BUSINESS PLAN

Coffee Station

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Student Number: 1110886

Student Name: Jieun Park



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**A. EXECUTIVE SUMMARY**

a. Brief Description of the Business

I will start-up a new business venture which is related with coffee. The brand name I made is “Coffee Station”. The reason why I made the brand name like Coffee Station is that I want to sell a coffee to people who are in the car. So, the places I want to start are where a lot of cars attending. Thus, I think it is unique because target and place appearance are different with other usual coffee shops.

-The brand logo



b. Method-How and Why I will succeed

As mentioned before, Coffee Station is very different with other usual coffee shops. People who do not want to come in the coffee shop can buy a coffee easily and they do not spend a lot of time because there is no need to get off the car. Also, People who are in the car but want to come inside the shop can buy a coffee too, because I will make a small coffee shop building contained Underground-Parking lot upside of the place for Coffee Station. It will be another different factor compared with other usual coffee shops because they do not have enough space for car or not at all. So, I can give a convenience to customers who are in the car. And the place appearance is similar with Gas Station so, it can give an ease of access to customers. Those are successful factors I think.

**B. BUSINESS DESCRIPTION**

a. Vision and Objectives

-Vision

I think about overall vision of what the business will look like once the company is fully developed.

“We will exist as necessary as real gas station”

People have to go to the gas station regularly if they do not want to go, but we are going to be a place they really want to visit.

-Objectives

1) Greater than 10% growth in earnings next year

2) After two years, Producing 20% products that did not exist this year

3) Making over 20 chain stores in two years

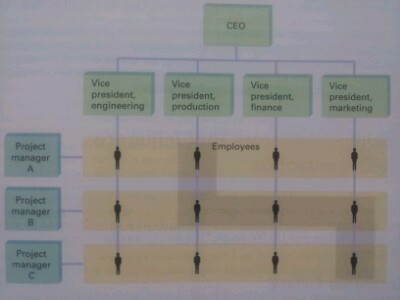
b. Industry Trends

First, I investigated the market of coffee in the United States. Because U.S is number one country in the coffee consumption. The first coffee in the U.S is instant coffee which is based on coffee bean by using coffee pot. Since then, according to life style, there is a development focused on the coffee which is based on an espresso and take-out culture. So, it spreads the culture that people around the world hold and drink coffee made by big brands and does a big role to routinize the coffee. That the U.S coffee market has already sparked a new wave which is called ‘Third Wave of Coffee’. And I searched about what ‘Third Wave of Coffee’ is. Characteristics of ‘Third Wave of Coffee’ are importing high quality beans from an origin, light roasting to do not burn the beans and finishing with latte art. They prefer high-quality coffees like single-origin coffee, drip coffee, and tea coffee and they put importance to natural taste of coffee. Coffee Consumers in the U.S say that dark roasting method of big franchise coffee shops is eating a tight burned beef. Thus, this ‘Third Wave of coffee’ does not stop at the U.S and will come soon moved to Korea. Because, Korea had been influenced by many significant parts of American culture. So, I think I have to meet this condition.

c. Organization and Ownership

-Organization

I want to make a Matrix Organization. Matrix Organization is an organizational structure that combines vertical and horizontal lines of authority, usually by superimposing product departmentalization on a functionally departmentalized organization.



Source: Ricky W. Griffin, *Management*, 8th ed.

-Ownership

I want to choose a sole proprietorship. Because, it is the simplest and cheapest way to start a business. And, also I can have a pride of ownership and no special taxes. The following chart shows that relative percentage of sole proprietorships, partnerships, and corporations in the U.S. It means sole proprietorships, the most widespread form of business ownership, are most common in retailing and the service industries.

Source: U.S. Bureau of the Census, *Statistical Abstract of the U.S.* ([www.census.gov](http://www.census.gov))

**C. THE MARKETING PLAN**

a. Products Analysis

-Products Composition

|  |  |  |
| --- | --- | --- |
| Espresso | Ristretto | Extraction 20ml with 7g |
| Solo | Extraction 30ml with 7g |
| Double | Extraction 30ml with 14g |
| Doppio | Extraction 60ml with 14g |
| Lungo | Extraction 80ml with 7g |
| Americano | | Espresso + Water |
| Tea coffee | | Americano + Tea |
| Café latte | | Espresso + Steamed milk |
| Cappuccino | | Café latte + Milk foam |
| Café mocha | | Espresso + Chocolate syrup + Steamed milk + Whipped cream |
| Caramel mocha | | Espresso + Caramel syrup + Steamed milk + Whipped cream |
| Mocha latte | | Café latte + Mocha syrup |
| Caramel Macchiato | | Café latte + Caramel syrup |

Those are the products I am going to sell to customers. Underlined products are main products. The reason why I focused on Espresso, Americano, Café latte, Cappuccino, and Tea coffee is that I want to follow the coffee trends which I mentioned at the above: Industry trends. I want to focus on the natural taste of coffee. So, I will income high quality of coffee beans which are from Arabica.

-Products Design (take-out)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Ounce** | **Volume** | **Diameter** | **Height** |
| **Paper cup** | 10oz. | 300ml | 8.5cm | 10cm |
| 13oz. | 390ml | 8.5cm | 11.6cm |
| 16oz. | 480ml | 8.5cm | 13.4cm |
| **Transparent cup** | 10oz. | 300ml | 9.7cm | 9cm |
| 14oz. | 420ml | 9.7cm | 10.3cm |

b. Market Analysis

My market is a specific segment of the population, because I focused on people who have a car. To know the potential market size, I searched the Current station of license holders.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Gender** | **2007** | **2008** | **2009** | **2010** |
| **Total (People)** | 24,681,440 | 25,268,379 | 25,822,149 | 26,402,364 |
| **Men (people)** | 15,248,126 | 15,554,394 | 15,817,223 | 16,074,165 |
| **Women (people)** | 9,433,314 | 9,713,985 | 10,004,926 | 10,328,199 |
| **Retention (%)** | 50.9 (%) | 52.0 (%) | 52.9 (%) | 54.5 (%) |

Source: Korean Statistical Information Service

In the above chart, we can know that license holders are increasing annually and it means potential market size will be much bigger and bigger.

There are four kinds of the car: Passenger car, van, truck, and special car. But I think our main customers will be the people who have passenger car and van. So, I searched again by focusing on passenger car and van. The following chart is the data in 2010.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Passenger car** | | | | **Van** | | | |
| **Total** | **Official car** | **Private car** | **Business car** | **Total** | **Official car** | **Private car** | **Business car** |
| 13,631,769 | 22,872 | 13,124,972 | 483,925 | 1,049,725 | 15,039 | 931,740 | 102,946 |

Source: Korean Statistical Information Service

Thus, I assume my potential market size will be over than 14,681,494. Because, the number of car is increasing every year.

c. Competitive Analysis

Nowadays, many gas stations have coffee shop, convenience store, and pizza store etc. Because they think they can’t get enough profitability from only oil sales. I investigated about one of them.

\*SK giryong gas station & egro coffee

One of the SK gas station is located at giryong and they changed original gas station into eco-friendly self-service gas station. People easily think gas station is little scary at night and has oily smell. But, they make a clean surrounding and egro coffee shop which is coffee professional brand of Swiss. So, the customers who do refuel can enjoy a coffee.



Source: http://blog.naver.com/PostView.nhn?blogId=suwonnaeil&logNo=130020489

I figured out their problem. First, they have a coffee shop but do not have an appropriate space for parking lot. Second, Customers have to get off the car to buy a coffee.

d. Location Analysis

First, I consider recognition and a lot of cars attending of the place. Because, my business is start-up business and we focus on the people who have a car. Gangnam is too expensive to me, so I choose Gangbuk Eunpyeong-gu or Gyeonggi-do Yeongtong-gu. Those areas have good public transportation. Visibility and electric capacity do not have a problem. But, I guess expansion of space might be difficult.

e. Pricing Scheme

Firstly, I search about original price of coffee bean. Price of coffee bean in one cup of coffee is 150won. But, Americano of many big coffee shop brands is about 4000won. It means they are selling to about 24~26times the price. They said the reason why price is expensive is because of the labor costs, store rental costs, and store management costs. But, Lotteria who uses same Arabica coffee bean with Angel-in-us sells Americano to 2000won. So, I will sell Americano 3000won.

-Coffee menu

|  |  |  |
| --- | --- | --- |
| Espresso | Ristretto | 2500won |
| Solo | 2500won |
| Double | 3000won |
| Doppio | 3000won |
| Lungo | 2500won |
| Americano | | 3000won |
| Tea coffee | | 3300won |
| Café latte | | 3500won |
| Cappuccino | | 3500won |
| Café mocha | | 3700won |
| Caramel mocha | | 3700won |
| Mocha latte | | 3700won |
| Caramel Macchiato | | 3700won |

-Ristretto, Solo, Double, Doppio, Lungo use half amount of coffee beans, so I sharpen the price.

-Tea is added to Tea coffee, so I increase the price.

-Café latte and Cappuccino are used with milk, so I increase the price.

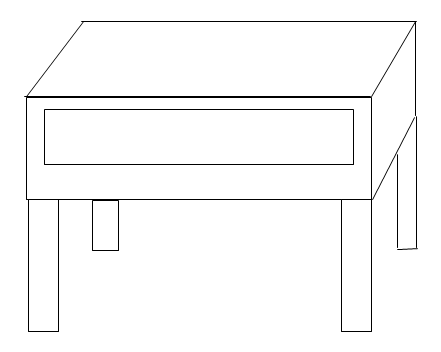
-Café mocha, Caramel mocha, Mocha latte, and Caramel Macchiato are used with syrup or whipped cream, so I increase the price.

f. Marketing Strategies

-Advertising: Being put in the magazine, Uploading online banner

-Sales Promotion: Membership Discount System- people who come first will receive a sticker card. Whenever they come, they can get a one sticker. If they collect 10stickers, they can get a Membership card which can get a 5% discount every time.

-Direct Marketing: Sending a catalog or pamphlet.

**D. THE OPERATIONS PLAN**

This picture is store I want to do a business. We can see this type of building to make a parking lot space on the ground. But, I will put two booths on the ground to get an order from customers who are in the car. And, the second floor is the inner coffee shop for the customers who want to come in. They can park a car to the underground parking lot.

**E. THE FINANCIAL PLAN**

a. Initial Investment

-monetary unit: won

|  |  |  |
| --- | --- | --- |
|  |  | **Initial Startup Costs** |
| *Working Capital:* |  |  |
|  | Cash | 5,000,000 |
| *Other Assets:* |  |  |
|  | Marketing costs | 210,000 |
|  |  |  |
| *Fixed Assets:* |  |  |
|  | Calculating computer system machine(3) | 2,500,000 |
|  | Store Equipment | 20,000,000 |
|  | Interior | 6,000,000 |
|  | Office space: monthly rent | 8,000,000 |
|  | Office space: deposit | 200,000,000 |
|  | Refrigerator(2)-Big size | 2,000,000 |
|  | Other | 0 |
|  |  |  |
|  | Fixed Asset Subtotal = | 238,500,000 |
|  | **TOTAL =** | **243,710,000** |

Marketing costs- Online banner system 10,000won in one month ([www.adlocal.co.kr](http://www.adlocal.co.kr))

- Pamphlet costs: 3000pieces with 200,000won

Store Equipment- coffee machines, tables, chairs etc.

Interior- wallpapers, lights etc.

Office space- about 40pyeong

b. Income Statement

-monetary unit: won

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  | Pro Forma Income Statement |  |  |
|  |  |  |  |  |  |
|  | Sales Revenue | | | 244,000,000 |  |
|  | Other Income | | | - |  |
|  | Total Income | | | 244,000,000 |  |
|  | Less: | |  |  |  |
|  |  | *Operating Expenses:* | |  |  |
|  |  |  | Supplier payments | 61,000,000 |  |
|  |  |  | Electric bill | 13,450,000 |  |
|  |  |  | Water bill | 6,650,000 |  |
|  |  | *Salaries:* | | 46,800,000 |  |
|  |  | *Traninig costs:* | | 2,400,000 |  |
|  |  | *Other Expenses:* | | 2,640,000 |  |
|  |  |  | Advertising |  |  |
|  |  |  | Employee Insurance |  |  |
|  |  | *Capital expenditure* | | 3,600,000 |  |
|  |  | *Office space-montly rent* | | 96,000,000 |  |
|  | Total Expenses | | | 232,540,000 |  |
|  | Earnings before taxes | | | 11,460,000 |  |
|  | Taxes | | 20% | 2,292,000 |  |
|  | Net Income | |  | 9,168,000 |  |
|  |  |  |  |  |  |
|  | Dividends | |  | - |  |
|  |  |  |  |  |  |
|  | Additions to Retained Earnings | | | 9,168,000 |  |
|  |  |  |  |  |  |
|  | Number of Shares Outstanding | | | 3,300 |  |
|  | Earnings Per Share | | | 2,778 |  |
|  |  |  |  |  |  |

c. Cash Flow

-monetary unit: won

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Sources of funds | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 |
| Customer payments | 7,000,000 | 8,000,000 | 9,000,000 | 10,000,000 | 15,000,000 | 20,000,000 | 25,000,000 |
| Owner's capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total inflow** | 7,000,000 | 8,000,000 | 9,000,000 | 10,000,000 | 15,000,000 | 20,000,000 | 25,000,000 |
|  |  |  |  |  |  |  |  |
| Uses of funds | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 |
| Supplier payments | 2,000,000 | 2,500,000 | 3,000,000 | 3,500,000 | 4,000,000 | 5,000,000 | 6,000,000 |
| Electric bill | 700,000 | 750,000 | 800,000 | 850,000 | 900,000 | 950,000 | 1,000,000 |
| Water bill | 300,000 | 350,000 | 400,000 | 450,000 | 500,000 | 550,000 | 600,000 |
| Salaries | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 |
| Training costs | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Other expenses | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 |
| Capital expenditures | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Office space-monthly rent | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 |
| **Total outflow** | 15,620,000 | 16,220,000 | 16,820,000 | 17,420,000 | 18,020,000 | 19,120,000 | 20,220,000 |
|  |  |  |  |  |  |  |  |
| **Opening bal.** | 0 | -8,620,000 | -16,840,000 | -24,660,000 | -32,080,000 | -35,100,000 | -34,220,000 |
| **Net flow** | -8,620,000 | -8,220,000 | -7,820,000 | -7,420,000 | -3,020,000 | 880,000 | 4,780,000 |
| **Closing bal.** | -8,620,000 | -16,840,000 | -24,660,000 | -32,080,000 | -35,100,000 | -34,220,000 | -29,440,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Sources of funds | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 | Total |
| Customer payments | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 244,000,000 |
| Owner's capital | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total inflow** | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 244,000,000 |
|  |  |  |  |  |  |  |
| Uses of funds | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 | Total |
| Supplier payments | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 | 61,000,000 |
| Electric bill | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 13,450,000 |
| Water bill | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 6,650,000 |
| Salaries | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | 46,800,000 |
| Training costs | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 2,400,000 |
| Other expenses | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 | 2,640,000 |
| Capital expenditures | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 3,600,000 |
| Office space-monthly rent | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 96,000,000 |
| **Total outflow** | 21,820,000 | 21,820,000 | 21,820,000 | 21,820,000 | 21,820,000 | 136,540,000 |
|  |  |  |  |  |  |  |
| **Opening bal.** | -29,440,000 | -21,260,000 | -13,080,000 | -4,900,000 | 3,280,000 |  |
| **Net flow** | 8,180,000 | 8,180,000 | 8,180,000 | 8,180,000 | 8,180,000 | 107,460,000 |
| **Closing bal.** | -21,260,000 | -13,080,000 | -4,900,000 | 3,280,000 | 11,460,000 |  |