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LAW

MEMORIES CAFÉ

A place where memories are made.

Project:

A BUSINESS PLAN FOR THE DEVELOPMENT OF A CAFÉ AT LAGOS, NIGERIA.

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1.0 Executive Summary

Memories Café is determined to become a daily necessity, a place to dream of as you try to escape the daily stresses of life and just a comfortable place to meet your friends or to read a book, make memories, all in one. With the growing demand for high-quality snacks and refreshment and great service, Memories Café will capitalize on its proximity to the Pan Atlantic University campus to build a core group of repeat customers. Memories Café will offer its customers the best prepared refreshments in the area that will be complimented with pastries, as well as free books that its patrons can read to enjoy their visit as well as renting instant cameras they can use to take pictures to remember the memories they had.

The company will operate a 2,300 square foot coffee bar within a walking distance from the Pan Atlantic University campus. The owners have secured this location through a three-year lease with an option for extending. They have also provided N400, 000 of the required N700, 000 start-up funds. The remaining capital will be obtained through Nigerian Bank commercial loans.

1.1 Objectives

Memories Café's objectives for the first year of operations are:

- Become selected as the "Best New Café in the area" by the local restaurant guide.
- Turn in profits from the first month of operations.

1.2 Keys to Success

The keys to success will be:

- Store design that will be both visually attractive to customers, and designed for fast and efficient operations.
- Employee training to ensure the best drinks and pastries preparation techniques.
- Marketing strategies aimed to build a solid base of loyal customers, as well as maximizing the sales of high margin products.

1.3 Mission

Memories Café will make its best effort to create a place where memories are made, a unique place where customers can socialize with each other in a comfortable and relaxing environment while enjoying the best brewed coffee or espresso, fresh fruits juices and smoothies and pastries in town. We will be in the business of helping our customers to relieve their daily stresses by providing piece of mind through great ambience, convenient location, friendly customer service, and products of consistently high quality. Memories Café will invest its profits to increase the employee satisfaction while providing stable return to its shareholders.

2.0 Company Summary

Memories Café, a Nigerian limited liability company, sells coffee, other beverages and snacks in its 2,300 square feet premium café located near the Pan Atlantic University campus. Memories Café major investors are Davida Ogoni and Tope Nebolisa who cumulatively own over 70% of the company.

2.1 Company Ownership

Memories Café is registered as a Limited Liability Corporation in the state of Nigeria. Davida Ogoni owns 51% of the company. Her cousin, Tope Nebolisa, as well as Anne Omale and Bolatito Fakorede hold minority stakes in Memories Café, LLC.

2.2 Start-up Summary

The start-up expenses include:

- Legal expenses for obtaining licenses and permits as well as the accounting services totaling N300,000.
- Marketing promotion expenses for the grand opening of Memories Café in the amount of N350,000 and as well as flyer printing (1,000 flyers at N50 per copy) for the total amount of N50,000 .
- Consultants fees of N30,000 paid to ABC Beverages Services for the help with setting up the coffee bar and beverages.
- Insurance (general liability, workers' compensation and property casualty) coverage at a total premium of N24,000.
- Pre-paid rent expenses for three month at N100 per square feet in the total amount of N69,000.
- Premises remodeling in the amount of N15,000.

- Other start-up expenses including stationery (N5000) and phone and utility deposits (N25000).

The required start-up assets of N1,399,970 include:

- Operating capital in the total amount of N702,000, which includes employees and owner's salaries of N270000 for the first two months and cash reserves for the first three months of operation (approximately N144000 per month).
- Start-up inventory of N160270, which includes:
 - Coffee beans (12 regular brands and five decaffeinated brands) - N60000
 - Coffee filters, baked goods, salads, sandwiches, tea, beverages, etc. - N79000
 - Retail supplies (napkins, coffee bags, cleaning, etc.) - N18400
 - Office supplies - N2870
- Equipment for the total amount of N591700:
 - Espresso machine - N60000
 - Coffee maker - N9000
 - Coffee grinder - N2000
 - Food service equipment (microwave, toasters, dishwasher, refrigerator, blender, etc.) - N180000
 - Storage hardware (bins, utensil rack, shelves, food case) - N37200
 - Counter area equipment (counter top, sink, ice machine, etc.) - N95000
 - Serving area equipment (plates, glasses, flatware) - N30000
 - Store equipment (cash register, security, ventilation, signage) - N137500
 - Office equipment (PC, fax/printer, phone, furniture, file cabinets) - N36000
 - Other miscellaneous expenses - N5000

Funding for the company comes from two major sources--owners' investments and bank loans. Two major owners, Davida Ogoni and Tope Nebolisa, have contributed N500,000 and N200,000 respectively. All other investors have contributed N400,000, which brings the total investments to N1,100,000. The remaining N300,000 needed to cover the start-up expenses and assets came from the two bank loans--a one-year loan in the amount of N100,000 and a long-term (two years) loan of N200,000. Both loans were secured through a commercial bank in Nigeria. Thus, total start-up loss is assumed in the amount of N299,970.

2.3 Company Locations and Facilities

Memories Café will be located at 18, Lekki Express Way, Kayetoro Rd, Lagos. The company has secured a one-year lease of the vacant 2,300 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 Memories Café will execute depending on the financial strength of its business.

The floor plan will include a 200 square feet back office and a 2,100 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-1,200 square feet (i.e., 57% of the total) for the seating area, 600 square feet (29%) for the production area, and the remaining 300 square feet (14%) for the customer service area.

This property is located in a commercial area within a walking distance from the Pan Atlantic University campus around some local shopping malls. The commercially zoned premises have the necessary water and electricity hookups and will require only minor remodeling to accommodate the 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.

3.0 Market Analysis Summary

Nigeria's coffee consumption has shown steady growth, and a place for families and friends to meet and hangout has increased. Memories Café will strive to build a loyal customer base by offering a great tasting coffee and refreshments in a relaxing environment of building located close to the bustling Pan Atlantic University campus.

3.1 Market Segmentation

Memories Café will focus its marketing activities on reaching the University students and faculty, people working in offices located close to the coffee bar and on sophisticated teenagers, also local shoppers. Our market research shows that these are the customer groups that are most likely to buy gourmet coffee products. Since gourmet coffee consumption is universal across different income categories and mostly depends on the level of higher education, proximity to the Pan Atlantic University campus will provide access to the targeted customer audience.

4.0 Strategy and Implementation Summary

Memories Café 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.

4.1 Competitive Edge

Memories Café 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. Comfortable sofas and chairs, dimmed light and quiet relaxing music will help the customers to relax from the daily stresses and will differentiate Memories Café from incumbent competitors. It will also have white walls where people can write or sign on to loved ones; custom made trees where customers can take pictures and put it on the trees.

4.2 Sales Strategy

Memories Café 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. All sales data logged on the computerized point-of-sale terminal will be later analyzed for marketing purposes.

In order to build up its client base, Memories Café will use banners and fliers, utilize customer referrals and cross-promotions with other businesses in the community. At the same time, customer retention programs, such as competitions will be used to make sure the customers are coming back and spending more at the coffee bar.

5.0 Strategic Human Resources Planning

A full-time manager will be hired to oversee the daily operations at Memories Café. The candidate has had three years of managerial experience in the industry. This person's responsibilities will include managing the staff, ordering inventory, dealing with suppliers, developing a marketing strategy and perform other daily managerial duties. We believe that our candidate has the right experience for this role. A profit-sharing arrangement for the manager may be considered based on the first year operational results.

5.1 Projected Staff Length

Title	Year 1	Year 2	Year 3
Manager	1	1	1
Baristas	4	4	4

Cleaners	1	1	1
Security	1	1	1

5.2 Projected Total Compensated Package Per Annual

Manager- N360,000

Baristas(4)- N480,000

Cleaners-N90,000

Security-N90,000

6.0 Financial Plan

Memories Café profit and loss account for three years plan

CASH FLOW			
	YEAR 1	YEAR 2	YEAR 3
Cash Received			
Cash from Operations			
Cash Sales	615,000	2,625,000	6,300,000
Subtotal cash from operations	<u>615,000</u>	<u>2,625,000</u>	<u>6,300,000</u>
Additional cash from other incomes			
Subtotal cash received	615,000	2,625,000	6,300,000
Expenditures			
Expenditures from Operations			
Cash Spending	150,000	200,000	300,000
Bill Payments	168,000	204,000	240,000
Subtotal spent on operations	<u>318,000</u>	<u>404,000</u>	<u>540,000</u>
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	0	0	0
Principal Repayment of Current Borrowing	75,000	25,000	0

Other Liabilities Principal Repayment	0	0	0
Long-term Liabilities Principal Repayment	85715	114285	0
Purchase Other Current Assets	0	0	0
Purchase Long-term Assets	0	30,000	35,000
Dividends	0	0	0
Subtotal cash spent	<u>478,715</u>	<u>573,285</u>	<u>575,000</u>
Net Cash Flow	136,285	2,051,715	5,725,000
Cash Balance	(136,255)	1,915,460	7,640,460

PROFIT AND LOSS

	YEAR 1	YEAR 2	YEAR 3
Sales	615,000	2,625,000	6,300,000
Direct Cost of Sales	435,000	1,875,000	4,500,000
Other	0	0	0
Total cost of sales	435,000	1,875,000	4,500,000
Gross Margin	180,000	750,000	1,800,000
Gross Margin %	29.27%	28.57%	28.57%

Expenses

Payroll	1,020,000	1,020,000	1,020,000
Sales and Marketing and Other Expenses	350,000	390,000	400,000
Depreciation	179,225	89,612	0
Rent	276,000	276,000	276,000
Maintenance	80,840	150,424	220,066
Utilities/Phone	25,000	27,000	30,000

Payroll Taxes	11,690	11,690	11,690
Other	0	0	0
Total Operating Expenses	1,942,755	1,964,726	1,957,756
Profit Before Interest and Taxes	-1,762,755	-1,214,726	-157,756
Interest Expense	2,821	2,326	1,618
Taxes Incurred	33,740	35,510	42,424
Net Profit	99,308	106,530	124,491
Net Profit/Sales	-5.63%	-8.77%	-8.91%

BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3
Assets			
Current Assets			
Cash	136,255	345,460	640,460
Inventory	50,175	55,293	60,622
Other Current Assets	0	0	0
Total current assets	<u>186,430</u>	<u>400,753</u>	<u>701,082</u>
Long-term Assets			
Accumulated Depreciation	15,400	20,900	25,400
Total long-term assets	<u>44,570</u>	<u>51,070</u>	<u>58,570</u>
Total assets	<u>231,000</u>	<u>451,823</u>	<u>759,652</u>
Liabilities and Capital			
Current Liabilities			
Accounts Payable	30,974	30,947	30,836
Current Borrowing	60,700	30,400	10,000
Other Current Liabilities	0	0	0
Subtotal current liabilities	<u>91,674</u>	<u>61,347</u>	<u>40,936</u>
Long-term Liabilities	12,500	12,415	11,500
Total liabilities	<u>104,174</u>	<u>73,762</u>	<u>52,436</u>

Paid-in Capital	50,000	50,000	50,000
Retained Earnings	27,680	71,628	78,159
Earnings	39,308	40,530	45,491
Total capital	<u>116,988</u>	<u>162,158</u>	<u>173,650</u>
Total liabilities and capital	<u>221,162</u>	<u>235,920</u>	<u>226,086</u>
Net Worth	211,628	318,159	442,650