

GCSE Business Studies Coursework: Brown coffee Lounge.

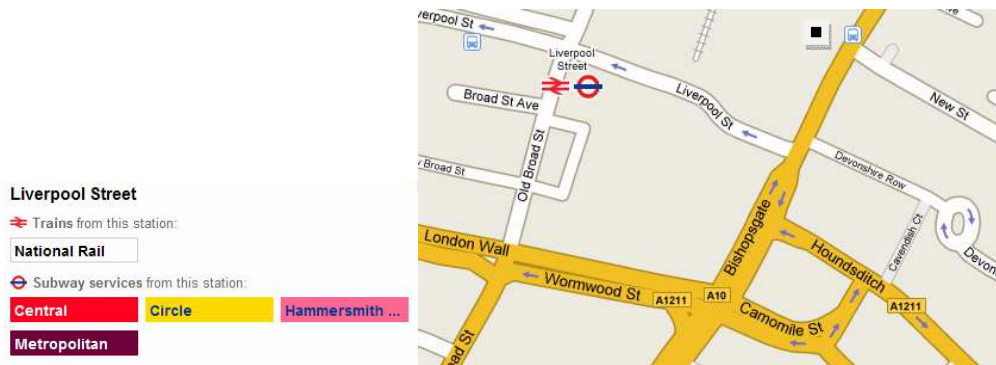
I have chosen to start my business as a sole trading coffee shop in the private sector, which provides my customers with coffee, latte, cappuccino, mocha, cocoa and French delicacies such as croissants, plain au chocolate, apple lattice and gateau.

The distinctive feature of our service is our shop provides warmth, shelter, food and drink. This idea came about through my passion for coffee. Brown coffee Lounge launches with its first coffee shop located in the very prestigious Liverpool Street EC2. Brown coffee Lounge will offer city business commuters and tourists a totally new style of coffee shop - one offering uniquely flavourful coffee and a comfortable, upmarket environment at which to socialize, relax or work.

Variety: No other coffeehouse in the area will provide the range of coffee drinks, tea, cocoa, juice and other products that Brown coffee lounge does.

Location: Brown coffee Lounge will be located in the prime section of Mile Square in the heart of the shopping and entertainment part of London. Brown Coffee Lounge's locations are designed for high volume year round, with revenues and profits to match. City of London council granted planning permission for a medium sized food retail unit in Liverpool Street.

Expansion: Assuming this store is successful, it will be the first of a chain of Brown coffee lounge shops located in markets that have similar demographic profiles, significant traffic by the store, year-round tourist activity and a sizeable amount of commuters, in two years we hope to become a PLC in order to raise much more capital and diversify.



By launching Brown coffee Lounge in the city market we maximize our potential for success due to several factors:

- ❑ Local population.
- ❑ Year-round tourist activity. The highly wealthy
- ❑ Excellent auto and pedestrian traffic by our location .
- ❑ Prime site location.

Brown coffee Lounge is located at what is arguably one of the best locations for a coffee shop in the city of London - in the heart of the tourist and business district, adjacent bank headquarters, plenty of restaurants and Liverpool Street railway and tube station , next to ABN AMRO HQ and just steps from the busiest intersection in the City of London, Liverpool Street station . Brown Coffee Lounge has all the ingredients necessary for immediate success.

The skills and talents needed are, risk taking, negotiation skills and environmental knowledge (knowing about the surroundings)

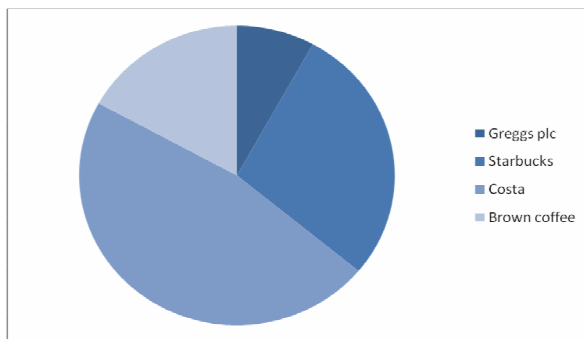
Brown coffee Lounge will provide accessible and affordable high quality food, coffee-based products, and entertainment to the thousands of city commuters and tourists located within a two -mile radius. In time, Brown coffee Lounge will establish itself as a "destination" of choice to the many residents of London's Mile Square area, as well as numerous out-of-area visitors.

The location of the business is situated near Liverpool Street Station - a very busy railway terminal. I have chosen this location due to research in the community that shows the amount of Tourists and city commuters travelling in

the mornings and evenings. The tourists and city commuters are the target audience, as it will satisfy their need to drink coffee and the want to consume French delicacies.

A very competitive area consisting of well-known coffee shops surrounds the shop:

- Costa coffee company
- Starbucks
- Greggs



	Amount of people
Greggs plc	8
Starbucks	28
Costa	47
Brown coffee	17
Total	100

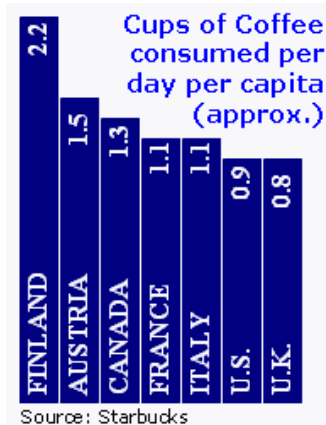
This survey I carried out on 100 people showed that Costa came out the highest (47%), the reason being its well established brand name, second came Starbucks (28%) also down to its well established brand name, third came Brown coffee with 17%, the people that voted for Brown coffee said they voted because “it is new” and they want to “t ry something different”. Last come Greggs plc simply because people in the upper classed area of EC2 felt the coffee is not “fine” enough. This tells me that within a year or more Brown coffee can become very popular within EC2.

Brown coffee lounge’s primary competition will come from two sources:

1. National coffee shops such as Starbucks, Costa and Greggs.
2. Locally owned and operated cafes.

What will make Brown coffee Lounge stand out from all its competitors are:

- The main differentiator is The Brown coffee lounge's focus on providing a significant benefit to the community through a possible 7% contribution to customer-identified charities or city academies.



As the graph to the left showing Year 2000 per capita coffee consumption illustrates, the United Kingdom is not presently one of the stronger markets for coffee drinking. It's easy to see there is significant room for growth in consumption. The coffee shop chains of Britain are leading this growth.

Within the district of EC2M there are 58 different coffee shops, 46 that are also cafés. A niche exists that has yet to be filled for a high-volume, upscale, quality-driven coffee shop with a warm, inviting atmosphere. Brown coffee Lounge meets this need and fills this niche. We offer high-quality products in a prestige environment. Furthermore, our high-profile location in Liverpool street provides a mixed customer base that will maintain high levels of business in every season, at all times of the day, every day of the week.

The premises cost £28,000 freehold, I will be inputting £200,000 from my personal savings, £200,000 funded by family and a £10,000 loan from Alliance & Leister which has a typical APR of 8.6% payable over 24 months (amount payable over this APR £10933.96 at a rate of 455.58 approx. 500 a month). A grant of £15,000 was also given from the Prince's Trust; the remaining £180,000 will contribute to costs for machinery and other assets.

More about the business, the types of coffee sold and food sold

- ❑ Coffee roasting is provided by Nescafe Coffee Company, Croydon.
- ❑ Tea is primarily supplied by Tetley and PG.
- ❑ Our water vendor is from Volvic mountainous water.
- ❑ Juices are provided by Tropicana (fresh orange juice and lemonade) and Sunpride.
- ❑ Pastries are provided by London companies such as Percy Ingles, Edmonton.
- ❑ Chocolates and cocoa are from Cadburys Schweppes Company, and Nestlé chocolate company.
- ❑ Gift items are from various vendors
- ❑ The French delicacies are provided by Carrefour -France, a popular French supermarket.

The Brown coffee Lounge menu sets us apart from other coffee shops, giving us a competitive edge.

- ❑ We offer six groups of drinks - coffee, tea, mocha/cappuccino, latte, juice and cocoa - with several choices within each group. This enables us to provide more variety than our competitors while keeping the preparation of the drinks easy to execute.
- ❑ We are the only coffee shop to have a wide range of gourmet hot cocoa and to sell eat-in and take-away French delicacies.

Prices have been determined after a thorough analysis of all food costs for every item in each drink. In some cases, an average price has been calculated from prices in other coffee shops within EC2 and applied to all similar drinks in order to keep the menu from confusing the customer.

Business Objectives

My business objectives are:

- ❑ To become the biggest in the market.
- ❑ To provide the highest quality product possible.
- ❑ Aim to maximise profit, sales and wealth creation.
- ❑ To have stability and maintain market share
- ❑ To satisfy costumers.
- ❑ Limit the environmental damage caused.
- ❑ To make a profit in order to survive.
- ❑ Provide good services and reasonable but profitable prices.
- ❑ Make Brown coffee Lounge the number one destination for coffee in Liverpool street
- ❑ Sales of £200,000+ the first fiscal year, £350,000+ the second fiscal year and £500,000 the third fiscal year
- ❑ Achieve a 15% net profit margin within the first year and 30% by FY3
- ❑ Achieve a total net profit of £30,000+ in FY1 and £100,000+ by FY3
- ❑ Be an active and vocal member of the community, and provide continual re-investment through participation in community activities such as the V festival and financial contributions to local charities, youth clubs and city academies.
- ❑ Create a solid concept in the industry and track performance in order to begin expanding to other markets within one year.

Our goal is to be the coffee shop of choice for the local Mile Square community, city business workers, tourists who visit the city, by providing a higher quality experience than any competitor. As a result, we intend to create coffee shops that quickly achieve profitability.

We also want to make our contribution to the welfare of the local community by supporting charitable and civic activities. We will support the farmers who grow our coffee by using Fair Trade, Sustainable Production and Organic products whenever possible.

Brown coffee also awards its business to as many local suppliers as possible, keeping the business in the community or, at the least, in the city.

These objectives will ensure that the business will strive and become successful within the coffee shop market.

Product and Production systems

Job Production

Each product is produced to the customer's satisfactions. The product is made from start to finish individually. Our reason for choosing this method of production is because we believe coffee should be handmade individually by staff, and this method of production can meet the customer's satisfaction.

Raw materials needed

Raw materials
<input type="checkbox"/> Coffee plantations
<input type="checkbox"/> Land
<input type="checkbox"/> Sugar
<input type="checkbox"/> Milk
<input type="checkbox"/> Water

Raw materials (land)

Workers

Workers (labour)
And machinery
(capital)



A shop (capital)

Resources

- Land/Premises → Medium sized / Seating Area
- Labour/Employees → Small amount of workers
 - Chefs
 - Waiters and Waitresses
 - Cashiers
 - Managers

- Machinery/Capital →
 - Industrial Espresso Machines
 - Cookers, Grills and Stoves
 - Essential cooking appliances

- Provides services (tertiary sector) for the benefit of others.

Promotion Strategy

Potential promotion channels

- Business cards – cheap to produce and distribute.
- Billboards – ensures a high visual impact, they stay in place for a very long time and can be seen daily by the public.
- Coupons
- Flyers
- Giveaways
- Radio – it is a lot cheaper and can I can target listeners of a particular programme.
- Yellow Pages
- Public Relations

Why we advertise?

We advertise to make consumers aware of new products and to persuade consumers to switch from rival products, such as Costa products and Starbucks coffee products.

It will improve the image of the business and sell more products.

Our advertising will give people information and help them to make a choice. Advertising is better quality and cost less so advertising can be frequent.

Marketing will play a vital role in the success of Brown coffee Lounge. Brown coffee Lounge must build a brand around the services it offers by promoting itself through local television, radio, and print advertising. Marketing efforts are just beginning by the time a potential customer enters Brown coffee Lounge for the first time. A strong emphasis will be put on keeping customers and building brand loyalty through programs focused on staffing, experience, and customer satisfaction.

Media strategies

Launch marketing will promote awareness, build immediate traffic and establish our brand image via several methods:

- ❑ Public relations/publicity
- ❑ Direct mail
- ❑ Local print and broadcast media
- ❑ Design and packaging
- ❑ Community involvement
- ❑ Sampling
- ❑ Superior location
- ❑ Desirable store ambiance

National awareness will help drive the expansion by generating opportunities created by the media buzz and familiarising people with our brand name. It will help with future brand identification.

It will also be very useful for job advertisements.

The advantages of advertising our product is that it will subsidise newspapers and magazines, so they cost less. And it subsidises TV programmes and websites, so they are better quality.

Local Media

- ❑ The City of London Gazette
- ❑ London town Magazine
- ❑ The Times Weekly London Lite
- ❑ The Metro
- ❑ The Daily Telegraph
- ❑ KISS FM
- ❑ Choice FM
- ❑ Classical FM
- ❑ LBC London Radio

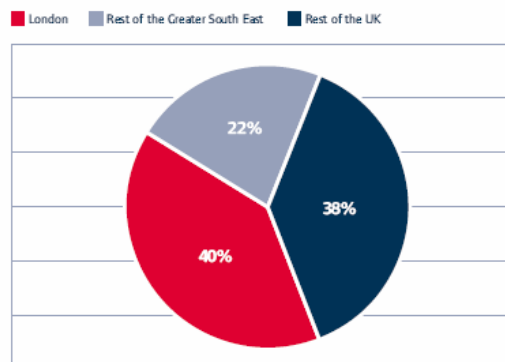
- ❑ BBC London Radio
- ❑ BBC Radio 1-7

City of London Print Media

- ❑ Business Week
- ❑ The Observer
- ❑ London Lite
- ❑ The Metro
- ❑ Evening Standard
- ❑ Entrepreneur
- ❑ Canary Wharf Journal
- ❑ The Times Weekly
- ❑ The financial Times
- ❑ The Daily Telegraph

Our target markets include:

- ❑ City business workers.
- ❑ Commuters within the city.
- ❑ Tourists and visitors coming to visit the area.



This Pie chart shows that 40% of all tourists in the UK visit London, 2% more than the rest of the UK and 18% more than the rest of the greater south east.

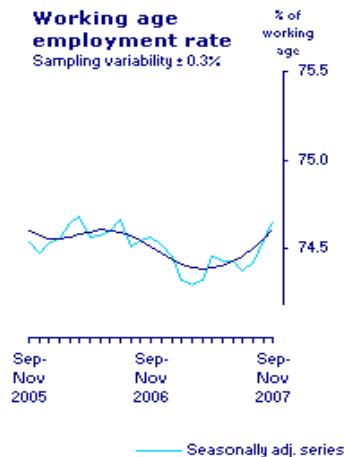
Target Market Growth:

All two target markets for the Brown coffee service are growing at a relatively fast pace. We're faced with a large number of potential customers, and we're offering a needed service.

- Tourists continue to grow at a steady pace, at nearly 5% a year.
- Office workers in the city area and nearby professional buildings continue to add value, growing at 74.7%. City of London also has the highest working age employment with a rate of 100%

"Differences in employment rates in local areas within regions are greater than differences between regions. In the 12 months ending March 2007, the greatest contrast between local authorities was in London. The region contains Tower Hamlets, with the lowest working age employment rate in Great Britain (54.6 per cent), and the City of London, with the highest working age employment rate of 100 per cent."

National statistics office©, (2007)



The employment rate for people of working age was 74.7 per cent for the three months to November 2007, up 0.3 from the previous quarter and up 0.1 over the year. The number of people in employment for the three months to November 2007 was 29.36 million. This is the highest figure since comparable records began in 1971 and is up 175,000 over the quarter and up 263,000 over the year. This is the largest quarterly increase in the number of people in employment since 1997. Total hours worked per week were 939.5 million, up 1.2 million over the quarter and up 11.8 million over the year.

National statistics office©, (2007)

- ❑ Commuters are becoming an important part of business in the city, growing at almost 25% Public transport, 63% by car .

Workers travelling to work by:		
public transport (%)	25	10
car (%)	63	71

▲An extraction from the National Statistics Office©, (2007)

Sales Promotion Methods

- ❑ Buy one get one free
- ❑ Product trials
- ❑ Discounts
- ❑ Point-of-sale advertising.

Product

Consumer behaviour

Origins of purchase:

Our target audience includes city commuters and Tourists travelling to and from Liverpool Street Station.

Objectives of purchase:

Customers buy coffee, mocha, cocoa, latte, cappuccino and a variety of luxury French delicacies. Tourists and city workers buy our products because it satisfies the need to have caffeine and also satisfies their want to consume luxury French delicacies.

Occasions of purchase:

City commuters and Tourists buy these products mostly in the mornings and afternoons.

Outlets of purchase:

The products can only be bought at the shop

Operations of purchase:

Products are purchased in the shop by cash or credit card.

Why our products will sell?

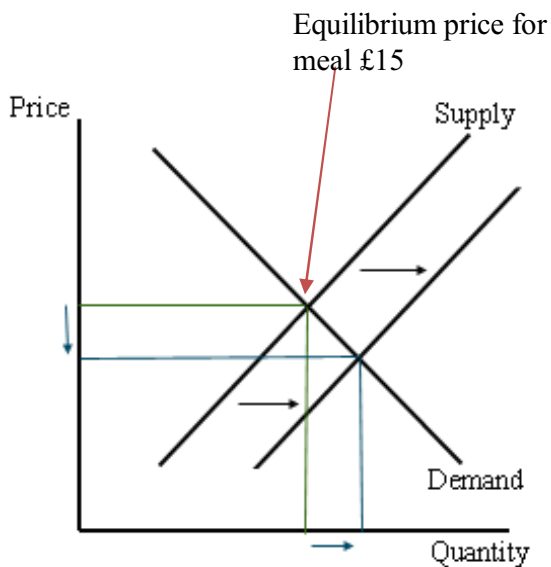
The shop is located in a very upper class area where it is very busy with city Commuters and Tourists who need coffee during the day to keep going. This will guarantee that the business will continue to make money and also make the target audience happy.

Pricing

Brown coffee Lounge will base its prices for coffee and specialty drinks on the "Retail Profit Analysis" provided by our supplier, Nescafe Coffee Co, Inc. Nescafe has been in the coffee business for 78 years and has developed a solid pricing strategy.

Also we would like to follow the market-led pricing of price discrimination, where we charge a different price to different consumers, for instance a "tourist rate" where we give tourists a discount when purchasing a meal.

Demand and Supply

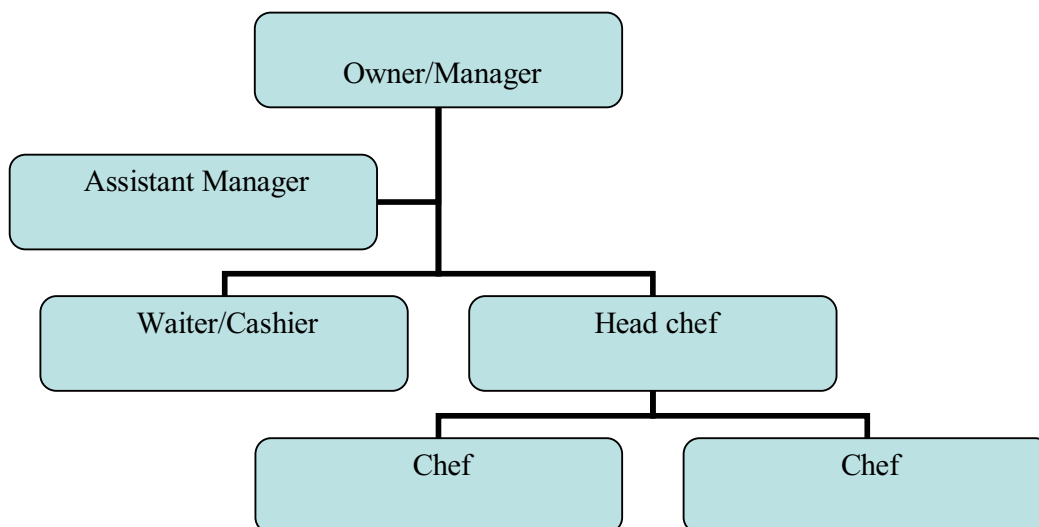


The demand is the amount of meals that consumers are willing to buy. The law of demand is that as the price increases the quantity demanded will fall. If meals are sold at a very low price people can afford the product, but can also make the company run out of stock and money very quickly.

The supply is the quantity of meals we are willing and able to make. The law of supply is that as the price increases, the quantity of meals supplied also increase. When the price is very low, we are unable to make a profit and so the supply is small. At high prices we can make a profit and so the supply is large.

We would like to sell at a high price in order to retain profit and consumers want to buy at a low price so we have decided to reach a compromise, when agreed we have reached the equilibrium, in this case the equilibrium for our meals are at £15.

The Organisation Structure / Hierarchy / Matrix



S.W.O.T analysis

Positive	Negative
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Internal	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Provides customers wants and satisfies their needs • Distribution channels • Management • Customer loyalty / relationship • Production quality • New ideas 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Weak brands • Sub scale
	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Changing customer tastes • Liberalisation of geographic markets • Technological advances • Lower personal taxes • Change in population age – structure • New distribution channels • Investors & potential shareholders 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • Competition against bigger and more powerful coffee shop brands such as Starbucks, Costa and Greggs • Increases in fixed and variable costs • Competition based pricing where the competitor creates a loss leader (a product that a company can afford to risk a loss on) matching my products to put me out of business

LONG TERM ASSETS	
Under counter refrigerator	£2000
Service / Prep counter	£6000
Ice machine	£1000
Large refrigerator	£500
Milk coolers x3	£500
Cash register x2 Point of sale system	£7000
Espresso machines x2	£10000
Fresco coffee brewer x2	£2000
Counter / Condiment bar / Shelving	£6000
TOTAL	£37500

SHORT TERM ASSETS	
Lighting Fixtures	£1000
Persian Carpet	£500
Tables, Chairs, Furnishings	£1000
TOTAL	£2500

