages, as well as things that just take time to set up. Either way, go slow to ensure you don't miss anything in this area, as you will look more professional to your lenders if you're fully prepared.

"WE PHYSICALLY STARTED OUR BUSINESS WELL BEFORE WE WERE READY TO PITCH INVESTORS & LENDERS ON OUR IDEAS.

We wanted to get the word out that we were starting a climbing facility and stake our claim first to see the response. What we found out was that our early work paid off, as we built a lot of local relationships and following. It gave us the confidence to go into meetings with banks and point to the fact that people were chomping at the bit to climb."

- ANGEL MANGUAL, CIBA CLIMBING CENTER



BUSINESS FORMATION ACTION ITEMS

Use this list below to slowly check off all of the things you should be focusing on. Many of these items may be done concurrently.

SELECT YOUR BUSINESS TYPE

While many companies form as a Limited Liability Corporation, that isn't the only choice that could make sense for you and your partners. Get good legal and tax advice upfront so that you are set up correctly for the long run and will best protect your investment.

REGISTER YOUR BUSINESS



There are several things you should do to make sure your business is properly set up. These include things like understanding <u>trademark protections</u>, registering as a legal entity, registering with the IRS to obtain an EIN, registering with the state to obtain a tax ID#, and obtaining business license(s).



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FORMALIZE YOUR BUSINESS GOVERNANCE



You want all owners to be on the same page and aligned when it comes time to make decisions. For instance, if you have an LLC, you should have an "<u>operating agreement</u>" that provides the structure on how the business will handle things such as what happens with profits and losses, who gets to vote on important decisions, who is assigned to manage the business versus being a silent owner and what to do if someone were to <u>pass away</u> or want to leave the company. Good legal counsel is your best bet on getting this done so that your business gets started on solid ground.

BUSINESS PLANNING: PROJECTING THE "WHEN"

OVERVIEW

Who are you trying to court as customers? How big is your gym going to be? What programming will you offer? What will **people do when they aren't climbing**? What are your financial goals with this business? What are you going to charge people? <u>How many employees will you need</u>? Most importantly, when will you be able to pay off your business loan(s) and rake the dollar bills in?

These questions, among hundreds of others, are what you need to start planning for. There are many reasons why you need to address these, but one good reason is to be able to show lenders you have done your homework and have a regimented plan that you can follow in order to pay them back on time. Plus, this process will help you have a plan for long-term success.

Although you will certainly encounter unknowns, having a business plan and operating model will help stack the deck in your favor when roadblocks and obstacles occur.

"WE UNDERESTIMATED ALL THAT WE DIDN'T KNOW WENT INTO OPERATING A FULL SCALE CLIMBING GYM.

We were surprised to learn a lot of things going through our planning and projections phase that were critical to our decisions made for climbing wall square footage and projected participation rate. If we would have just 'winged it' like so many others do, it would have been detrimental to our business week-one"

- NEWTON DOMINEY, THE CRAG

BUSINESS PLANNING ACTION ITEMS

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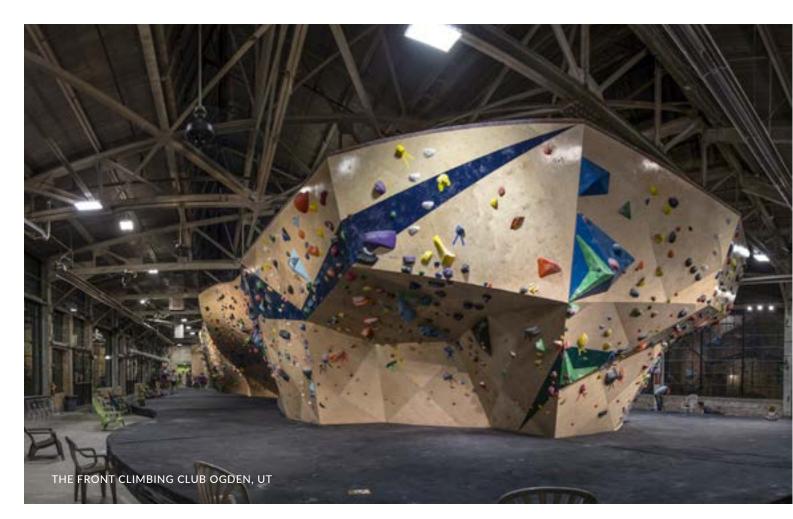
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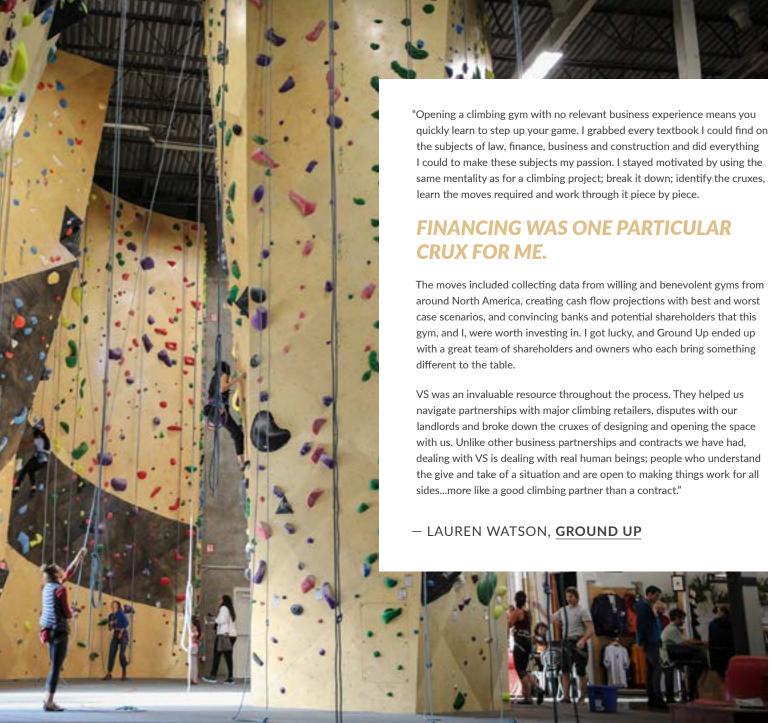
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CAPITALIZATION: SECURING THE "HOW"

OVERVIEW

Your passion for climbing can only take you so far. You believe in your business, but unless you are independently wealthy, you need at least some major aspect of your venture to be financed, and therefore you need to get others to believe in your business, too. Understanding the financial goals for both you, your potential partners and your potential lenders is essential to securing your business funding and breaking ground on that property you worked so hard to get.



GROUND UP CLIMBING CENTRE, BC, CANADA

CAPITALIZATION ACTION ITEMS

Use this list below to slowly check off all of the things you should be focusing on. Many of these items may be done concurrently.

IDENTIFY LENDERS, BANKS AND CREDIT UNIONS IN YOUR REGION

You first need to understand available options for lending institutions of all kinds. Research, read reviews and dive deep. Each SBA local office should have a list of local lenders that you may have not heard of before, and one or two of them may be well suited for your project.

DETERMINE FINANCING PATH

Outline the specifics of all available financing optiopns and which ones you're going to pursue, I.E. equity financing, a persona loan, a loan from a bank or a SBA loan, etc. You can also work out a combination of different options. Either way, you should familiarize yourself with the requirements of each and how you can meet them.

SBA 7(A) LOAN

The Small Business Administration's most common loan program is the 7(a). It focuses on loans under \$5M and the funding can be used for a wide range of purposes. As a result, the requirements and usage is very conducive to approval for starting a climbing gym.

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DEVELOP PITCH DECK



You need to get people excited about your opportunity! If you are asking people to believe in your idea, it's best to have **some form of a presentation** that shows what indoor rock climbing is, how big of a market you will serve and how you are uniquely positioned to deliver on it.

ADDRESS THE 5 CS



<u>Cash Flow, Collateral, Capital, Conditions, and Character</u>. These are the five areas you need to have covered in order to increase your chances of obtaining funding. Cash flow measures your ability to repay the loan. Capital measures your equity investment. Collateral represents how you'll secure the loan against a loan default. Conditions refers to your business plan's capability to work within a bigger economic, local and/or industry climate. Finally, your character measures how you look when at your capacity to execute the business plan successfully

SITE SELECTION & DEVELOPMENT: SECURING THE "WHERE"

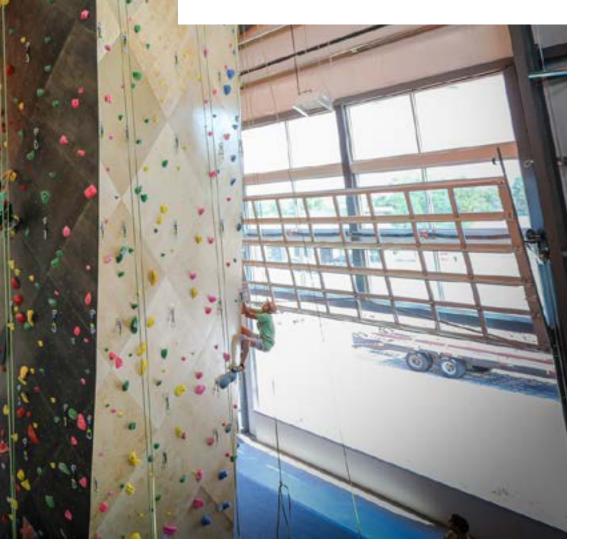
OVERVIEW

The success of your business relies heavily on your physical location. As a result, there are a number of critical components associated with securing property and making sure your community has an authentic building to call home.

"WE SAW OUR SITE AS THE SINGLE MOST IMPORTANT PHASE OF OUR BUSINESS.

At the end of the day, we could do everything else right and have all the financing we needed, but if the site wasn't perfect we knew our success would be limited. It was important to us that we partnered with people during this phase that were 100% aligned with our goals, and not just there to carry out a job."

– JAKE CRINE, <u>ÜBERGRIPPEN</u>



SITE SELECTION & DEVELOPMENT ACTION ITEMS

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ENVIRONMENTAL SITE ASSESSMENT

Also part of the due diligence phase, a ESA is a prepared report that identifies potential or existing environmental contamination liabilities. Scrutiny of the land includes examination of potential soil contamination, groundwater quality, & surface water quality, among many other things based on your specific region.

ARCHITECTURAL DILIGENCE



Part of due diligence, if you are purchasing an existing building it is imperative to review the <u>compliance of the property</u> to matters such as zoning, local codes, occupancy and many others as they relate to your intended usage and design.

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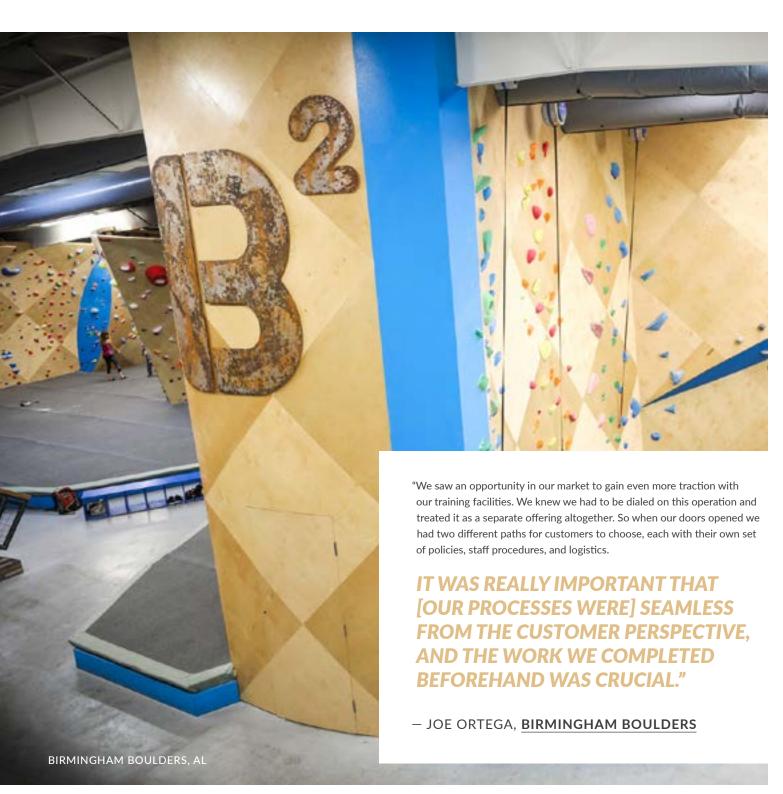
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OPERATIONS: EXECUTING THE "WHAT"

OVERVIEW

Operations is where the rubber meets the road. You have theoretical plans, but they mean nothing until you execute on them. Below is a list of operational procedures that are never too early to start on, especially with regards to staffing and developing industry relationships with suppliers. In the months following your opening day, additional tasks will be added to your lists. But below are the ones needed to open your gym on time as well as the ones required to keeping your facility <u>a well-oiled machine from day one</u>.



BUSINESS FORMATION ACTION ITEMS PG. 1

Use this list below to slowly check off all of the things you should be focusing on. Many of these items may be done concurrently.

GET INSURED

Good insurance coverage is wise for any business, but is critical for an industry like the indoor climbing gym industry, where our sport has inherent personal injury risks. Because of this, there are fewer underwriters that support coverage for climbing gyms, so you should get an early start understanding and shopping around for the right coverage for your operations.

ROCK GYM PRO INTEGRATION

RGP. Learn it. It will be **your go-to for almost 100% of your gym-specific operations**. This single piece of software will cover things like member management, point of sale, check-ins, digital waivers, online booking of courses and many other things. It is an essential piece to most of what you will do and even integrates within QuickBooks, which streamlines accounting.

SET UP RENTAL GEAR

 \checkmark

Most of your effort should be on creating "lifers" in climbing. A big part of this is renting gear, so it's essential you're ready to make that process as smooth as possible for everyone involved. <u>Many suppliers</u>, like <u>Petzl</u>, have the right equipment for this and can get you set up quickly.

SET UP YOUR PRO SHOP

You are going to be the community experts on climbing, no exception. Part of that presence is going to be having the right selection of gear available for your customers at the varying stages they are in their abilities. You want to be prepared for the novice just looking to save by not renting gear anymore, all the way up to the trad and ice climbers looking to expand their racks. Make sure you know who your customers are and what they are doing outside your walls and when needed, consult with industry professionals who have set up retail shops in gyms multiple times.

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DEVELOP YOUR NON-CLIMBING PROGRAMMING



When people aren't climbing at your gym, what else can they do? Will there be workspace for your members, or yoga and youth classes and programs? Either way, know what other crossover activities and classes people are interested in and learn how to monetize it.

HIRE STAFF



Hiring staff can be an uphill battle. Climbing gyms aren't for everyone and sometimes climbers themselves aren't the best fit for specific roles. So, <u>finding the right people to make your company culture authentic and superb</u> is absolutely imperative to your success. Take time to network with local businesses and understand their employee demographic. Develop a good profile of your "ideal employee" and even a pipeline, if possible, of qualified talent.

BUSINESS FORMATION ACTION ITEMS PG. 2

Use this list below to slowly check off all of the things you should be focusing on. Many of these items may be done concurrently.

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COMMITTING TO YOUR VISION: REACHING OUT TO INDUSTRY VETERANS

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Or, **consider consultation services** offered by certain organizations, which will help keep you on a successful path and ensure you create an authentic climbing culture built specifically around your community and its residents. Currently, these services are extremely cost-effective when considered as a percentage of your entire project cost and they can vary in quality from one company to the other. Each company brings its own unique background to the table, so get informed about each one.

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COMMITTING TO YOUR VISION: REACHING OUT TO INDUSTRY VETERANS

OUR SOLUTION

We're just as passionate about climbing as you are. We want you to succeed because of this, and because more authentic and modern design-driven climbing facilities only helps grow the sport and greater community. To help owners get more prepared for their climbing gyms, Vertical Solutions provides a <u>consultation package</u>, developed by Vertical Solutions co-owner/CEO of <u>The Front Climbing Club</u>, Dustin Buckthal. This program helps guide new and repeat owners through the planning process to make their visions a reality. To date, dozens of new gyms are active in their plans and some have already opened their doors with Vertical Solutions' help!

It doesn't take much financial commitment to start on the path. The package price of our business consulting gets rolled up in the design costs associated with your climbing walls, should you decide to let us work with you.

Please reach out to us at any time, to get to know us and start developing your vision the smart way.

