

COFFEE EXPORT BUSINESS PLAN

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MATRIC: 18\ENG05\062

DEPT: MECHATRONICS ENGINEERING

COURSE: FOOD PRODUCTION AND HEALTH

COURSE CODE: ENG 202

DATE: TUESDAY, APRIL 2020

# COFFEE EXPORT BUSINESS PLAN

Geoffrey & sons prepares green Arabica coffee beans grown in Nigeria for exportation to American specialty roasters and sells to the wholesalers on the Nigerian market. We will expand production capacity from 72,000/60kg bags per year to 120-160,000/60kg per year. Our coffee stands out from that of the competition. We prepare the top five percent, in terms of quality standards, of all Arabica beans in the market. Our customers seek this product as it provides them with a point of differentiation to specialty roasters.

## OBJECTIVES

- ✚ Increase production and sale from has listed above.
- ✚ Increase sales substantially in the first year of operation.
- ✚ Establish strategic relationships with 10-15 American importers in Los Angeles, San Francisco, & Austin.
- ✚ Increase gross margins in the next three years.

## MISSION

Geoffrey & sons limited seeks to serve coffee importers and enthusiasts by exceeding minimum acceptable quality standards and by providing the highest quality product at the lowest possible price. We value our relationship with current and future customers and hope to communicate our appreciation to them through our outstanding, guaranteed, product quality, personal service and efficient delivery. Our commitment to our customers and the country of Nigeria will be reflected through honest and responsible business.

## COMPANY LOCATION AND FACILITIES

The Geoffrey & sons main warehouse is located in Lagos, Nigeria. The warehouse has the capacity to prepare approximately 6,000 60kg bags of exportable coffee beans. The proposed new warehouse and preparation facility site is also located in Lagos, Nigeria. The new facility will be 3.500m square and will have 30 selecting machines with capacity to produce 40,000 bags for exportation and 80,000 bags for storage. The propose facility will also handle shipping.

## COMPETITIVE COMPARISON

In order to differentiate our product, coffee, which is a commodity, from the product offering of competitors, all beans are guaranteed fresh and are shipped within seven days of preparation. In addition to that all beans are sorted at ninety-five percent screen 18 and above compared to the industry standard ninety percent screen of 17 and above. There are approximately ten competitors who offer a similar product to ours. Our research indicates that with the additional capacity we will become one of the top four, in terms of quantity providers. We have the advantage of established distribution channels and

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reputation. In addition, improvement to our marketing efforts will further separate us from the larger market and from our close competitors.

## SALES LITERATURE

Geoffrey & Sons currently works with two importers from the United States who handle all our shipments. We have dealt with the same Nigerian wholesalers, for internal sales, each year. Sales to this point have been handled through personal selling. Additional sales literature would include a website, direct mail to specialty roasters and importers, and print advertising in several trade publications including Nigeria Coffee Times, a monthly publication which targets Nigerian business dealing with issues relevant to the coffee industry.

## SOURCING

Both the existing and proposed facilities are ideally located in Ikeja, in the state of Lagos. Lagos is the largest coffee producing state in the country and beans produced in the region are of high quality. With additional financing, we would be able to buy larger volumes at lower prices. We now buy from one or more of six private growers or grower cooperatives. Contracts are secured six months in advance of harvest.

## TECHNOLOGY

Improvement in technology will include the use of partially automated selecting machines which will allow for increased production capacity with a lower machine-to-operator ratio than we currently employ. Additionally, storage capabilities will decrease shipping charges and will reduce the need for permanent shipping employees by thirty-five percent. High technology information system upgrades will improve all aspects of business, especially inventory control, tracking of shipments and communication with clients from import countries.

## FUTURE PRODUCTS

Alternative to the Arabica bean, Coffee Robusta, though it shares some similarities with the Arabica beans, is very different. Coffee Robusta is grown at lower elevations and has a higher yield per plant as well as being more resistant to diseases. It also has up to twice the caffeine level as its cousin the Arabica beans. Due to the lower cost and larger market amount of Robusta Coffee, it is found primarily on supermarket shelves. The Arabica species grows at much higher elevations, in better soil rich areas, and is the source of the world's finest coffees.

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By providing the finest species of coffees, Geoffrey & Sons has taken the first step towards a differentiated product. To further distinguish our product we adhere to higher quality standards than approximately ninety-five percent of the market.

## MARKET SEGMENTION

The potential customer groups from Geoffrey & Sons are:

- ✚ AMERICAN IMPORTERS OF GREEN ARABICA BEANS: Market research suggest that there are approximately 200 importers of green Arabica coffee on the west and east coast of the united states that would be able to handle the quantities shipments and are in our target market. Combined, they import a total of four to five million/60kg bags of Nigerian coffee every year.
- ✚ NIGERIAN GREEN COFFEE WHOLESALERS: This market serves as a safety valve for our export business. By maintaining relationship with our wholesalers especially in Lagos, Port-Harcourt and Abuja we have an alternative market with established distribution channels.
- ✚ NIGERIAN SPECIALTY ROASTERS: As we move towards maximum capacity we plan to be more aggressively target this audience. We hope to eventually reduce transactions with wholesalers and capture their value added cost as profit. We anticipate that this effort will begin approximately four years into operation of the new facility.

## INDUSTRY PARTICIPANTS

Geoffrey & Sons deals exclusively in the exportation and sales of green Arabica beans. There are approximately 30 Nigerian businesses in the market. However 15 companies account for approximately eight percent of the total amount of green Arabica exports. In addition, many of these companies prepare, export and sell, to the Nigerian market, other coffee products. Additional products include:

- ✚ GREEN ROBUSTA BEANS: The Robusta beans is produced in far less quantity, in Nigeria, than the Arabica and its consider an inferior species. The Robusta markets represent less than ten percent of all the coffee produced in Nigeria.
- ✚ SOLUBLE COFFEE PRODUCT: These are instant coffees that are either decaffeinated or not. Sales of soluble coffee products accounts for approximately twelve percent of the total market.
- ✚ ROASTED & GROUND COFFEE: Approximately eighty-five percent of all roasted and ground coffee goes to internal consumption and represents approximately twenty-seven percent of the total coffee market

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## STRATEGY PYRAMID

Our main strategy is to communicate the unique and desired attributes of our coffee to larger segment of the American and Nigerian market. We sell a superior product, yet one that can be considered a commodity. It is therefore important that we effectively communicate the unique aspects which makes it ideally suited for a niche market.

The unique aspect of our product includes superior product selection and preparation, quality assurance and efficient distribution. These are things we have done since we started doing business. The tactics we would use to communicate this strength include, personal selling, targeted print advertising and improved communication capabilities via information system improvements and a sophisticated website. As tactics below we have identified three specialty publications in the United States and two in Nigeria in which we will run print ads. We also plan to increase personal selling efforts to additional American importers. Part of the personal selling will include invitation to importers to visit our facilities, at our expense.

## MARKETING STRATEGY

Geoffrey & Sons marketing strategy will include the use of targeted print media advertising and direct selling to importers in the United States who provide green coffee to specialty roasters. We will capitalize on existing relationships with importers who have stated their willingness to contact west coast affiliates and recommend Geoffrey & Sons coffee. We have positioned ourselves as a differentiated provider of the highest quality Arabica beans. The primary goal of all marketing efforts would be to communicate this to existing and potential customers.

## PROMOTION STRATEGY

Relationships are key to success in the export business. Importers in Florida have on several occasions visited the Geoffrey & Sons facility, family home and farms from which coffee is purchased. Additional accounts and contacts with west coast importers have all been established and maintained through personal contact. Personal selling would remain our most important means of promotion. Sir, Daniel Geoffrey Jnr will continue to lead this effort. In addition to personal selling Geoffrey & Sons have identified several specialty publications within which print advertisement would run. Direct mail, in form of personal letters would also be used to communicate with existing and potential clients. Our budgets for promotion activities is as follows;

- ✚ Personal selling which includes phone expenses, travel for Geoffrey & Sons employees and for importers who we invite to Nigeria 7,000,000 Naira Annually .
- ✚ Print advertising in three specialty publications and direct mail 3,000,000 Naira monthly.

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- ✚ World Wide Web presence 2,500,000 to produce a new site and 700,000 naira annually to maintain the site.

## DISTRIBUTION STRATEGY

Distribution is one of the greatest challenge faced by Geoffrey & Sons. The distribution system in Nigeria is largely outdated and inefficient. Moreover, taxes are high. Distribution cost for internal sales are absorbed by the customers but distribution cost for exports are absorbed by us, Increasing the volume of our exports make us eligible to receive the reduced fees and help is ensure that trucks and rail cars are running at maximum speed.

## POSITIONING STATEMENT

For American importers of Nigerian coffee who use our coffee to supply specialty roasters, Geoffrey & Sons coffee beans are the highest and largest beans available. Unlike many exporters our beans exceed the minimum acceptable quality standards and are shipped within one week of preparation to ensure the largest and freshest beans on the market. Our product are specialty suited for the roasting market which constantly strives to offer award winning coffee.

## PRICING STRATEGY

Because Geoffrey & Sons adhere to higher quality standards, the price of our coffee is slightly higher(four to nine percent) than the market average. The import market largely determines the price of imported coffee in the United States. Beans that do not meet our standards are resold on the Nigerian market at the current market price. Green coffee on the import market now sells for US\$213.56/60kg bag. According to Geoffrey & Sons pricing strategy, our coffee would sell approximately US\$224/60kg bag. Importers have to this point been willing to pay the additional cost.

## MANAGEMENT TEAM

Geoffrey & Sons is organized into three functioning areas: product sourcing, sales, and marketing; production and shipping; and finance and administration.

Dr. Geoffrey Udoh: CEO/President is in charge of finance and administration because of his level of experience in the coffee industry. Sir Daniel Geoffrey Jnr: Vice President in charge of product sourcing sales, and marketing. Lady Dorcas Geoffrey: In charge of production and shipping.

UDOH, DANIEL, VP.

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