

NAME: OBUNEZI GABRIEL CHIMKA

MATRIC NUMBER: 18/LAW01/163

COURSE CODE: GST 212

COURSE TITLE: INTRODUCTION TO

ENTREPRENEURSHIP

Executive Summary

Culture coffee bar is determined to become a daily necessity for local coffee addicts, 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, all in one. With the growing demand for high-quality gourmet coffee and great service, Java Culture will capitalize on its proximity to the University of Oregon campus to build a core group of repeat customers. Java Culture will offer its customers the best prepared coffee in the area that will be complimented with pastries, as well as free books that its patrons can read to enjoy their visit.

The company will operate a 2,300 square foot coffee bar within a walking distance from the University of Oregon campus. The owners have secured this location through a three-year lease with an option for extending. They have also provided \$140,000 of the required \$170,000 start-up funds. The remaining capital will be obtained through Bank of America commercial loans.

The company is expected to grow sales revenue from \$584,000 in FY2001 to \$706,000 in year three. As Java Culture will strive to maintain a 65% gross profit margin and reasonable operating expenses, it will see net profits grow from \$100,000 to \$125,000 during the same period.

Objectives

Culture's objectives for the first year of operations are:

- Become selected as the "Best New Coffee Bar in the area" by the local restaurant guide.
- Turn in profits from the first month of operations.
- Maintain a 65% gross margin.

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 insure the best coffee preparation techniques.
- Marketing strategies aimed to build a solid base of loyal customers, as well as maximizing the sales of high margin products, such as espresso drinks.
- **Mission**

Culture will make its best effort to create a unique place where customers can socialize with each other in a comfortable and relaxing environment while enjoying the best brewed coffee or espresso 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. Java Culture will invest its profits to increase the employee satisfaction while providing stable return to its shareholders.

Company Summary

Culture, an Oregon limited liability company, sells coffee, other beverages and snacks in its 2,300 square feet premium coffee bar located near the University of Oregon campus. Java Culture's major investors are Arthur Garfield and James Polk who cumulatively own over 70% of the company. The start-up loss of the company is assumed in the amount of \$27,680.

Company Ownership

Java Culture is registered as a Limited Liability Corporation in the state of Oregon. Arthur Garfield owns 51% of the company. His cousin, James Polk, as well as Megan Flanigan and Todd Barkley hold minority stakes in Java Culture, LLC.

Start-up Summary

The start-up expenses include:

- Legal expenses for obtaining licenses and permits as well as the accounting services totaling \$1,300.

- Marketing promotion expenses for the grand opening of Java Culture in the amount of \$3,500 and as well as flyer printing (2,000 flyers at \$0.04 per copy) for the total amount of \$3,580.
- Consultants fees of \$3,000 paid to ABC Espresso Services <name changed> for the help with setting up the coffee bar.
- Insurance (general liability, workers' compensation and property casualty) coverage at a total premium of \$2,400.
- Pre-paid rent expenses for one month at \$1.76 per square feet in the total amount of \$4,400.
- Premises remodeling in the amount of \$10,000.
- Other start-up expenses including stationery (\$500) and phone and utility deposits (\$2,500).

The required start-up assets of \$142,320 include:

- Operating capital in the total amount of \$67,123, which includes employees and owner's salaries of \$23,900 for the first two months and cash reserves for the first three months of operation (approximately \$14,400 per month).
- Start-up inventory of \$16,027, which includes:
 - Coffee beans (12 regular brands and five decaffeinated brands) - \$6,000
 - Coffee filters, baked goods, salads, sandwiches, tea, beverages, etc. - \$7,900
 - Retail supplies (napkins, coffee bags, cleaning, etc.) - \$1,840
 - Office supplies - \$287
- Equipment for the total amount of \$59,170:
 - Espresso machine - \$6,000
 - Coffee maker - \$900
 - Coffee grinder - \$200
 - Food service equipment (microwave, toasters, dishwasher, refrigerator, blender, etc.) - \$18,000
 - Storage hardware (bins, utensil rack, shelves, food case) - \$3,720
 - Counter area equipment (counter top, sink, ice machine, etc.) - \$9,500
 - Serving area equipment (plates, glasses, flatware) - \$3,000
 - Store equipment (cash register, security, ventilation, signage) - \$13,750
 - Office equipment (PC, fax/printer, phone, furniture, file cabinets) - \$3,600
 - Other miscellaneous expenses - \$500

Funding for the company comes from two major sources--owners' investments and bank loans. Two major owners, Arthur Garfield and James Polk, have contributed \$70,000 and \$30,000 respectively. All other investors have contributed \$40,000, which brings the total investments to \$140,000. The remaining \$30,000 needed to cover the start-up expenses and assets came from the two bank loans--a one-year loan in the amount of \$10,000 and a long-term (five years) loan of \$20,000. Both loans were secured through the Bank of America. Thus, total start-up loss is assumed in the amount of \$27,680.

Start-up Requirements

Start-up Expenses

Legal	\$1,300
Stationery etc.	\$500
Brochures	\$3,580
Consultants	\$3,000
Insurance	\$2,400
Rent	\$4,400
Remodeling	\$10,000
Other	\$2,500
Total Start-up Expenses	\$27,680
Start-up Assets	
Cash Required	\$67,123
Start-up Inventory	\$16,027
Other Current Assets	\$0
Long-term Assets	\$59,170
Total Assets	\$142,320
Total Requirements	\$170,000

Start-up Funding	
Start-up Expenses to Fund	\$27,680
Start-up Assets to Fund	\$142,320
Total Funding Required	\$170,000
Assets	
Non-cash Assets from Start-up	\$75,197
Cash Requirements from Start-up	\$67,123
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$67,123
Total Assets	\$142,320
Liabilities and Capital	
Liabilities	
Current Borrowing	\$10,000
Long-term Liabilities	\$20,000
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$30,000
Capital	
Planned Investment	
Arthur Garfield	\$70,000
James Polk	\$30,000
All other investors	\$40,000
Additional Investment Requirement	\$0
Total Planned Investment	\$140,000

Loss at Start-up (Start-up Expenses)	(\$27,680)
Total Capital	\$112,320
Total Capital and Liabilities	\$142,320
Total Funding	\$170,000

Company Locations and Facilities

Java Culture coffee bar will be located on the ground floor of the commercial building at the corner of West 13th Avenue and Patterson Street in Eugene, OR. The company has secured a one-year lease of the vacant 2,500 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 Java Culture will execute depending on the financial strength of its business.

The floor plan will include a 200 square feet back office and a 2,300 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--1,260 square feet (i.e., 55% of the total) for the seating area, 600 square feet (26%) for the production area, and the remaining 440 square feet (19%) for the customer service area.

This property is located in a commercial area within a walking distance from the University of Oregon campus on the corner of a major thoroughfare connecting affluent South Eugene neighborhood with the busy downtown commercial area. The commercially zoned premises have the necessary water and electricity hookups and will require only minor remodeling to accommodate the espresso 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.