

# **Java Culture BUSINESS PLAN**

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# I. Executive Summary

## Business Overview

Java Culture, an Oregon limited liability company, sells coffee, other beverages and snacks in its 2,300 square foot premium coffee bar located near the University of Oregon campus. Java Culture's major investors are Robert Johnson and Sam Smith who cumulatively own over 70% of the company. The start-up loss of the company is assumed in the amount of \$27,680.

## Products / Services Offered

Java Culture will offer its customers the best tasting coffee beverages in the area. This will be achieved by using high-quality ingredients and strictly following preparation guidelines. The store layout, menu listings and marketing activities will be focused on maximizing the sales of higher margin espresso drinks. Along with the espresso drinks, brewed coffee and teas, as well as some refreshment beverages, will be sold in the coffee bar. Java Culture will also offer its clients pastries, small salads and sandwiches. For the gourmet clientele that prefers to prepare its coffee at home, Java Culture will also be selling coffee beans.

The menu offerings will be supplemented by free books and magazines that customers can read inside the coffee bar.

## Success Factors

Java Culture is uniquely qualified to succeed due to the following reasons:

- **Products and/or Services:** Our Products and/or Services are superior to our competitors because: The menu of the Java Culture coffee bar will be built around espresso-based coffee drinks such as lattes, mochas, cappuccinos, etc. Each of the espresso-based drinks will be offered with whole, skimmed, or soy milk. Each of these coffee beverages is based on a 'shot' of espresso, which is prepared in the espresso machine by forcing heated water through ground coffee at high pressure.
- **Marketing:** We have unique marketing skill sets that enable us to attract new customers at a low cost. Java Culture will cater to people who want to get their daily cup of great-tasting coffee in a relaxing atmosphere. Such customers vary in age, although our location close to the University campus means that most of our clientele will be college students and faculty. Our market research shows that these are discerning customers that gravitate towards better tasting coffee.

## II. Company Overview

Below is a snapshot of Java Culture since its inception:

- Date of formation: 01-01-2018
- Business is not yet operational
- Legal Structure: Limited Liability Company

### Company Locations and Facilities

Java Culture coffee bar will be located on the ground floor of the commercial building at the corner of West 13th Avenue and Patterson Street in Eugene, OR. The company has secured a one-year lease of the vacant 2,500 square feet premises previously occupied by a hair salon. The lease contract has an option of renewal for three years at a fixed rate that Java Culture will execute depending on the financial strength of its business.

The floor plan will include a 200 square feet back office and a 2,300 square feet coffee bar, which will include a seating area with 15 tables, a kitchen, storage area and two bathrooms. The space in the coffee bar will be approximately distributed the following way--1,260 square feet (i.e., 55% of the total) for the seating area, 600 square feet (26%) for the production area, and the remaining 440 square feet (19%) for the customer service area. This property is located in a commercial area within a walking distance from the University of Oregon campus on the corner of a major thoroughfare connecting affluent South Eugene neighborhood with the busy downtown commercial area. The commercially zoned premises have the necessary water and electricity hookups and will require only minor remodeling to accommodate the espresso bar, kitchen and storage area. The coffee bar's open and clean interior design with modern wooden decor will convey the quality of the served beverages and snacks, and will be in-line with the establishment's positioning as an eclectic place where people can relax and enjoy their cup of coffee. The clear window displays, through which passerby will be able to see customers enjoying their beverages, and outside electric signs will be aimed to grab the attention of the customer traffic.

## III. Industry Analysis

### Industry Overview

Java Culture operates in the Coffee Shop market.

- Total monetary sales in this industry last year: \$14,000,000,000
- Operators that were in this industry last year: 31,490
- Industry's key product and service segments: College students and faculty
- Key market trends: Coffee consumption has shown a steady 2.5% growth rate in the United States over the last decade. In 1994, total sales of coffee were approximately \$7.5 billion with gourmet coffee representing 33% (or \$2.5 billion) of that. The retail coffee industry is flourishing in the U.S. Pacific Northwest. The local climate, with a long rainy season, is very conducive for the consumption of hot non-alcoholic beverages. At the same time, hot dry summers drive people into cafes to order iced drinks. Further, coffee has really become a part of the lifestyle in the Pacific Northwest. Its discerning coffee drinkers are in favor of well-prepared, strong coffee-based beverages, which they can consume in a relaxing environment.

### Relevant Market Size

Our relevant market size is the annual revenue that our company could attain if we owned 100% market share.

Our relevant market size is calculated as follows:

- Number of customers who might be interested in purchasing our products and/or services each year: 5,500
- Amount these customers might be willing to spend, on an annual basis, on our products and/or services: \$250
- Our relevant market size: \$1,375,000

As the analysis shows, our relevant market is large enough for our company to enjoy considerable success.

## IV. Customer Analysis

Below is a description of who our target customers are, and their core needs.

### Target Customers

Below is a profile of our target customers:

- Age: 18-25
- Location: Near a major university
- Occupation: Students, faculty and university employees

### Customer Needs

Below is a profile of the needs that our target customers have:

- Quality: A desire for small indulgencies, for something more exotic and unique, provide a good selling opportunity for coffee bars
- Location: Near a university
- Comfort: Java Culture will position itself as unique coffee bar where its patrons can not only enjoy a cup of perfectly brewed coffee but also spend their time in an ambient environment

## V. Competitive Analysis

The following is an overview of Java Culture's competitors.

### Direct Competitors

The following companies are our direct competitors.

- **Direct Competitor #1: Starbucks**
  - Products/services offered: Coffee, sandwiches, bakery items
  - Location(s): 2456 Main St., Eugene Oregon
  - Competitor's key strengths: National Brand Recognition
  - Competitor's Overview: strong financial position and established marketing and operational practices
  
- **Direct Competitor #2: Cafe Roma**
  - Products/services offered: Coffee and related food items
  - Location(s): 4567 Main St., Eugene Oregon
  - Competitor's key strengths: Environment and pricing
  - Competitor's key weaknesses: Located on the left side of the street for inbound morning traffic
  - Competitor's Overview: Independent establishments that offer cozy atmosphere and good coffee at affordable prices

## VI. Marketing Plan

Our marketing plan, included below, details our products and/or services, pricing, promotions plans and distribution strategy.

### Promotions Plan

Java Culture will use the following tactics to attract new customers:

- Blimps, Banners, and/or Billboards: banner will be placed at at strategic locations
- Coupons: cross promotions
- Flyers: flyers will be distributed locally

Java Culture's marketing strategy will be focused at getting new customers, retaining the existing customers, getting customers to spend more and come back more often. Establishing a loyal customer base is of a paramount importance since such customer core will not only generate most of the sales but also will provide favorable referrals.

## VII. Operations Plan

Our Operations Plan details:

1. The key day-to-day processes that our business performs to serve our customers
2. The key business milestones that our company expects to accomplish as we grow

### Key Operational Processes

The key day-to-day processes that our business performs to serve our customers are as follows:

- Customer Service: Java Culture baristas will handle the sales transactions. To speed up the customer service, at least two employees will be servicing clients--while one employee will be preparing the customer's order, the other one will be taking care of the sales transaction.

### Milestones

The key business milestones that our company expects to accomplish as we grow include the following:

- **1. To Be Completed By : 2018-01-01**
  - Accomplishment #1: Business/Marketing Plan
  - Accomplishment #2: Secure Funding
  - Accomplishment #3: Secure lease
- **2. To Be Completed By : 2018-01-10**
  - Accomplishment #1: Health Dept.
  - Accomplishment #2: Select construction contractor
  - Accomplishment #3: Select point of sale system
- **3. To Be Completed By : 2019-01-20**
  - Accomplishment #1: Secure name licensing
  - Accomplishment #2: Marketing plan
  - Accomplishment #3: Structure company type
- **4. To Be Completed By : 2019-02-15**
  - Accomplishment #1: Select Suppliers
  - Accomplishment #2: Hire Staff
  - Accomplishment #3: Obtain Insurance
- **5. To Be Completed By : 2019-03-01**
  - Accomplishment #1: Grand Opening



## VIII. Management Team

Our management team has the experience and expertise to successfully execute on our business plan.

### Management Team Members

- **Name : Robert Johnson**
  - Title: Partner
  - Background: 25 years in restaurant management
- **Name : Sam Smith**
  - Title: Business Manager/Bookkeeper
  - Background: Accountant
- **Name : Carol Jones**
  - Title: Director of Marketing
  - Background: Retail Marketing manager

## IX. Financial Plan

### Revenue Model

Java Culture generates revenues via the following:

- Sales of products/services: Coffee and related items

### Summary

Below is an overview of our expected financial performance over the next five years:

	FY 1	FY 2	FY 3	FY 4	FY 5
Revenues	\$602,819	\$633,623	\$666,002	\$700,036	\$735,808
Direct Expenses	\$145,508	\$152,943	\$160,759	\$168,974	\$177,608
<b>Gross Profit</b>	<b>\$457,311</b>	<b>\$480,680</b>	<b>\$505,243</b>	<b>\$531,061</b>	<b>\$558,199</b>
Gross Profit (%)	75.9%	75.9%	75.9%	75.9%	75.9%
Other Expenses	\$238,454	\$246,495	\$254,821	\$263,442	\$272,371
<b>EBITDA</b>	<b>\$218,856</b>	<b>\$234,184</b>	<b>\$250,422</b>	<b>\$267,619</b>	<b>\$285,828</b>
Depreciation	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
Amortization	\$0	\$0	\$0	\$0	\$0
Interest Expense	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515
Income Tax Expense	\$65,919	\$71,284	\$76,967	\$82,986	\$89,359
<b>Net Income</b>	<b>\$122,421</b>	<b>\$132,385</b>	<b>\$142,939</b>	<b>\$154,117</b>	<b>\$165,953</b>

### Funding Requirements/Use of Funds

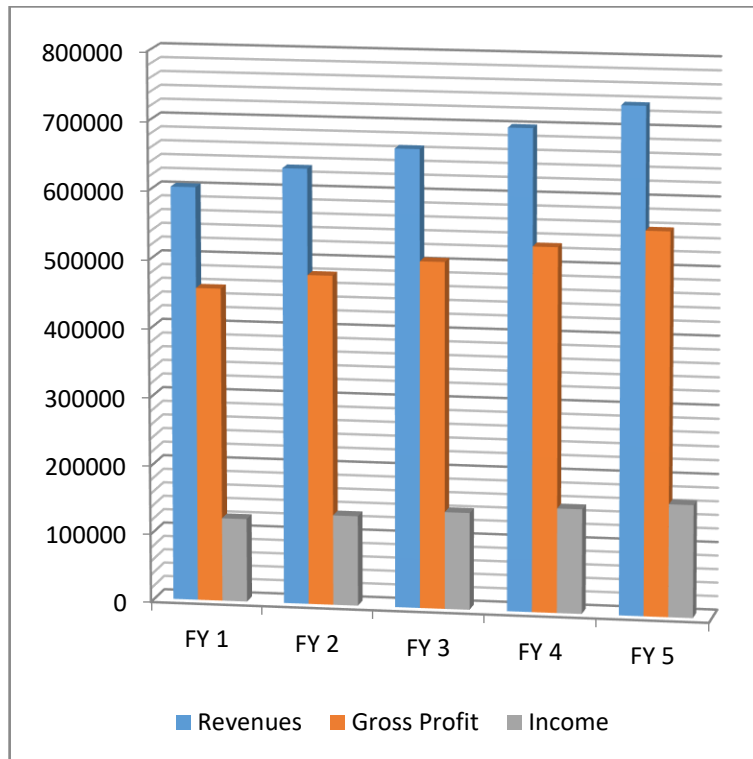
To successfully execute on our business plan, we require \$170,000 in outside funding.

The primary uses of this funding include:

- Marketing: \$3,580
- Rent: \$4,400
- Other is defined as: Equipment, Inventory and Cash - \$142,320

## Financial Projections

### Projected Sales, Gross Profit & Net Income



## 5 Year Annual Income Statement

		FY 1	FY 2	FY 3	FY 4	FY 5
Revenues						
	Revenues	\$602,819	\$633,623	\$666,002	\$700,036	\$735,808
<b>Total Revenues</b>		<b>\$602,819</b>	<b>\$633,623</b>	<b>\$666,002</b>	<b>\$700,036</b>	<b>\$735,808</b>
Direct Costs						
	Direct Costs	\$145,508	\$152,943	\$160,759	\$168,974	\$177,608
<b>Total Direct Costs</b>		<b>\$145,508</b>	<b>\$152,943</b>	<b>\$160,759</b>	<b>\$168,974</b>	<b>\$177,608</b>
<b>GROSS PROFIT</b>		<b>\$457,311</b>	<b>\$480,680</b>	<b>\$505,243</b>	<b>\$531,061</b>	<b>\$558,199</b>
<b>GROSS PROFIT %</b>		<b>75.9%</b>	<b>75.9%</b>	<b>75.9%</b>	<b>75.9%</b>	<b>75.9%</b>
Other Expenses						
	Salaries	\$169,899	\$175,054	\$180,365	\$185,837	\$191,475
	Marketing Expenses	\$24,271	\$25,007	\$25,766	\$26,548	\$27,353
	Rent/Utility Expenses	\$39,126	\$41,119	\$43,214	\$45,415	\$47,729
	Other Expenses	\$5,157	\$5,314	\$5,475	\$5,641	\$5,812
<b>Total Other Expenses</b>		<b>\$238,454</b>	<b>\$246,495</b>	<b>\$254,821</b>	<b>\$263,442</b>	<b>\$272,371</b>
<b>EBITDA</b>		<b>\$218,856</b>	<b>\$234,184</b>	<b>\$250,422</b>	<b>\$267,619</b>	<b>\$285,828</b>
	Depreciation	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
	Amortization	\$0	\$0	\$0	\$0	\$0
<b>EBIT</b>		<b>\$190,856</b>	<b>\$206,184</b>	<b>\$222,422</b>	<b>\$239,619</b>	<b>\$257,828</b>
	Interest Expense	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515
<b>PRETAX INCOME</b>		<b>\$188,341</b>	<b>\$203,669</b>	<b>\$219,907</b>	<b>\$237,104</b>	<b>\$255,313</b>
	Net Operating Loss	\$0	\$0	\$0	\$0	\$0
	Use of Net Operating Loss	\$0	\$0	\$0	\$0	\$0
	Taxable Income	\$188,341	\$203,669	\$219,907	\$237,104	\$255,313
	Income Tax Expense	\$65,919	\$71,284	\$76,967	\$82,986	\$89,359
<b>NET INCOME</b>		<b>\$122,421</b>	<b>\$132,385</b>	<b>\$142,939</b>	<b>\$154,117</b>	<b>\$165,953</b>
	Net Profit Margin (%)	20.3%	20.9%	21.5%	22%	22.6%

## 5 Year Annual Balance Sheet

		FY 1	FY 2	FY 3	FY 4	FY 5
<b>ASSETS</b>						
	Cash	\$369,229	\$528,309	\$697,866	\$879,075	\$1,096,663
	Other Current Assets	\$51,177	\$53,792	\$56,541	\$58,336	\$61,317
	<b>Total Current Assets</b>	<b>\$420,406</b>	<b>\$582,102</b>	<b>\$754,408</b>	<b>\$937,412</b>	<b>\$1,157,981</b>
	Intangible Assets	\$0	\$0	\$0	\$0	\$0
	Acc Amortization	\$0	\$0	\$0	\$0	\$0
	<b>Net Intangibles</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	Fixed Assets	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
	Accum Depreciation	\$28,000	\$56,000	\$84,000	\$112,000	\$140,000
	<b>Net fixed assets</b>	<b>\$112,000</b>	<b>\$84,000</b>	<b>\$56,000</b>	<b>\$28,000</b>	<b>\$0</b>
	Preliminary Exp	\$0	\$0	\$0	\$0	\$0
<b>TOTAL ASSETS</b>		<b>\$532,406</b>	<b>\$666,102</b>	<b>\$810,408</b>	<b>\$965,412</b>	<b>\$1,157,981</b>
<b>LIABILITIES &amp; EQUITY</b>						
	Current Liabilities	\$32,472	\$33,782	\$35,148	\$36,034	\$37,498
	Debt outstanding	\$63,826	\$63,826	\$63,826	\$63,826	\$88,978
	<b>Total Liabilities</b>	<b>\$96,298</b>	<b>\$97,608</b>	<b>\$98,974</b>	<b>\$99,860</b>	<b>\$126,476</b>
	Share Capital	\$354,156	\$354,156	\$354,156	\$354,156	\$354,156
	Retained earnings	\$81,952	\$214,338	\$357,277	\$511,395	\$677,349
	<b>Total Equity</b>	<b>\$436,108</b>	<b>\$568,494</b>	<b>\$711,433</b>	<b>\$865,551</b>	<b>\$1,031,505</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>\$532,406</b>	<b>\$666,102</b>	<b>\$810,408</b>	<b>\$965,412</b>	<b>\$1,157,981</b>

## 5 Year Annual Cash Flow Statement

		FY 1	FY 2	FY 3	FY 4	FY 5
<b>CASH FLOW FROM OPERATIONS</b>						
	Net Income (Loss)	\$122,421	\$132,385	\$142,939	\$154,117	\$165,953
	Change in Working Capital	(\$4,230)	(\$1,305)	(\$1,382)	(\$908)	(\$1,517)
	Plus Depreciation	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
	Plus Amortization	\$0	\$0	\$0	\$0	\$0
	<b>Net Cash Flow from Operations</b>	<b>\$146,191</b>	<b>\$159,080</b>	<b>\$169,557</b>	<b>\$181,209</b>	<b>\$192,436</b>
<b>CASH FLOW FROM INVESTMENTS</b>						
	Fixed Assets	(\$140,000)	\$0	\$0	\$0	\$0
	Intangible Assets	\$0	\$0	\$0	\$0	\$0
	<b>Net Cash Flow from Investments</b>	<b>(\$140,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>CASH FLOW FROM FINANCING</b>						
	Cash from Equity	\$142,528	\$0	\$0	\$0	\$0
	Cash from Debt financing	\$25,152	\$0	\$0	\$0	\$25,152
	<b>Net Cash Flow from Financing</b>	<b>\$167,680</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,152</b>
	<b>Net Cash Flow</b>	<b>\$173,871</b>	<b>\$159,080</b>	<b>\$169,557</b>	<b>\$181,209</b>	<b>\$217,588</b>
	Cash at Beginning of Period	\$195,358	\$369,229	\$528,309	\$697,866	\$879,075
		<b>\$369,229</b>	<b>\$528,309</b>	<b>\$697,866</b>	<b>\$879,075</b>	<b>\$1,096,663</b>