



Coffee Express

BUSINESS PLAN & CASH BUDGET

ACCT 5906 -Team Written Assignment
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Business Profile

About Us

Coffee Express will open in the last month of the first quarter of 2022. It is owned jointly by Greg Swecker and Drake Johnson. Greg is an expert in digital advertising and has spent the last five years refining his marketing skills at a well-known digital advertising agency in the country. Drake is the Co-founder of a bubble tea franchise store in Sydney CBD, who is looking to diversify his investment portfolio.

Catering to local demands and preferences of Blacktown suburbs, our company's primary business is coffee products and services. The company's name is Coffee Express, and the location is 17 Patrick St, Blacktown NSW 2148, Australia.

The firm's business is to sell speciality coffee in a variety of coffee drinks, like brewed coffee, lattes, mochas etc. We purchase sustainably produced coffee beans from suppliers in Brazil and Colombia, and we use professional methods and coffee machines to produce coffee drinks and sell them to café lovers in Blacktown. People can also customize drinks according to their personal preferences. The main characteristics of our products are convenience and low price. We also focus on providing fast, efficient, and considerate service. Coffee in Australia is highly competitively priced, with an average price of \$4.12 per cup (Lee, 2022). Therefore, the characteristics of low prices cannot be ignored. Figures show that 23% of coffee ordered in Australia is delivered (Stehlin, 2021). To compete with other companies in the coffee industry, we will also provide takeaway service and home delivery through websites and apps.

Vision of the company: To provide coffee lovers in our neighbourhood with the world's finest freshly roasted coffees with excellent service at an affordable price to our customers.

Unique Selling Point:

The company specializes in offering gourmet coffee in express format: dine-in, takeaway, home delivery, drive-through, with emphasis on quick and express delivery, at an affordable price.

Product and Market Analysis

Product

The product focus of Coffee Express is to offer coffee in express, takeout form; customers will receive their preferred coffees in minutes. The cafe will serve various brews and flavours of coffees, both as cold and hot beverages. Additionally, Australians love their coffee on the go, as a take-away coffee (Stehlin, 2021). Moreover, many Australians are starting to prefer a cup of freshly brewed coffee delivered to their location. Based on these facts from the market, the critical success factor and unique offering are to have the coffee brewed by highly trained master brewers and baristas delivering faster than competitors.

Target Market

The target market is coffee lovers of all ages in the Blacktown suburbs and the neighbourhoods. The location has a population of 336,962 with a median age of 33 years (Australian Bureau of Statistics, 2016). About 75% of Australians drink no less than one cup of coffee from a café (Lee, 2022), so the size of the target market in Blacktown suburbs is 252,722 persons. The business aims to serve 20% of the people of Blacktown in the first year, for a total of 50,544 customers.¹

Targeted customer base

Targeted customers in a coffee products and service company can be three types:

1. **Drip coffee drinkers** – daily customers are mainly students and business workers. This type of customer prioritizes price over quality; therefore, coffee express can primarily target them by lowering their prices and being a low-cost leader (Lee, et al., 2018).
2. **Coffee shop lovers** – This kind of customer loves to spend time in coffee shops and outlets. Coffee express needs to decorate their outlets so that the coffee shop lover prefers to sit there. Over the years, many coffee outlets let customers work, chat, conduct meetings, free Wi-Fi, and other accommodation to retain the customers (Woldoff, et al., 2013).

¹ See appendix for calculations.

3. **Speciality coffee drinkers** – speciality customers are a kind of premium customers who love special types of coffee like latte, cappuccino, etc.; they can also pay the extra price for that unique taste. Customized coffee and other speciality coffee that Coffee Express may offer will target this type of customer.
4. **Whole bean customer** – According to research, 23% of customers in Australia ordered whole coffee beans (Lee, 2022). This market is also growing, so Coffee Express should also focus on this niche market segment.

Competition

The coffee market in Australia is highly competitive. A minimum of 200 Australian companies operates within this market (Crossley, 2019). there are also many single shop competitors in the market that differentiate by the quality of the product. Some of the major competitors of Coffee Express will be as follows, Gloria Jeans, JAB Holding company, Nestle SA, Starbucks, Luigi Lavazza Span, Vittoria Coffee Pty Ltd. etc. However, the main competitor for Coffee Express will be local single-store independent coffee outlets in that area (Patterson, et al., 2010). Twenty such local independent cafes are listed on Google Maps and Yellow pages, so Coffee Express will need to establish itself in this competitive market.

SWOT Analysis

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|---|---|--|--|
| <ul style="list-style-type: none"> - Good quality coffee at an affordable price, lower than competitors. - Offers takeaway, home delivery, online ordering through apps and our website. - Accessible location at the centre of Blacktown. | <ul style="list-style-type: none"> - No customer base in a highly competitive industry. - Require substantial initial investment. | <ul style="list-style-type: none"> - Booming market, Australians consume 4-5 coffees per day (Adams, 2012). - High population density of Blacktown suburbs, higher target customer base. | <ul style="list-style-type: none"> -High competition with big companies like; Nestle SA, Gloria Jeans, Starbucks, JAB Holding Company, etc., may threaten new entrants. |

Product Pricing

Characteristically, the cafe industry in Australia is highly fragmented with many players; this industry has no key players with a market share of larger than 5% (IBISWorld, 2021). The same

case applies to the Blacktown suburbs. To survive in this market, the business needs to develop its brand and differentiate itself from the competition by focusing on speciality coffees at a lower price as a low-cost leader. Focusing on pricing, it is necessary to select the correct price that will be affordable to all consumers. The average price of coffee in Australia has increased to approximately \$4.50 in 2021 (Beers, 2021). Therefore, businesses in Australia competitively price their coffee. Pricing the coffee significantly above this range would result in a loss of customers considering the elasticity of demand. Coffee Express would price its products on average \$4.40 in the first year based on market pricing.

Based on pricing and market size projections, the business would generate about \$222,394 in revenues from the sale of coffee in the first year. For each year after that, the business expects 10% growth for the first three years. The pricing per cup is lower than the market average of \$4.50.

Cost Analysis

The materials used in coffee beverages will cost \$1.17 per serving as variable costs. For 50,544 servings (units) of coffee cups sold in the first year, the company hopes to generate \$222,394 in sales revenue. With fixed costs of \$142,187 in the first year, the break-even point is 44,021 in units sold². Based on prices of \$4.40 per serving, the break-even point in dollars is \$193,692 for Coffee Express in the first year.

Table 1 Cost of Materials per Cup

| | |
|--------------|----------------|
| Coffee beans | \$ 0.55 |
| Water | \$ 0.04 |
| Milk | \$ 0.40 |
| Cup with lid | \$ 0.14 |
| Creamer | \$ 0.04 |
| Total | \$ 1.17 |

Table 4 Variable Cost and Fixed Cost

| | | |
|-----------------------------|--------|--------|
| Variable Cost | | |
| Material | \$1.17 | |
| Total Variable cost per cup | | \$1.17 |
| Fixed Cost | | |
| Utilities | | |

² See appendix for calculations.

| | | |
|----------------------------------|----------|------------------|
| Electricity | \$1,440 | |
| Water | \$1,200 | |
| <i>Total annual utilities</i> | | \$2,640 |
| Lease and equipment | | |
| Annual shop lease | \$19,200 | |
| Coffee brewers | \$7,427 | |
| Non-current assets | \$10,000 | |
| <i>Total Lease and Equipment</i> | | \$36,627 |
| Wages | | \$102,920 |
| Total Annual Fixed Cost | | \$142,187 |

Cash Budget

| | April | May | June | July | August | September |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash inflows | | | | | | |
| Share capital | 30,000 | 0 | 0 | 0 | 0 | 0 |
| Sales receipts | 17,160 | 20,240 | 20,680 | 24,200 | 25,080 | 25,960 |
| Total Cash Inflows | 47,160 | 20,240 | 20,680 | 24,200 | 25,080 | 25,960 |
| Cash Outflows | | | | | | |
| Material | 4,563 | 5,382 | 5,499 | 6,435 | 6,669 | 6,903 |
| Wages | 8,576 | 8,576 | 8,576 | 8,576 | 8,576 | 8,576 |
| Tax | 1760 | 2,024 | 2,068 | 2,420 | 2,508 | 2,596 |
| Overhead | 2,220 | 2,220 | 2,220 | 2,620 | 2,620 | 2,620 |
| Non-current assets | 3,300 | 0 | 0 | 0 | 0 | 1,300 |
| Total Cash Outflows | 20,419 | 18,202 | 18,363 | 20,051 | 20,373 | 21,995 |
| Net Cash Flow | 26,741 | 2,038 | 2,317 | 4,149 | 4,707 | 3,965 |
| Balance brought forward | 0 | 26,741 | 28,779 | 31,096 | 35,245 | 39,952 |
| Balance carried forward | 26,741 | 28,779 | 31,096 | 35,245 | 39,952 | 43,917 |

Share Capital

To cover the cost of materials, overheads, and equipment, our start-up funds are set out to be \$30,000; this is provided by the two owners, making this a partnership. Raising finance through debt is not used at this stage but is being considered for future expansion.

Non-current assets

The company will have to buy fixed assets such as ovens, toasters, microwaves, dishwashers, automated drip coffee makers, a high-performance espresso machine, an industrial-grade coffee grinder, industrial blenders, and other equipment the first month, which will cost about \$3300. Further expansion will require further spending on industrial equipment worth \$17,427 to be financed through debt from lenders.

Sales Receipts

Based on the market analysis and industry trend, the first month's sales are expected to be 3900 units (serving of cups), which is \$17,160 in sales revenue. Also, the sales revenue is expected to increase by around 8-9 per cent every month.

| Cash receipts | April | May | June | July | August | September |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales in units | 3,900 | 4,600 | 4,700 | 5,500 | 5,700 | 5,900 |
| Sales revenue | \$17,160 | \$20,240 | \$20,680 | \$24,200 | \$25,080 | \$25,960 |

Sales rise in the month following June due to the start of the winter season in Australia, and the company plans to increase advertising expenses by \$400 per month.

Wages

For the first six months, 3 staff, including 1 cashier, 1 barista and 1 kitchen assistant, will cost about \$8,576 per month.

Overhead

Our overhead costs consist of advertising, rent, electricity, and water. Specifics for each month are given in the following table.

| Overhead | \$ |
|-------------|-----|
| Electricity | 120 |
| Water | 100 |

| | |
|-------------|-------|
| Rent | 1,600 |
| Advertising | 400 |
| Total | 2,220 |

The advertising expense will increase in the fourth month by \$400.

Tax rate

The annual tax rate applicable to a company of this size is about 10%, which is used in the budget.

Cash Flow trend

From our projected cash budget, it is apparent that we start to get some profits from the first month and our business would likely be in high demand under our marvellous business plan.

Pro Forma Projected Profit & Loss Statement (6 months)

| DESCRIPTION | April | May | June | July | August | September |
|---------------------------------------|------------------|-----------------|-----------------|------------------|------------------|------------------|
| Sales | \$17,160 | \$20,240 | \$20,680 | \$24,200 | \$25,080 | \$25,960 |
| Less Cost of Sales | | | | | | |
| Material | \$4,563 | \$5,382 | \$5,499 | \$6,435 | \$6,669 | \$6,903 |
| GROSS PROFIT | \$12,597 | \$14,858 | \$15,181 | \$17,765 | \$18,411 | \$19,057 |
| Less Expenses | | | | | | |
| Wages | \$8,576 | \$8,576 | \$8,576 | \$8,576 | \$8,576 | \$8,576 |
| Electricity | \$120 | \$120 | \$120 | \$120 | \$120 | \$120 |
| Water | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 |
| Advertising | \$400 | \$400 | \$400 | \$800 | \$800 | \$800 |
| Rent | \$1,600 | \$1,600 | \$1,600 | \$1,600 | \$1,600 | \$1,600 |
| Total Expenses | \$10,796 | \$10,796 | \$10,796 | \$11,196 | \$11,196 | \$11,196 |
| Profit before Income and Taxes | \$1,801 | \$4,062 | \$4,385 | \$6,569 | \$7,215 | \$7,861 |
| Taxes @ 10% | \$180.1 | \$406.2 | \$438.5 | \$656.9 | \$721.5 | \$786.1 |
| NET PROFIT/ (LOSS) | \$1,620.9 | \$3655.8 | \$3946.5 | \$5,912.1 | \$6,493.5 | \$7,074.9 |

Marketing Plan

The business will have a two-phase marketing plan. Phase 1 will heavily utilize digital and social media marketing strategies with content specifically targeted to its intended audience through Facebook, Instagram, and our webpage/apps. This will involve content creation, web analytics, SEO, social media, and email marketing. Phase 2 of the marketing plan will be to generate leads through television, radio, and pay-per-click advertising.

Operational Plan

The office will be located at 17 Patrick St, Blacktown NSW 2148, Australia, with an area of 300 square feet. An image of the business location on Google Maps is attached in the appendix. The business will have three employees, and the two owners will perform marketing, account management, finance, and human resources related activities.

Financial Plan

Estimated Start-Up Costs

| Description of cost | \$ | Percentage of total |
|--|-----------------|---------------------|
| Commercial Space, rented (300 sq. feet) | \$19,200 | 47.7% |
| Licenses & Permits | \$1000 | 2.5% |
| Kitchen Equipment & Supplies | \$17,427 | 43.3% |
| Advertising Expenses | \$2,600 | 6.4% |
| Total estimated Start-up costs | \$40,227 | 100% |
| Funds Available from owners' equity | \$30,000 | 0% |
| Start-Up Fund Required from Lenders | \$10,227 | 0% |

Conclusion:

In conclusion, it should be considered that the cost of establishing Coffee Express is \$40,227, the owners are contributing \$30,000 as owners' equity. Therefore, we require \$10,227 from debtors and creditors to establish this very lucrative café in a booming market. Most of the expenses will be used in purchasing the equipment and renting the commercial space, including coffee making and kitchen equipment. The business will primarily target coffee lovers who aim for a low price. As such, the coffee bar will offer many varieties of coffees at an affordable price.

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APPENDIX



Company Logo

Company Vision: To provide coffee lovers in our neighbourhood with the world's finest freshly roasted coffees with excellent service at an affordable price to our customers.

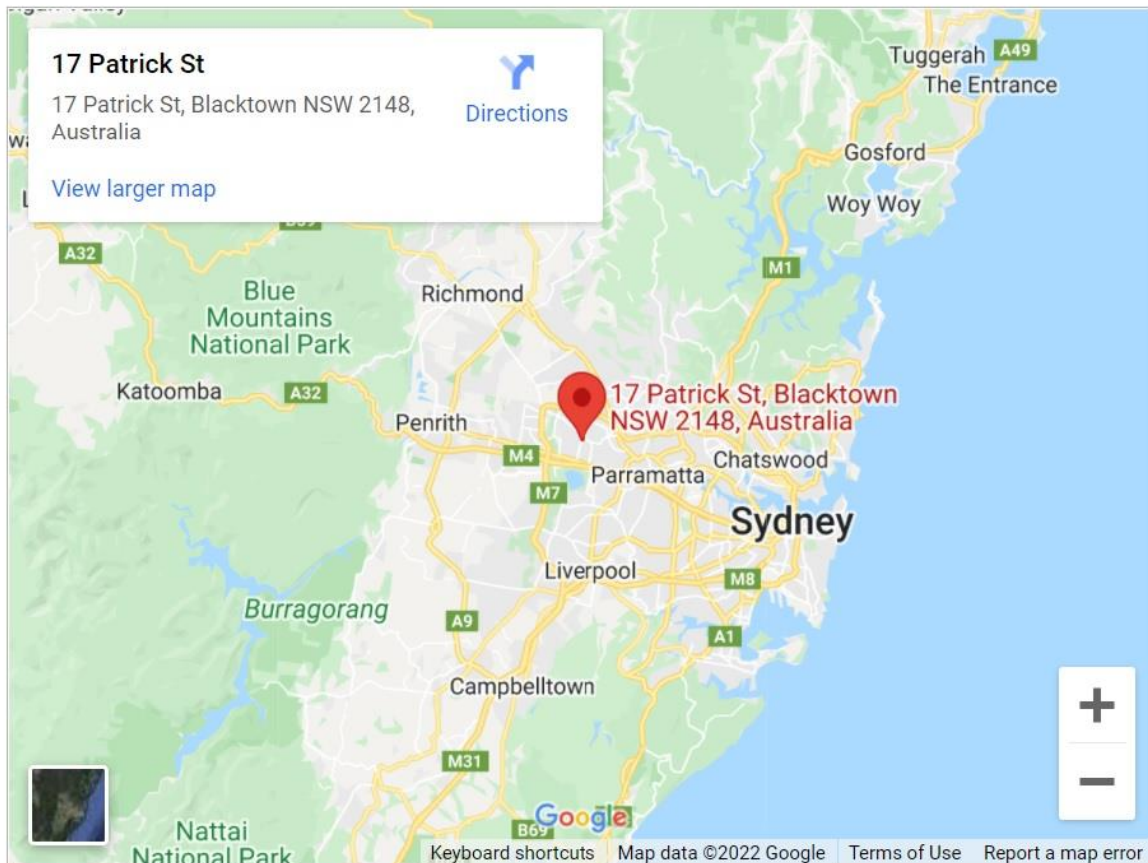


Figure: Location of Coffee Express, in Sydney suburbs of Blacktown

Calculation of Target Market:

Blacktown suburb

Total population 336,962 residents according to Australian Bureau of Statistics (2016)

Coffee consumers $336,962 * 75\% = 252,722$ residents

20% of total market = $252,722 * 20\% = 50,544$ residents

Average price of coffee = \$4.40

Total target market = $50,544 * \$4.40 = \$222,394$

Calculations of Breakeven points in units and dollar amounts

Fixed costs (F) per year \$142,187

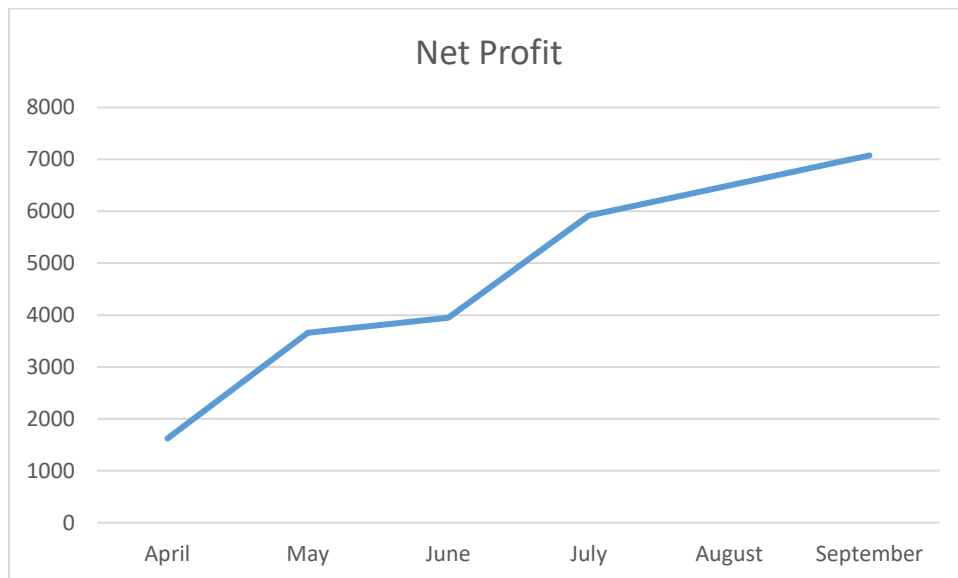
Price per unit (S) \$4.40

Variable cost (V) per unit \$1.17

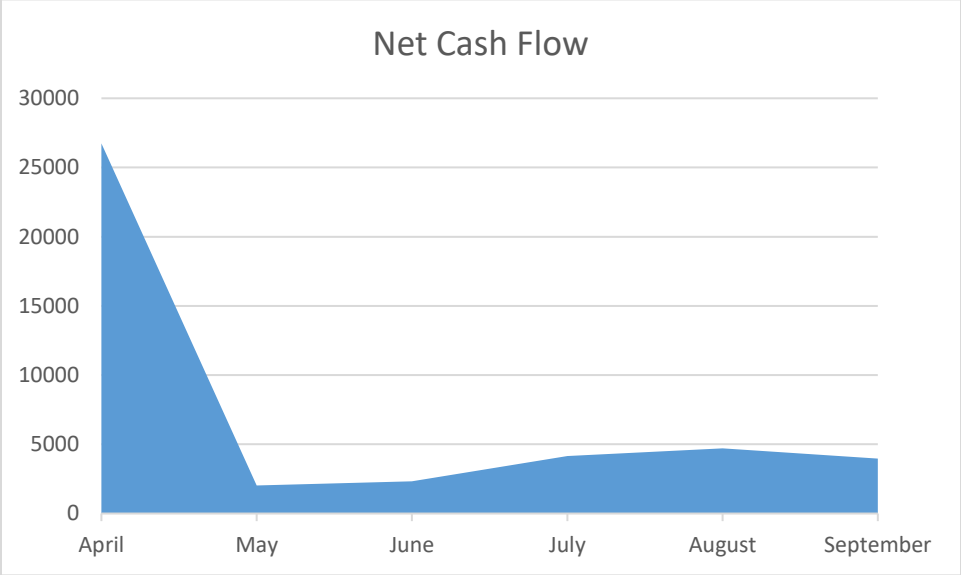
Breakeven point in units = $(F+P)/(S-V) = \$142,187+0/ (\$4.40-\$1.17) = 44,021$ units

Breakeven point in dollars = $\$4.40 * 44,021$ units = \$193,692

Projected Net Profit



Projected Cash flow



THE END