

Entrepreneurship

Assessment 2

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Business description/ Market Opportunity

The business plan is prepared for the Vegan Balance coffee shop. It analyses the organic coffee industry in the prism of coffee shop market and the vegan market. It looks at the operations and the management plan and it describes the marketing plan. It estimates finances and assess the financial plan and it presents findings for the market research.

The Vegan Balance coffee shop is addressing a niche in the market for vegan products which are organic. The Mission of the coffee shop is to develop a unique business model for vegan and organic products in a welcoming environment. The vision of the business is to build a strong brand name in the vegan catering and organic coffee shop. The aims of the business on short term is to build a customer base and encourage word of mouth, to develop presence on social media, to gain profit, to repay the loan within 3 years, to offer diverse and qualitative products, high customer service. On the long term the business aims relate to brand development, brand expansion.

Taking in consideration the pandemic the business will ensure it incorporates digitalisation for its operations, it has good online presence, good infrastructure for online orders.

Industry Analysis

The selected industry is the organic coffee shop. During Covid the industry of hospitality including the coffee shop market has suffered majorly because of the lockdown and the imposed restrictions by the Government. However, the rapid growth of online shopping for at-home coffee consumption has compelled retailers and producers to adapt to this digital transformation. As a result, the market experienced a surge in growth when consumers began stockpiling groceries and other necessities during the pandemic. The growth of the industry has then stagnated during the pandemic, but now it has taken the pace pre-pandemic. The growth of the industry refers to big brands, but also to small business. The sale of organic coffee and organic products and vegan products has increased and it has been observed a demand for novelty products for hot beverages. Coffee shops are in trend for the social purpose, but there are also used by professionals for meetings, for casual interviews (Topik, 2009).

Porter's 5 forces

Bargaining power of suppliers: The suppliers can have a great power because coffee requires specific factors to be cultivated and for premium coffee and organic options the Arabic beans can involve pricey cost for importing. Organic vegan choices are also volatile because of the speciality products. Overall the suppliers can influence the price, but don't have high power because they depend on the producers.

Bargaining power of buyers: The frequency of buyers is very important for a coffee shop, especially for the small business. Customers preferences are very important as they can shift easily to competition. Customers want to benefit of enjoyable atmosphere, creative organic and vegan products. Word of mouth is essential for the business running and attracting new customer and that is why the power of buyers is high.

Threat of substitutes: In a coffee shop the focus lies on the coffee and other beverages are sold but not as the main products. Buyers could choose instead to spend money on cigarettes which are pricey, alcohol or desserts. With customers having a discretionary budget which is limited, the coffee shops are trying to have a variety of products in order to obtain a fraction of the budget. The threat of substitutes is moderate to high.

Threat of new entrants: It is not very difficult to open a coffee shop, business owners can opt out for renting the venue, the equipment. For specialty shops it is more difficult as it requires good suppliers for organic and vegan products. The cost increases with the growth of the business, for developing the brand or expanding the brand, for marketing costs, for infrastructure for delivery, for partnerships and Franchises and to be able to realise economy of scale which can be difficult to achieve for small players. The threat of new entrants can be considered moderate.

Rivalry among existing competitors: There are several major players in the coffee shop industry such as Starbucks, Costa which have the resources to diversify products, to expand business and open new shops, have delivery services, are able to have special offers. The rivalry can be high because of the existing coffee shops with premium locations.

Operations and Management Plan

The coffee shop Vegan Balance is the proposed business which will be registered as an LTD business and on the long term it is intended to create a new brand for organic coffee and vegan products sale. For the opening of a coffee shop it is required to have a resale permit, a registration at the council,

to register to the food hygiene rating scheme every 3 years, insurance, certificates for utilities (Gov, 2022).

The operations of the coffee shop Vegan Balance includes preparing and retailing beverages and coking and retailing food. The focus lies on the organic coffee and vegan beverages preparation, handling and cooking vegan food, selling food and beverages, serving customers. The front house operations include taking food and beverages orders, preparing coffee assortments, working on the till, serving customers and back of the house operations include food preparation, food safety, stock keeping, food storing. The business will outsource organic products suitable for vegans form trusted suppliers based on the business needs.

The management structure for the coffee shop has a reduced number of staff because is a small business and it includes a general manager who is also the owner who has the main the decisional power, an assistant manager who will help with admin and running the business, covering rest days and sick period also, 4 part time waiting staff who will work in shifts, 1 chef and 1 part time sous chef who will work in shifts and 1 kitchen helper. The staff will be trained to ensure high quality customers service and food safety. For the management and chef will be required previous experience.

Marketing Plan

Product: The products offered by the business are focusing on emphasising the distinctive characteristics ensuring all the products are organic and suitable for vegans. This is very important for the business as it will operate within a nice market and obtain competitive advantage. The focus on the product differentiation strategy is to attract customers that are vegan and also who are oriented for healthy choices and enjoy coffee. The products variety for beverages includes usage of oat, soya, almond , coconut milk such as Lattes, Frappuccino, Mushroom Coffee, Mocha, Iced Coffee, hot chocolate, tea. It will offer healthy choices for sweeteners such as brown sugar and agave syrup. Also it will sell organic fresh juice made on the spot or bottled previously. It will also sell vegan sandwiches using different vegetables and nuts and seeds, vegan pasta options, vegetable and fruit salads and vegan desserts.

Price: The cost is higher because it involves organic ingredients and vegan options which can be pricier for example different plant based milk options, fresh vegetables, fresh fruits. It will be used a value-based pricing strategy because of the targeted segment professionals, healthy life style oriented customers.

Promotion: The coffee shop promotion strategy is to emphasise the importance of a healthy food, benefits of eating healthier, advertising on social media as it involves less costs and it can grab a large mass of followers. The online promotion will be the main way of attracting customers, word of mouth being a promoter of a healthy eating lifestyle and organic products. It will also be used a sales promotion for opening of the coffee shop and with relevant celebratory periods of the year. Advertising on social media and on own website the menu, the ingredients and variety of choices which are vegan and organic.

Place: The coffee shop will have a strategic position close to office sites where customers can grab their coffee in the morning before going to work, have a coffee break, serve lunch or use it as a social venue after work.

Financial Plan

The start up cost for the coffee shop Vegan Balance involves different aspects related to admin fees, renting costs of the venue, renting cost of the equipment, cost of decorating the venue, cost of technology. The total cost for start up is estimated to be around £30000. The source of the funds for the start up of the business will be from a bank loan only taken by the owner of the business. At the moment of the start up of the business there are no other cash flows from financing activities.

There are different costs involved in running the coffee shop and in the table below there are 3 months cash budget projections.

Table 1. Finance data forecast for 3 months

	1st Month (£)	2nd Month (£)	3rd Month (£)
Revenue (Sales)	30000	32000	34000
Fixed costs			
Rent for the venue	4000	4000	4000
Salaries	15000	15000	15000
Bank Loan	500	500	500
Rent of equipment	200	200	200
Variable Costs			
Utilities	400	450	500

Marketing	1000	500	500
Overtime	0	0	0

There are different costs highlighted in the table above (Table 1) fixed costs and variable costs. In the fixed costs are included the salaries for the part time and full time staff, the rent of the venue, the bank loan payment. Variable cost involves utilities costs which can vary depending on the business volume, marketing cost which is higher for the first month to develop the own website and set up social media accounts. There is no estimated cost for overtime.

Market research

The number of individuals visiting a coffee shop in a week has increased and studies have forecasted a growth of up to 4% of the market (Business Wire, 2019). According to Bio Actual (2021) the organic coffee is the second most important organic crop at the moment, with almost 10% of the total area of this crop and is considered that the market is active and is growing. It is estimated that will retain its dominance of the forecasted market.

Society is more oriented for healthy eating, for organic and vegan choices for products including hot beverages. The organic agriculture has been developed by the Government also and it tends to become a market commodity with more than 10% consumers. Vegan products have been supported also, supermarkets dedicating vast spaces for vegan products and the number of specialised shops has also begin to grow and it has been registered a drift for business to meet the demand from customers who are willing to pay more for healthier options (Soil association, 2021). Organic coffee is grown without the use of herbicides, pesticides, or other chemicals. It is high in antioxidants, vitamins, and minerals, which help to balance harmful free radicals in the human body and, as a result, prevent large-scale cellular damage. The provenance of the food is a concern for many of the population either organic or vegan, preferring also choices that do not impact negatively the environment and cruelty for animals (Data Bridge, 2022).

References

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