

THE BUSINESS PLAN OF WANGFU COFFEE HOUSE IN DALI CHINA



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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE GRADUATE SCHOOL
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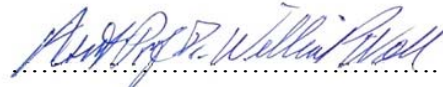
**The Research has been approved by
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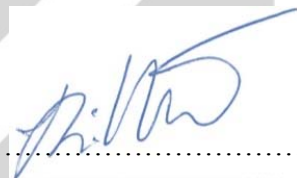
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Abstract

Our business plan aims to provide a reliable proof of cafe business. The opportunity of coffee business in Dali Old town and expansion of coffee drinkers in China enable us to target this market. The need of new lifestyle is extraordinary attractive to new generations. At the same time, there are few creative and modern models of this business in Dali Old town. According to our research of the café trend is increasing year by year, in which the market has a big potential for a right time and us to discover to start our business.

Our business plan is dedicated to provide alternative way for people to spend their time with us to enjoy their coffee time. So, we open the new business that provides unique products for people to have more choices in Old Town of Dali City. This ensures the customer like our products and services through our unique coffee, ice cream, atmosphere and service. At the same it will help us to achieve our goals of growing as a top rank coffee that locates in Dali Old Town. Therefore, we like to build a customer oriented business in order to gain customer satisfaction and brand recognition.

To have a coffee house business, does not require high investment. In my business plan, total cost required to start up is ¥102,400, which include ¥33,200 start up expenses and ¥69,200 start up assets. This business is based on tourism, and Dali attracts tourists all the year, by this, our sales can be continually high at year round especially during festivals. Therefore, our ROI is 840%, which is significant high; we can get our investment back very fast.

As a business student, I clearly know what my business plan brings me to where I can go with my business dream. How the economic and lifestyle changes happened in China regarding to my business. By this opportunity we can develop our business even further in the future.

Keyword: Business Plan, Coffee House, Coffee Business, Coffee Café'

ACKNOWLEDGMENT

By this opportunity I would like to express my gratitude to my parents, thanks for giving me a wonderful life, thanks for raising me. Especially for my mom, she always supports me in everything, understand me and encourage me. She is the most important person in my life. Being the guide of my life, she teaches me to be brave, and to achieve in life. At the same time, to be grateful to my father, he always takes care of my sisters and me. Also, a huge thanks to my two younger sisters, for who accompany with my childhood, I never feel alone. Besides, thanks to my boyfriend, he accompanies me for bachelor life and MBA life, we spent most beautiful time in my life, thank you for trust me, take care of me, encourage me, and love me. Thank you for all my family and friends, for everything you brought to me. Because of all you, I've finally made it.

Second, thank you a lot to my most respectful professor Dr. William P. Wall, for your patient support, this enable me to complete my graduation thesis successfully, and I would like to express my best regards to you. Third, thank you my parents again with great support and encouragement through my life. Their patience and education to me has influenced my life and continually motivate me to go further. I would always remember that since primary school my mother has accompanied me for every night with my home works.

At last, many thanks to Dr. Arthur Gogatz, Dr. Alexander Franco, Dr. Scott S. Roach, Dr. James, Dr. Thittapong, Arjan. Richard, Arjan. Kristian and my last subject study with Mr. Adam, which is really a happy ending. Teachers have taught me a lot with their thoughtful knowledge, which has a profound influence to me. And I would say thank you to all the people who provided me with the facilities being required and conducive conditions for my MBA project.

In general, thanks my university for having a great student life. Here, the Stamford International University, every person, everything that I have met became the memorable experience in my life also to my youth. All experiences in my life have enriched my thought.

Xinyi Wang

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CHAPTER 1

INTRODUCTION

1.1 Business Background

The idea of our business is to provide customers a wonderful experience to rest and refresh themselves. Wangfu House will be a coffee house that provides local coffee and special desserts to satisfy our target customer, giving a pleasant atmosphere for customer to take a drink and to continue their trip. We will search the quality coffee bean that is from local; provide customers short but wonderful rest during their trip. The coffee house is located in Dali, Yunnan Province, China. Which fill with Chinese ancient style building, mysterious and fresh. Whenever during the day, find a coffee shop, take a nap, a deep breathing, then a beautiful day start.

Founder, Ms. Xinyi Wang, presently study MBA program In Stamford International University. During the Internship of bachelor degree who worked for 360 Education Group at Thai department and her position is a marketing Manager, to develop Thai destination of studying abroad for Chinese students. When she turns into MBA, she worked several months as part-time writer of media outlets for a Taiwan company, and experience of being an interpreter to help Chinese investors to understand the Find Your Space and EM Capital's investment project, in which to enable the investor and the company have a better knowing of each other in investment. And Co-founder, Who is Mr. Dong Shen, presently studies International Business in Rangsit University at fourth year to graduate. Co-founder, Ms. Li Shutao, who are local citizen of Dali, her family own a hostel nearby Dali Old Town, and she works committee for women in her village.

1.2 Mission

Our goal and aim is to provide customer a short but wonderful experience by a cup of coffee, nicely services and comfort environment. Refresh and wake them up for the next adventure of their trip on the day.

1.3 Vision

Our vision is to be “must go” on traveler’s list and become the most popular coffee house in the old town area.

1.4 Philosophy

As we offering quality coffee and wonderful experience, we believe:

- A beautiful day starts with a cup of coffee.
- Coffee and Trip are the best combination for travelers.
Coffee gives people a rest and wakes them up with fully energy.

1.5 Strategy and Goals

In order to fulfill our mission and vision, we will create value through our products & services such as following:

- Quality coffee bean and delicious desserts
- Comfort and relaxing environment
- Helpful and friendly staff, English speaking is needed
- Fast and efficient process

Effective marketing and pricing, well brand awareness, considerable market. By setting clear objectives of our business and measure in implementation through ever stop efforts to grow business and generate more profits as maximum as we can. A specific goal will lead us with an effective way to achieve the success.

a) Customer Experience

By providing a wonderful experience to our targeting customers, at first, we need to ensure that our products are delicious that makes them desire of it. Second, to provide them friendly services that help them start with a happy mood. Third, enable the customer in a short time to have a nap and wake them up with full energy to continue their traveling.

b) Rank on Top 10

By providing a wonderful experience to our targeting customers, at first, we need to ensure that our products are delicious that makes them desire of it. Second, to provide them friendly services that help them start with a happy

mood. Third, enable the customer in a short time to have a nap and wake them up with full energy to continue their traveling.

c) To increase our brand awareness in two years

In a short-term period, our goal is to increase brand awareness. Make sure customer dream and desire to visit us, and wants to share us to their friends around.

1.6 Logo and Slogan

This logo is designed to define our image and it will belong to Idea Coffee & Bakery, Dali, Yunnan, China and the Slogan will say “Coffee wakes you up for next journey”.



Figure 1.1: Logo of Wangfu Coffee

Source: Xinyi.W. (2017)

1.7 Business Model

To briefly explain our business, perceive and deliver our core value, we provide following business to state our structure.

Table 1.1 Business Model Canvas

Key Partners	Key Activities	Value Proposition	Customer Relationship	Customer Segments
-Coffee Supplier -Hotels & Hostel	- Daily maintenance to keep coffee shop well operated	-Deliver high quality coffee drinks and comfortable	- Building constant friendly relationship with customers	-Medium There are several other coffee shops

-C-Trip & Dianping & Meituan	-Marketing and sales -Packaging	seats to customers -Being a ranking coffee shop		locates in the city
Key Resources			Channels	
-Human resource: Marketing people and sales, Store manager, Staff -Financial resources to provide key activities			-Word of mouth -Net works -Advertisement such as video, links (WeChat, Baidu, Sino blog)	
Cost Structure			Revenue Streams	
- Equipment - Materials -Salary for and employees -Facilities and of rental fee -Marketing and Advertisement			- Sales of mature of coffee and desert	

1.8 Competitive Advantages

Location: Our coffee shop will be located in the old town of Dali, which has the most people traffic in Dali city, customers are tourist come from different part of China or overseas. With this great location, customers can appreciate the traditional construction, natural landscape (Cangshan, Erhai) food and culture. Also, it will be a great choice to take a rest after few hours walking.

Free copy of city map to hotel & hostel: We will design and printed city map with our adverting located on the map, and we will also put hotel and hostel location on the map, provide in hotel & hostel for free.

Management: Wangfu Coffee will break the local traditional way to manage, we learn and adopt a scientific way to save the cost and maximum our profit but keep the quality of products/services.

Human Resource: Our human resources including store manager, marketing person, barista and staff. We will work together with efficiency and provide our customers an unforgettable experience.

Product Customization: We offering color pen in the coffee shop, customers are free will to painting or writing on their cup to share and express themselves. Each cup painting by customer becomes unique and best souvenir of their trip.

Family Support: We would get financial support from our family means we can

have continuously investment in this business. This enables us to control the finance risk at lower level.

Government Support: Due to serious human resources constraints occurs in China the government has measured certain policies to support graduates and post graduates. For Chinese citizens who graduate from aboard and with master degree are able to apply start-up loan from government for start a new business. And, there are various other preferential policies for whom graduated from overseas with degrees.



CHAPTER 2

LITERATURE REVIEW

2.1 Dali State Geographic

Dali Bai Autonomous Prefecture is located in northwestern Yunnan, China, on the Yunnan-Guizhou Plateau, with a total area of 1468 square kilometers. Its sea level is above 2090 meters, it borders Chuxiong Prefecture on the eastern side, Pu'er City in the southern, Lincang City, west frontiers with Baoshan City, Nu River connected to the north of Lijiang City. The span is between $98^{\circ} 52' \sim 101^{\circ} 03'$ and latitude $24^{\circ} 41' \sim 26^{\circ} 42'$.

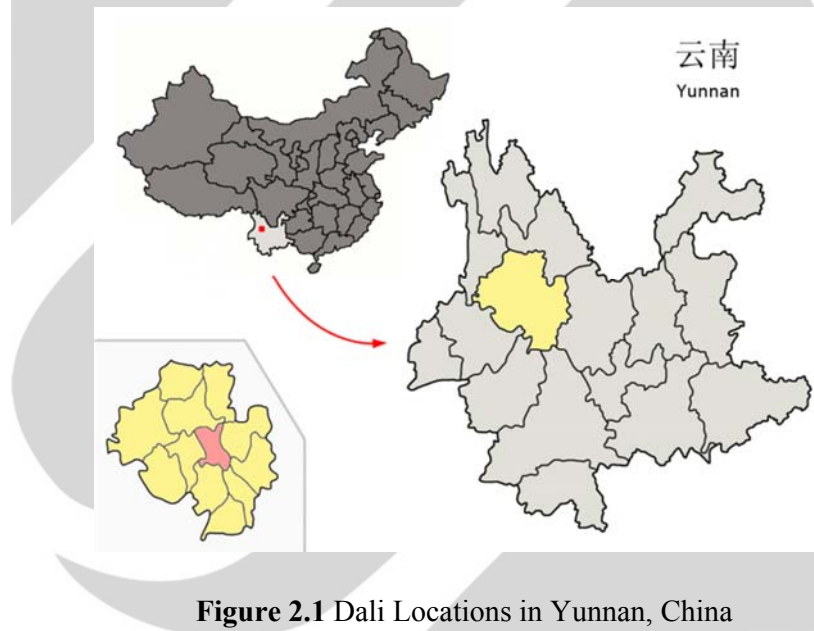


Figure 2.1 Dali Locations in Yunnan, China

Source: Croquant, (2007) : Online

Cangshan Mountain, its average elevation of 3782 meters, the highest 4122 meters. Erhai Lake is formed the Yanshan orogenic movement in Kunming depression area of the lake, the 9 meters of average depth, elevation is 1973 meters. Dali has a long history, many cultural relics, beautiful scenery, pleasant climate, rich ethnic customs.

Dali old town is another division of Dali City, located 10km to the north of Xiaguan. This town commonly to distinguish it from the city center in Xiaguan, is usually the Dali referred as known tourist destination. And the old town is one of the

most popular tourist destinations in Yunnan, known for its natural scenery, historical and cultural heritage, and vibrant nightlife.

The city flows with a clear stream, everywhere can be seen in the traditional Bai style houses, where residents regardless of the rich and the poor, have the habit of planting flowers and grass in the courtyard.

Dali Climate

On the Highland, Dali has very high ultraviolet radiations. It has short, mild, dry winters and warm, rainy summers. Frost may occur in winter but the days still generally warm up to 15 °C (59 °F) or more. During summer, a majority of days are rainfall and daytime temperatures is about 24 °C (75 °F). The rainfall period usually starts from June to October.

2.2 Dali State Demographic

The state is diverse with variety of peoples, has composed of 24 ethnic groups, of which the Bai population accounts for 65% of the total population, Han accounted for 28.7%, and the rest are others. At the end of 2015, the total number of the statewide population is about 358.44 million, which includes 1.801 million men, women 177.43 million.

The state has 1,900 schools of various types, including: 2 higher education, 3 secondary specialties, 196 secondary schools, 14 vocational schools, 1008 primary schools, 677 kindergartens. Enrollment rate of primary school age children school accounts for 97.4%, primary school graduates rate of 98.8%.

2.3 Dali State Demographic

Economic Outlook in Dali

In 2015 statewide GDP (GDP) of Dali reached 90.107 billion yuan, up 9.2 percent over the previous year. In the industry, the added value of the primary industry was 19.339 billion yuan, increased by 6.0 percent; the added value of the secondary industry was 35.714 billion yuan, up by 9.1 percent; the added value of the tertiary industry was 35.54 billion yuan, up by 11.0 percent.

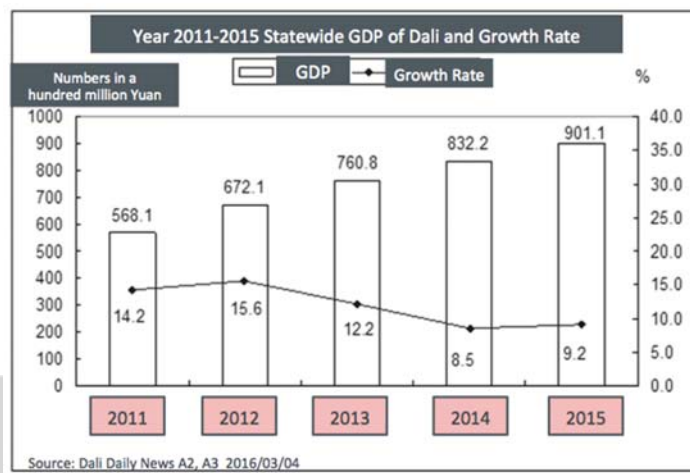


Figure 2.2 Year 2011-2015 Statewide GDP of Dali and Growth Rate

Source: Dalidaily, (2016) : Online

In 2016 statewide GDP (GDP) of Dali reached 97.42 billion yuan, up 9.0 percent over the previous year. In the industry, the added value of the primary industry was 20.53 billion yuan, increased by 5.6 percent; the added value of the secondary industry was 37.294 billion yuan, up by 8.4 percent; the added value of the tertiary industry was 39.593 billion yuan, up by 11.4 percent.

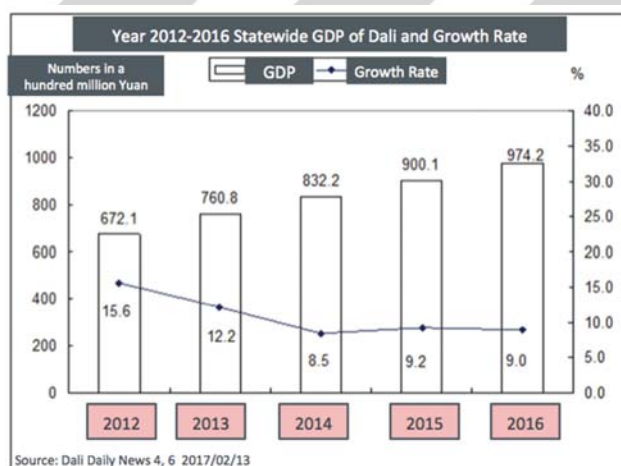


Figure 2.3 Year 2012-2016 Statewide GDP of Dali and Growth Rate

Source: Dalidaily, (2017) : Online

Economic Outlook in China

China is still the main driven economy of world economic development, the IMF announced. The IMF raised its forecast for China's growth in 2017 and said, this is a key support factor for the next year's global recovery is expected to accelerate. " In the data, China's economic growth in 2017 is forecast to be 6.5 percent, compared with 6.0 percent in 2018. The forecast is consistent with the Academy of Social Sciences forecast about around 6.5% in 2017.

At the end of 2016, the economic work conference was held in Beijing, and the central government set 2017 China's economy stability as the main tune, on the basis of "stability" to continue the current major economic policy. The IMF explained in its report that its upside-over forecast for China reflects expectations of continued policy support.

But the IMF also demonstrate that China's economy is currently facing the "rapid expansion of credit, corporate debt damaged, the government continues to support low-performance state-owned enterprises, will be a sharp or destructive risk of economy mitigation in the future.

2.4 Coffee Markets in Dali & China

Coffee Markets in Dali

In 2016, September 20, Dali's Starbucks first opening and located in Dali Old Town, which decorate in Chinese traditional style, totally fit the atmosphere of Dali Old Town. Before that, Dali has several stylish local coffee businesses; provide customers an enjoyable space to relax.



Figure 2.4 Starbucks in Dali Old Town

Source: YANJUAN ZHAO, (2016) : Online

Coffee Markets in China

Coffee market in China has been increasing year by year since it was introduced to Chinese consumers. In addition, Yunnan is the most favorable place to produce coffee, about 95 percent of locally produced coffee is located in the province. For instance, Starbucks and Nestlé has established their coffee factories in Yunnan and most production process in the place.

The BMI Research demonstrates that the main coffee houses in China are Starbucks, Costa Coffee, UBC, McDonald's, and C Strait Café. And the rest of the market accounts for one fourth shared by other small coffee shops. Starbucks is the top brand, which has the 31.1% of total market share in 2013. A fourth of the market is occupied by other smaller coffee shops. And notably mention of that its most coffee shops operated in big and middle sized in China.

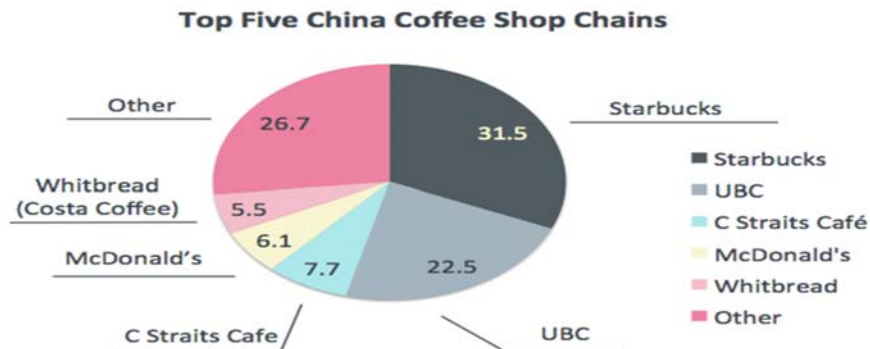


Figure 2.5 Tops Five-China Coffee Shop Chains

Source: Patti Waldmeir, (2014) : Online

CHAPTER 3

MARKET RESEARCH & ANALYSIS

3.1 Survey Results

I made a survey to test our target market. The survey was done among 500 people, which are at appendix A.

Result 1: 72.4 percentage of participants usually drinks coffee

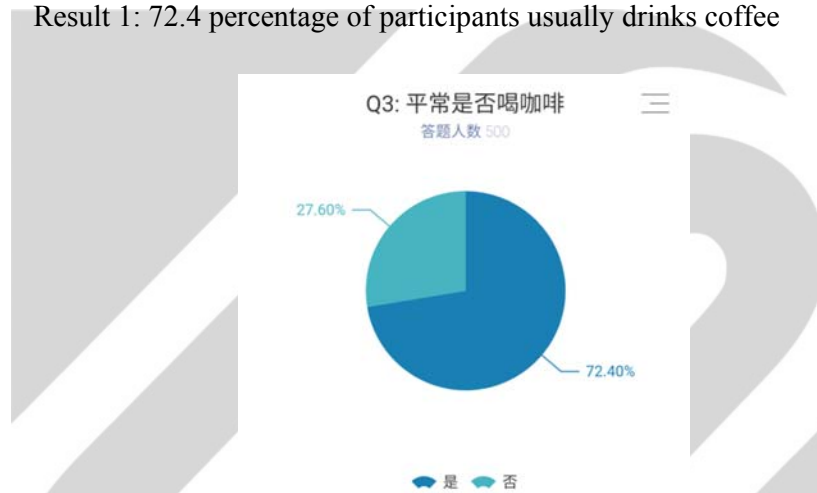


Figure 3.1 Survey Results 1

Result 2: Most of participants like to go travel with their family in Dali, this number is about 44.6 percentage. Second large number is 30.8 percentages, which says those participants like to go travel with their girlfriend or boyfriend.

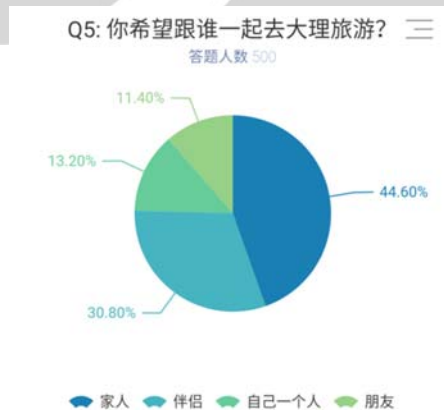
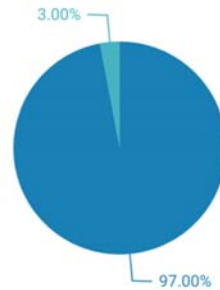


Figure 3.2 Survey Results 2

Result 3: 97 percent of participants says they like to go to local coffee shop than a international chain when they traveling in Dali.

Q7: 在大理古城观光, 你会选择具
有当地特色的咖啡厅 (云南特色的主题
咖啡厅) 还是国际连锁咖啡厅 (例如星
巴克)?

答题人数 500



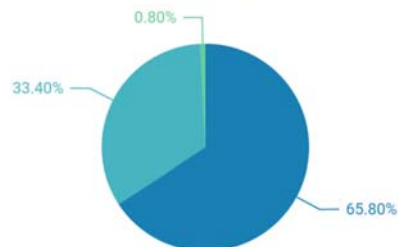
具有当地特色的咖... 国际连锁咖啡厅

Figure 3.3 Survey Results 3

Result 4: 65.8 percent of participants choose to go local coffee shop because they agree with traveling must try local taste, 33.4 percent of participants they make choice for no reason.

Q8: 告诉我你选择的理由?

答题人数 500



去旅游就是要选择... 不需要理由
国际连锁更值得信...

Figure 3.4 Survey Results 4

3.2 Target Market & Customer

Our market location can be divided into two groups online and offline, so that our physical location will be in Dali Old Town. And our online market place will be business platforms: Ctrip, Dianping and Meituan. On the other hand, we can target our customer by not only platforms but also new media including and social media (WeChat or public page). Because most customers we target are young and middle age they have high frequency appear online.

Mainly are coffee drinkers: Tourists will be our first target group of customers that we will focus on to attract them on our customer list. Their characteristic can be: Single, Couples, Family, Tour. And they can be Chinese and foreigners, in which customers who drink coffee and people like coffee.

Local customers: Our second target group of customers will be local citizens who favors modern lifestyle and who are operating business in the old town can also be our customers as long-term. Their characteristics can be: Business owner, Workers, Students, Couples in the town.

3.3 Market Size & Trend

According to Dali Tourism Development Board, it suggested that Dali received 29.2851 million tourists in 2015, which contributed 38.84 billion Yuan revenues for the year. In this number, overseas tourists are 0.8725 million people, rest are from Mainland China. In 2016, Dali Daily News says that Dali received tourists 38.5918 million in the year, including 0.9344 million from overseas and another 37.6574 million are Chinese.

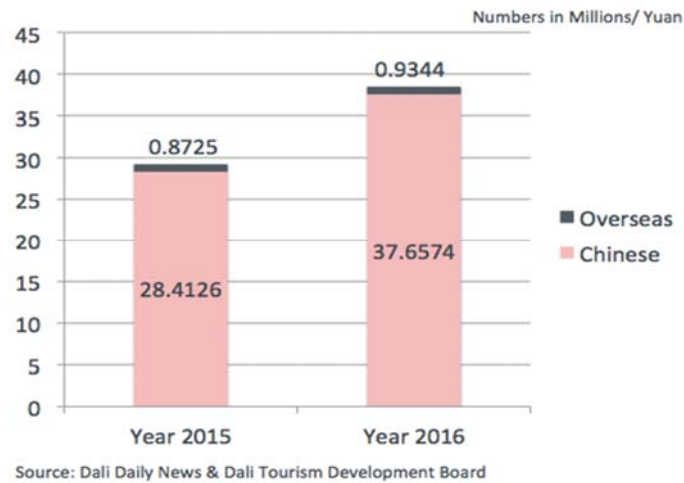


Figure 3.5 Dali Tourism Number in 2015-2016

Source: Dalidaily, (2017) : Online

Also, there is more flight direct flight to Dali city from other province in 2017. In 2016, flights to Dali has increased, from Haikou, Guiyang, Mianyang, Nanning are able to take direct flight to Dali easily. This year, flight CZ8184 from Yibin first direct flight to Dali in March 26th, 2017 and only spend an hour. With more direct flights open to Dali, it will benefit Dali's tourist industry.

Therefore, increase number of tourists to Dali is the future trend, which will bring more revenues to local business. Particularly, Dali's tourism infrastructures, transportation, facilitates, services and natural environment are well developed and maintained.

3.4 SWOT Analysis

STRENGTHS

Style, our coffee house will be designated by combining tradition and modern style, in which to provide a stylish and comfortable environment for customers and satisfy with their body and atheistic needs. In which, customer enjoys coffee smoothly with their time in Dali.

Local, to attract tourist customer, we use local coffee bean to make coffee, let them experience the difference during their trip. Most of our existing competitors are

using western coffees like from Italy. The differentiation would help us to avoid similarities and increase our brand recognition.

New Media Management, we have strong advantages on new media skills and experience to utilize our brand online. With using this advantage, we can develop our brand effectively and operate business more with efficiency.

Recreational and Sharing, in our coffee house the recreational and sharing tools will be provided to customer to enjoy their coffee time. Such as panting pen enable them to share their idea and mood.

Networking, our network with local connection of relationships will enable us to cooperate with them to achieve our marketing goal effectively. Instantly, the hotels to be connected them with sharing customers by offering discount and priorities to co-customers.

WEAKNESSES

Less Experience, We are a start-up business with little experience on coffee beverage so that we need to strengthen ourselves at 360 degrees. There will be a lot challenges for a new company to face and need to prepare to enhance.

Lower Brand Awareness, our brand is entirely new to customer in the market, brand awareness is indeed to be built. This could be a long way to go so need to pay patience. Thus, knowing our weakness is in order to let us stronger.

OPPORTUNITES

Growing Tourism, Since Dali city is a tourism destination with still growing tourists that bring us significant number of target customers. These tourists usually young and have high acceptance to new lifestyle compare with old generations and seeking opportunity to try different things.

Growing Coffee Market, growing coffee market and changing life style also provides us an opportunity to maximize our market share and profit. Considerably increasing number of coffee demand and drinkers. People's life style changing enable us to target, more and more people like to do their part of job might be work and assignments in a coffee shop.

Growing Life Standard, improving life standard make people pursuit of high quality life. There is a significant change of life condition compare to the age before 1980s. People have stronger willing to satisfy themselves and enjoy their life.

Less Competitors, as well as there are fewer competitors in the market though the market is growing. Increasing social media and networks makes our market entry easier.

Social Media and Networks, China has it popular social media like WeChat, Sino Blog, QQ, which have huge number of users and it spreads information very fast and efficient, this can benefit our business to increase brand awareness.

Growing online purchasing, huge numbers online purchasing Chinese consumers let us have more convenience on doing business. The opportunity can excite us with the business but we need to learn from and make good benefit of each opportunity.

THREATS

Economic Downturn, if an economic downturn occurs we would not be able to stand for that we are a start-up business. The number of tourists will be decreasing sharply and will take away our customers.

New Entry, the new entry comes to share the market and we are not familiar with that may be competitive to us. There is no knowledge about the new entry and we may not find proper strategy to compete them

Existing Competitor, existing competitor has long operating experience in the market and they are more knowledgeable with market and customer. Therefore, Threats may not be just the threats it also provides a model we can learn from.

	Positive	Negative
Internal	<ul style="list-style-type: none"> ● Combined tradition and modern style coffee shop ● Local Coffee Bean ● Strong new media managing experience ● Recreational and sharing ● Networks <p style="text-align: right;">S</p>	<ul style="list-style-type: none"> ● Lower brand awareness ● Less experience in coffee beverage business <p style="text-align: right;">W</p>
External	<ul style="list-style-type: none"> ● Growing tourism ● Growing coffee market and drinkers ● Growing life standard ● Less competitor ● Social media and networks ● Growing online purchasing <p style="text-align: right;">O</p>	<ul style="list-style-type: none"> ● Economic downturn ● New entry ● Existing competitors <p style="text-align: right;">T</p>

Figure 3.6 Wangfu House SWOT Analysis

Source: Xinyi.W, (2017)

3.5 PEST Analysis

POLITICAL

China's stable political environment provides a consolidated perspective for tourism industry. In recent years, government has implemented a series of laws and regulations to enhance the development of tourism industry. In 2014, the Reform and Development of Tourism" has been deployed in four major areas: enforcement on system of paid leave to employees; strengthening tourism infrastructure construction; increasing financial and financial support, and the study of central financial support in the new situation Tourism development of the relevant policies, led by the government to promote the establishment of the tourism industry fund. In July 2015 government has introduced policy on the further promotion of tourism investment, encourage flexible living with staggering holiday. And expressway free tolls for cars fewer than 7 seats. All policies are not only for China's tourism industry to provide a system of protection, but also stimulate the demand for consumer travel.

ECONOMIC

The sustainable development of China's economy creates well conditions to support further development of tourism. Growing tourism industry is based on the economic development of the country. China's sustained, rapid economic growth, assured that steady growth in income of urban and rural residents. So that the disposable income increases for public travel and growing GDP enable people have the economic base to travel. At present, the economy of China is entering a stable growth period, the statistics indicates that when the per capita GDP of more than 800 US dollars will boom the tourism industry. Therefore, China's tourism industry has a great potential growth.

SOCIAL

The rapid development of China's economy has people's education level continuously improved, so that awareness of consumption and buying behavior has also changed significantly. The need for traveling has also increased sharply, since the tourism industry has growing. Such as the hot and popular holiday period called Golden Week of from May 1 and October 1 has up surged tourism industry.

Moreover, the demand for tourism in different age of groups has increased annually, the senior class is no longer working because of retirement, they have stable income with desirability to discovering outside, young people also curious to explores about the outside. Thus, there is a great potential opportunity regarding tourism industry.

TECHNICAL

The use of the Internet and online service is a trend. Internet as a new information medium enriched the tourism information search selectivity, to meet the tourists needs on information relevant with search initiative and interactive psychology. Furthermore, the companies like Ctrip, Dianping, Meituan and their apps that connect the business and consumer. The use of online service entirely changed traditional process people used to deal for traveling. The online tourism information and services has promoted the development of industry and bring new competitive and development advantages.

3.6 Porter Five Force

Rivalry among existing competitor-medium

There are several competitors located in Dali Old Town. We have 5 main competitors including Tangka Café inn, Kaki Café, 1969 Shanghai coffee, Lan Ren coffee, and Shangri-La coffee. The economic scale of local coffee shops in Dali city (old Town) are among small to medium, and their prices are medium to high because of that Dali is a tourism city. And most of coffeehouses are crowded with less comfortability. Their shop inside design is less, which means the atmosphere of coffee shops are not ideal. The Tangka Café inn is the most professional coffee maker and others are medium level with coffee quality.

Supplier bargaining power-Low

The Suppliers Bargaining power is low because there are many competitive producers of coffee bean and raw materials with standardized products enable us to choose. Main material is the coffee, and we will be selecting the Vietnam coffee bean through online purchase from Alibaba. To ensure the quality of coffee the coffee will be tested and selected by our Coffee barista. And having other materials as well as to be researched and selected. Everything should be prepared before open and providing our service and products to customer.

Customer bargaining power-Low

Customer bargaining power is low, to compare with other firms our product is standardized, price is competitive, and better facilities offered, as well as service provided is comparable.

Threats of new entrants-Medium-High

Threats of new entry are medium to high. The business mode of entry is easy. There is no governmental restriction to limit the entering of this business. And technological access is common and fair. Furthermore, the new entry will intensify the competition and expand their market occupancy.

Threats of substitute's products-Medium

The threats come from substitutions are medium. It can be soda, energy drink, tea and home available brewing. However, that people pursuing new lifestyle with certain needs to drink coffee outside their social, psychology and working relevant needs.

3.7 Competitor Analysis

There are around sixty shops selling coffee located in old town of Dali. It seems there are many competitors. However, most of the shop are not mainly selling coffee, their main products are alcohol and food. Thus, only few of them are professional coffee shops and popular that we can consider as our competitors including as following:

Tangka Café inn



Figure 3.7 Tangka Café Inn

Source: Huizhechibangdedingdang, (2017) : Online

Tangka Café provides different kinds of coffee bean from different place: Yirgacheffe, Cafe de Colombia, Guatemalan coffee, KenyaAA, Brazils, Panama's, Costa Rica, Blue Mountain Coffee, and Kona. To be noted, Tangka has two locations in the old town. It's online service and advertising are not really developed like other shop as well, enable us to compete with this.

Table 3.1 Tangka Café Inn

Product	Opening Hours	Price	Special & Promotion	Ranking (Dianping)
Many kinds of coffee & Desserts	9:00-22:30 Mon-Sun	47 RMB	VIP1: 500/month VIP2: 200/10 cups VIP3: Top up 2000, 30% discount from very time purchase	5 stars

Note: Tangka Café also provide coffee make course.

Source: Dianping.com, n.d. : (2017)

Kaki Café

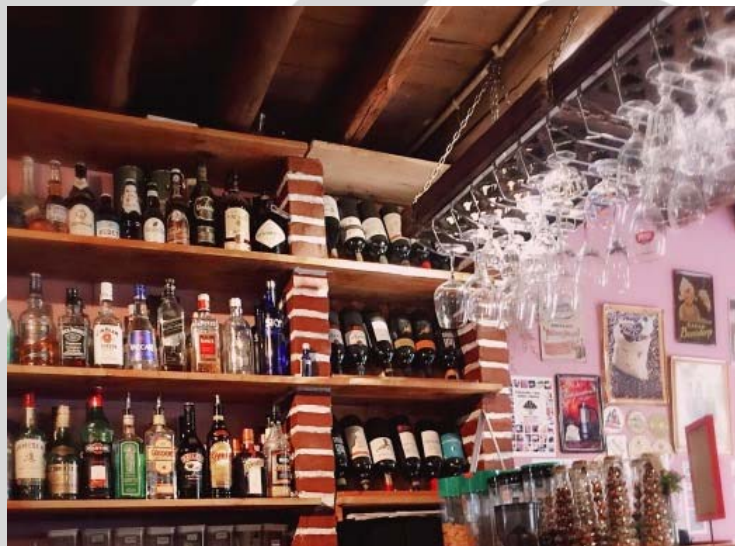


Figure 3.8 Kaki Café

Source: xjy820906, (2016) : Online

Kaki café combine coffee and bar for day and night, which also have a special reading corner for customers relax and attain knowledge. Though they combined these businesses together in order to attract nonstop come in customers make the shop not a coffee shop already. So, the shop cannot provide a better coffee experience to customer.

Table 3.2 Kaki Café

Product	Opening Hours	Price	Special & Promotion	Ranking (Dianping)
Coffee & Alcoholic drinks & Desserts	10:00-21:00 Mon-Sun	35 RMB	Provide single/ couple sets	4.5 stars

Note: Kaki Café have a special reading corner for customer read.

Source: Dianping.com, n.d. : (2017)

Lan Ren Coffee



Figure 3.9 Lan Ren Coffee

Source: aihongai, (2016) : Online

Lan Ren coffee is a combined business, in which its main business is hostel. The former owner of Lan Ren is an American businessman and has been sold Lan Ren to a Chinese businesswoman. So, the present owner is a woman. The coffee house designed with library style, they provide various of book on their bookrack for customers. And the coffee shop provides coffee beverage, ice cream, desserts and other drinks.

Table 3.3 Lan Ren Coffee

Introduction	Opening Hours	Price	Special & Promotion	Ranking (Dianping)
Coffee & Cake & Ice-cream Chocolate & Shakes	9:00- 22:00 Mon-Sun	35 RMB	Special in homemade ice- cream Couple sets discount	3.5 stars
Note: Lan Ren Coffee provides many choices of desserts, special in homemade ice cream.				

Source: Dianping.com, n.d. : (2017)



CHAPTER 4

MARKETING STRATEGY

4.1 Marketing Objectives

To cultivate our brand awareness within target customers by gradually invest in brand building and brand knowledge. Developing our brand image with which customer come into mind and thinking of our shop with sharing and pleasure. Increasing the sales and gain market share through online and offline efforts in marketing.

4.2 Market Entry Strategy

Store based Mode of entry

We choose to set up our store-based business for our coffee in the old town of Dali city, in which the town attracts thirty million tourists last year peak. Our coffee beverages will be selling to customer through the coffee shop and directly to customers. On the other hand, we will participate online to presell our products and service to customer.

Online mode of Entry

When the coffee shop is open, it will follow up with social media updates (WeChat, Sino Blog, Baidu, and Google). Providing information towards price, contacts, promotion and location of our service and products right available for customers to check, as well interact. Also, to convenient customers and make their life easier, our coffee house will be appeared in the C-Trip and Dianping so that customers are able to reserve and prepay.

4.3 Positioning

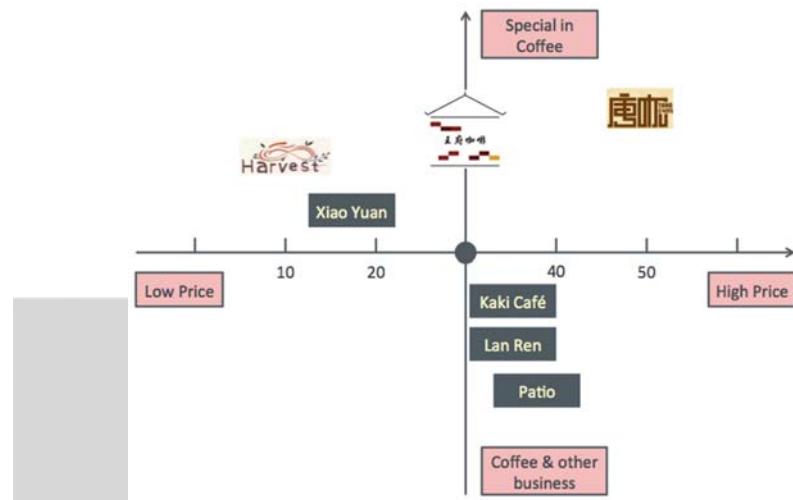


Figure 4.1 Positioning

Source: Xinyi.W, (2017)

Our product will set up a competitive price, which lower than most of the competitors, but also have a space for profit. And we will concentrate only on coffee products, and specific in Vietnamese Coffee, this is in order to differentiate us from competitors.

4.4 SEO Strategy: Search Engine Optimization

Defined Objectives

To improve our brand awareness in order to grow our sales. Mainly targeting the group of people who are travelers and will visit Dali. Another group of customer is local people who are business people, couples and students. Getting conversion of potential targeting to real customer.

Analysis

Identifying our brand title page, register on the category of restaurant and Beverages special in coffee, clear description of our coffee and service, physical address in local of our shop, and specific guiding location in Dali town to lead our customer find us.

Making Plans

- i) Three months plan of improving our targeting keywords (Wangfu coffee).
- ii) The main concentration will be on Dianping, Ctrip, Meituan platform.
- iii) By using standard URL, details structure (Categories of ourselves).
- iv) Defining style, trend (pictures, words, video of lifestyle regards coffee)
- v) Time and frequency of updating (knowledge of coffee).
- vi) External links to Sina Blog, WeChat enable sharing of our updates

Implementation

Design executor to form our strategy into action, whom has patience, experience with operation of new media and online service.

Adjusting

Keep adjusting with change and trend in the industry in order to achieve our SEO goal.

4.5 MARKETING MIX

Product

To specialize and differentiate us from other coffee shop, our main products are coffee beverage. And second special product is coffee ice cream for those customers who favor in coffee taste desserts, also we sell mini cake and we believe our customer will like it.

Price

Ref	Product	Price Rank	Notice
<i>Coffee</i>	Americano hot/ice	29/36 RMB	
	Latte hot/ice	29/36 RMB	
	Cappuccino hot/ice	29/36 RMB	
<i>Ice Cream</i>	Coffee ice cream	9.9 RMB	Special Product*
Bakery	Mini Tiramisu	9.9 RMB	
Soft drink	Water	6 RMB	

Figure 4.2 Wangfu Coffee Menu

Source: Xinyi.W, (2017)

Our price can be an advantage and strategy, for the coffee drink price, we set up in a normal and a little bit lower. However, our special coffee ice cream with a very attractive price that can help us attract many customers to come.

Place

Our shop will be located in the old town of Dali city, at cross road of South People's road (Ren Min Road). Our competitor Tangka Café is located in the place, so that people can know our location easier such as location of KFC and McDonald.

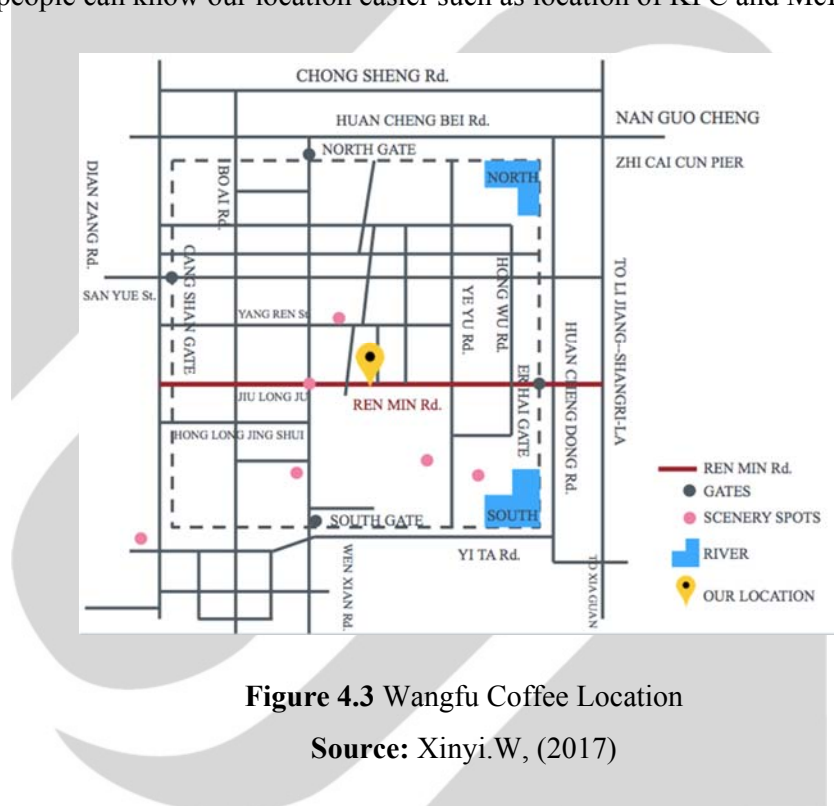


Figure 4.3 Wangfu Coffee Location

Source: Xinyi.W, (2017)

Promotion

Providing promotion within the traditional festival. For Chinese New Year, Mid-Autumn Festival (Moon Festival), Labor Day, we would prior our customer by giving discount online on (Ctrip, Dianping, Meituan) to individual, family and couple in order to increase the sales, expand brand power.

For longer-term customer, we provide membership system through using their phone number that can save more in their daily coffee by 10%.

We will also cooperate with some companies that selling travel products, give customers coupon after they bought travel product.

Alternative promotion, in which we will offer special menu of some products for promotion on the cashier counter that customer can grab just on hand. The menu will be published by colorful, simple description with picture, folding and newspaper size.

People

Our staff hired will be trained with skills and professions in their area (Waitress, Barista), good appearance including smiling friendly and helpful. They will perform the work passionate, positive mind and open. Common values as us are required as well. We prefer English-speaking skill, if not, we can give them training after work.

Physical Evidence

Our store will combine traditional and modern style. Floor will be self-leveling concrete, Chinese traditional wooden furniture, and also modern sofa. Whole decoration will be warn-toned; air conditioners will keep our store in a cool temperature, soft local music playing in the background. And, full fill fresh air. Also, we provide books, novels, and magazine for customer to read. We will leave a corner for with color pen for our customer to paint on their cup, so that they make their coffee more special.

We believe that our environment will bring customers super relax time that can fully enjoy our coffee and desserts.

Process

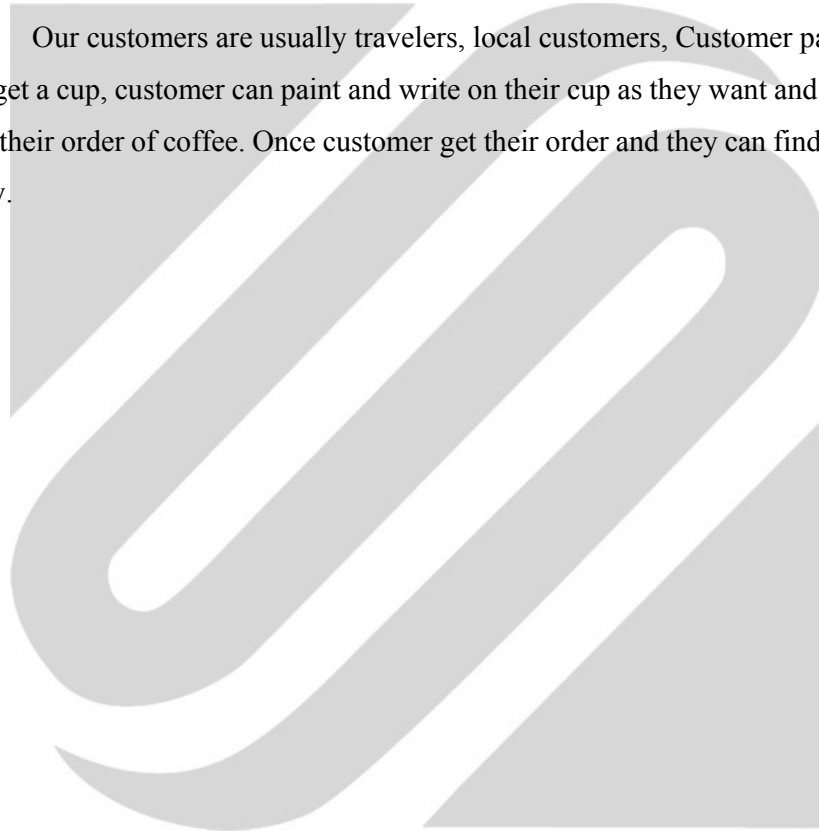
In order to bring our customer experience differentiated services from our competitors; there are two ways to process:

Online Customer

Online customer prepay for our product through Dianping, Meituan, Ctrip will get the QR code. While they come to our shop show the QR code to the cashier and they will receive the coffee cup. If customer likes to paint on the coffee cup they can enjoy coffee later. Or they can get coffee directly and find their seat to enjoy their time.

Offline Customer

Our customers are usually travelers, local customers, Customer pay in the store and get a cup, customer can paint and write on their cup as they want and come back to take their order of coffee. Once customer get their order and they can find a seat or take away.



CHAPTER 5

MANAGEMENT SUMMARY

5.1 Organizational Structure

Our company is newly start-up business, and we have clear goal, specific plan for our future growth. We believe people with young, passion, and talent feature of quality is who we are looking for. Furthermore, the perfect match for us is to be passionate, creative, and positive to develop our business. From another point of view to delivery our Brand image in a pleasant way to our customer.

The main structure of our company will include business owner on the top, then both store manager and marketing people at the same level, other staff at the bottom. Store manager will be in charge of store management and daily activities.

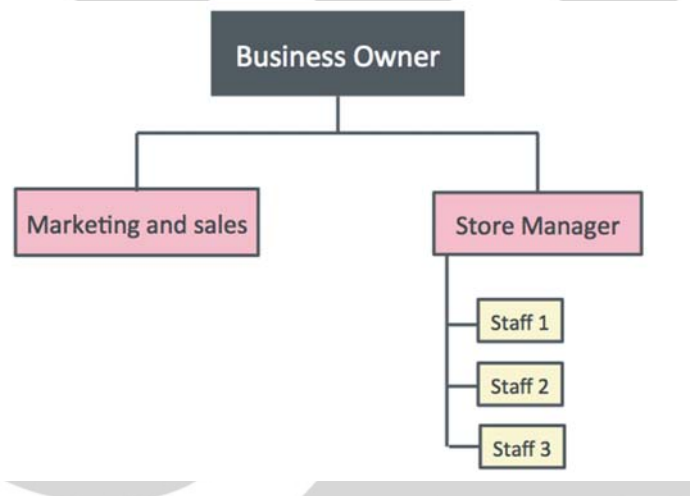


Figure 5.1 Organizational Structures
Source: Xinyi.W, (2017)

5.2 Management Team

As the **owner**, who is a legal representative of our organization, whose responsibility are including keeping abidance by law, practicing business with ethics, leading employees to achieve organizational goal. On the other side, owner is a leader as well need planning, decision making, deliver the mission and vision, foresight and forecast capability to the whole company. To form excellent management, select good

employees, to keep business growing for the organization. In terms of that our coffee shop is a startup business we will not hire accountant, the owner will be responsible for finance and accounting, to forecast the future budget, sales and revenue. For a leader, it is necessary to have concern of employees in order to motivate them perform their best of work, to enhance the communication with marketing and store manager know company right in mind, so that the leader can support them in time.

Marketing manager, the first quality is having work experience in marketing. His or her job is online operation, new media, advertising and marketing, to help company continue growth. Meanwhile, at this position need, the employee need strong communication ability, good relationship management. So that he or she can maximize the possibility to promote our business contribute sales and brand expansion. For daily job, he or she needs to manage new media and online business platform.

Store manager has the responsibility to arrange and take care of daily activity of the coffee house, him or her should be having strong managing ability and response capability, delegated authority to the daily management of our store. When issues (customer complaints) happen, the manager has to satisfy customer and minimize the negative effect to our business. Then the store manager need to do the report job to leader about the operation and management that can benefit to business decision making, and suggestions or ideas to improve the performance.

Cashier, his or her job is to receive money. We need this employee do accurately, conscientiously, and efficiently. While him or she likes smiling, careful and able assist customers to order pay well. At last to record and calculate the daily sales and revenue report to store manager.

Baristas a coffee barista must have professions, knowledge and skills to make coffee. He or she loves coffee and is passionate to coffee making. We require that barista of our coffee shop is optimism and dedicated to his or her job. Giving customer a wonderful experience to drink our coffee.

5.3 Personnel Plan

CHAPTER 6

FINANCIAL PLAN

6.1 START-UP SUMMARY

RENTAL EXPENSES

For opening our coffee house, we plan to rent a space around 45 square meters in the old town at the main street, which will spend around 120,000 RMB annually. We need space for cashier and coffee make, and space for customers to rest. Also, we will have several tables and sofa for our customers.

Table 6.1 Start-up Expenses

Expenses	Amount
Registration process	¥200
Rent expense	10,000
Rental deposit	30,000
Marketing expense	3,000
Total Start-up Expenses	¥43,200

Table 6.2 Start-up Assets

Assets	Amount
Furniture	¥24,000
Coffee blending machine expense (2 sets)	7,000
Refrigerator	3,000
Ice-cream machine	5,200
Renovation	30,000
Total Start-up Assets	¥69,200

Table 6.3 Total Cost Required to Start-Up

Cost	Amount
Start-up expenses	¥33,200
Start-up assets	69,200
Total Cost Required to Start-up	¥102,400

Table 6.4 Sources of Funds

Private Investment	¥102,400
Use of Funds	
Operating Capital	33,200
Fixed Assets	69,200
Total	¥102,400

6.2 SALES & EXPENSES ASSUMPTIONS

SALES FORECAST

Base on high-low season, assume **first quarter** we sales coffee 120 cups average a day, ice cream 100 cups a day, cakes 30 pieces, water 10 bottles. **Second quarter** coffee sales 100 cups a day, ice cream 120 cups a day, cakes 20 pieces a day, water 5 bottles a day; **Third quarter** coffee sales 100 cups a day, ice cream 120 cups a day, cakes 20 pieces a day, water 5 bottles a day; **Last quarter** coffee sales 120 cups a day, ice cream 80 cups, cakes 30 pieces, water 10 bottles. And we assume that sales increase 20% at the second year, and 10% increase for year 3 and year 4.

Table 6.5 Quarter/Annual sales at first year

Product	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year Total	Revenue
Coffee	10,800	9,000	9,000	10,800	39,600	¥1,287,000
Ice Cream	9,000	10,800	10,800	7,200	37,800	374,220
Cake	2,700	1,800	1,800	2,700	9,000	89,100
Water	900	450	450	900	2,700	16,200
Total						¥1,766,520

Note: Use average price for a cup of coffee, which is ¥32.5 per cup.

COST OF GOODS SOLD

We assume that a cup of coffee cost us ¥5.00, thus first year cost of goods sold of coffee will be $39,600 * ¥5.00 = ¥198,000$. And we assume that a cup of ice cream cost ¥1.00, thus first year cost of goods sold of ice cream will be $37,800 * ¥1.00 = ¥37,800$. And assume that a piece of Tiramisu cake cost us ¥3.00, therefore first year cost of goods sold of Tiramisu cake will be $9,000 * ¥3.00 = ¥27,000$. For water, assume that

cost of goods sold is ¥1.00, then for the first year COGS for bottle water will be $2,700 \times ¥1.00 = ¥2,700$. Base on sales increase 20% for the second year, COGS will be increased by 20% as well. Follow by year 3 and year 4 each increase by 10%.

Table 6.6 COGS of Unit Sales

Product	Unit Sales	Cost per unit	COGS
Coffee	39,600	¥5.00	¥198,000
Ice Cream	37,800	¥1.00	¥37,800
Cake	9,000	¥3.00	¥27,000
Water	2,700	¥1.00	¥2,700
Total			¥265,500

UTILITIES

Assume that utilities cost ¥3,000 per month (¥0.775 per unit), which yearly will be $12 \times ¥3,000 = ¥36,000$. Assume that cost increase 12% each year for the next three year.

PAYROLL

3 employees' salaries ¥4,000 per person per month, they works 7 days a week. Store manager salary will be ¥6,000 per month. Marketing and sales person salary will be ¥4,000 per month. Salary increased 10% each year.

Table 6.7 Monthly/ Yearly Salary Expense

Tittle	Monthly Salary Exp.	Yearly Salary Exp.
Store manager	¥6,000	¥72,000
Marketing person	¥4,000	¥48,000
3 staffs	¥12,000	¥144,000
Total	¥22,000	¥264,000

MARKETING & ADVERTISING

Marketing expense will be ¥3,000 when the business start, and rest will be ¥500 monthly expense, which will cost ¥8,500 for the first year. And we will make it stable for the next three years.

COMMISSION

Base on online sales, our product will sales on Dianping, Meituan. This will cause around 7% commission, therefore, we assume first year 20% of our sales from online, second year 30% of sales from online, third year 35%, and fourth year 40%.

MISCELLANEOUS

For this section, we will start from ¥10,000 for the first year, and it will be increased by 10% by the following years.

DEPRECIATION

Table 6.8 Depreciation each year

Equipment	Price	Useful year	Annual depreciation (%)	Annual depreciation (¥)
Renovation	¥30,000	5	20%	¥6,000
Furniture	¥24,000	10	10%	¥2,400
Coffee Maker	¥7,000	10	10%	¥700
Refrigerator	¥3,000	15	6.7%	¥201
Ice cream machine	¥5,200	10	10%	¥520
Total				¥9,821

Source: Nationwide Publishing Company, Inc. Depreciation Guide. , n.d. : (2004)

6.3 INCOME STATEMENT

Table 6.9 Income Statement (Numbers in RMB)

	Y-1	Y-2	Y-3	Y-4	Note
Revenues					
Sales revenue	¥1,766,520	¥2,119,824	¥2,331,806	¥2,564,987	20%;10%;10%
COGS	265,500	318,600	350,460	385,506	20%;10%;10%
Gross profit	1,501,020	1,801,224	1,981,346	2,179,481	
Gross Margin in %	85%	85%	85%	85%	
Operating Expenses					
Advertising exp.	8,500	8,500	8,500	8,500	
Commission exp.	24,731	44,516	57,129	71,820	
Miscellaneous exp.	10,000	11,000	12,100	13,310	
Payroll exp.	264,000	290,400	319,440	351,384	
Rent exp.	120,000	120,000	120,000	120,000	
Utilities exp.	36,000	40,320	45,158	50,577	
Legal doc	200	-	-	-	
Total Operation Exp.	463,431	514,736	562,327	615,591	
EBITDA	1,037,589	1,286,488	1,419,019	1,563,890	
Business Tax 5%	(88,326)	(105,991)	(116,590)	(128,249)	
Depreciation	(9,821)	(9,821)	(9,821)	(9,821)	
Net Profit	¥939,442	¥1,170,676	¥1,292,608	¥1,425,820	

6.4 CASH FLOW STATEMENT

Table 6.10 Cash Flow Statement (Numbers in RMB)

	Y-1	Y-2	Y-3	Y-4
Receipts				
Sales	¥1,766,520	¥2,119,824	¥2,331,806	¥2,564,987
Total Receipts	1,766,520	2,119,824	2,331,806	2,564,987
Payment				
Payment for DM	265,500	318,600	350,460	385,506
Operating Exp.	463,431	514,736	562,327	615,591
Non-Opt Exp.				
Tax	88,326	105,991	116,590	128,249
Assets	69,200	-	-	-
Total Payment	886,457	939,327	1,029,377	1,129,346
Net Cash Flow	880,063	1,180,497	1,302,429	1,435,641
Operating Bal.	102,400	982,463	2,162,960	3,465,389
Closing Bal.	982,463	2,162,960	3,465,389	4,901,030

6.5 BALANCE SHEET

Table 6.11 Balance Sheet (Numbers in RMB)

	Y-1	Y-2	Y-3	Y-4
Current Asset				
Cash	982,463	2,162,960	3,465,389	4,901,030
Fixed Assets				
Renovation	24,000	18,000	12,000	6,000
Furniture	21,600	19,200	16,800	14,400
Coffee machine	6,300	5,600	4,900	4,200
Ice cream machine	4,680	4,160	3,640	3,120
Refrigerator	2,799	2,598	2,397	2,196
Total Assets	1,041,842	2,212,518	3,505,126	4,930,946
Liability and Equity				
Capital	102,400	1,041,842	2,212,518	3,505,126
Net Profit/Loss	939,442	1,170,676	1,292,608	1,425,820
Total Liability and Equity	1,041,842	2,212,518	3,505,126	4,930,946



6.6 Return on Investment

$$\text{ROI} = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}}$$

Our ROI= (939,442-102,400) / 102,400 = 8.17 = 817%. Therefore, our ROI in one year equal to 817% out of ¥102,400 initial investment.

6.7 Net Present Value (RMB)

$$\text{Net Present Value} = \sum \frac{\text{Year } n \text{ Total Cash Flow}}{(1 + \text{Discount Rate})^n}$$

Where “n” is the year whose cash flow is being discounted.

We assume annual interest/discount rate is 8%.

Table 6.12 Net Present Value

Year	Cash Flow (RMB)	Net Present Value (RMB)
Y-1	982,463	¥842,303.67
Y-2	2,162,960	¥1,854,389.57
Y-3	3,465,389	¥2,971,012.52
Y-4	4,901,030	¥4,201,843.28

6.8 Break Even Analysis (multiple products)

$$\text{Break-even point} = \frac{\text{Total fixed expenses}}{\text{Weighted average selling price} - \text{weighted average variable expenses}}$$

As we know, monthly **total fixed cost** are salary expense, rent expense, and also utility expense, which are 22,000+10,000+3,000=¥35,000. **Weight average selling price is ¥19.83** (Sale price of coffee drink × Sales percentage of coffee drink) + (Sale price of ice cream × Sale percentage of ice cream) + (Sale price of cake× Sales percentage of cake) + (Sale price of water× Sales percentage of water). **Weighted average variable expenses is ¥2.98** (Variable expenses of coffee drink × Sales percentage of coffee drink) + (Variable expenses of ice cream × Variable expenses of ice cream) + (Variable expenses of cake × Sales percentage of cake) + (Variable

expenses of water \times Sales percentage of water). Thus, Break Even Point in Unit= $35,000/(19.83-2.98)= 2078$ units.

Break Even Point in RMB= $2078*19.83=¥41,207$. Therefore, if we can make ¥41,207 each month, we will able to cover our cost.



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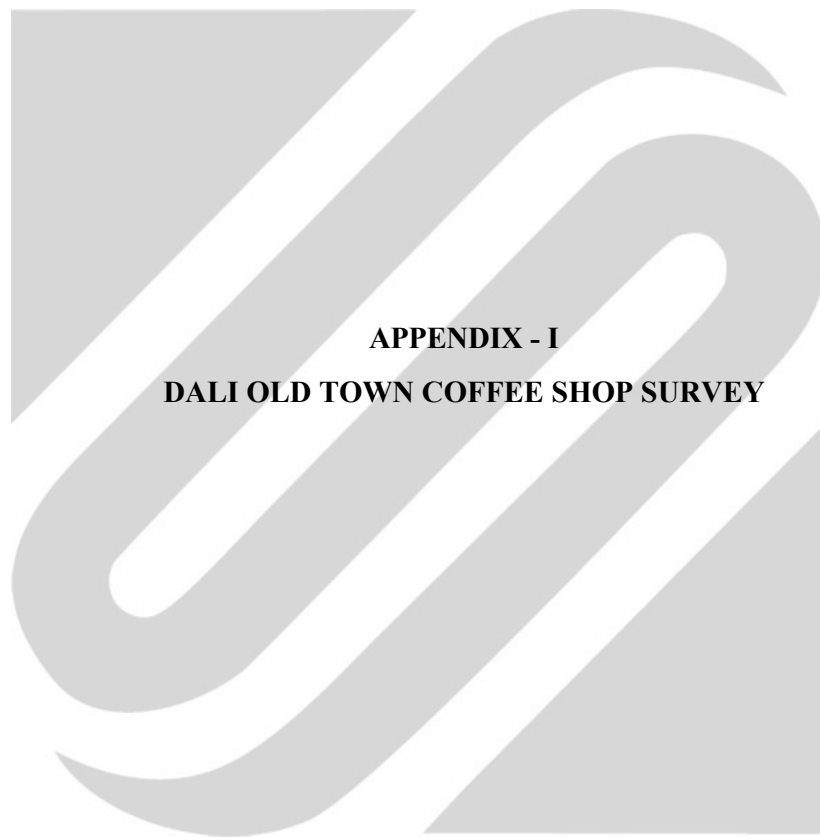
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APPENDIX - I
DALI OLD TOWN COFFEE SHOP SURVEY

QUESTIONNAIRE

1、 What's your age?

- Below 18
- 18 to 25
- 25 to 35
- 35 to 45
- Over 45

2、 What's your gender?

- Male
- Female

3、 Do you usually drink coffee?

- Yes
- No

4、 Have you ever been to Dali for travel?

- Yes
- No

5、 Who would you like to go with?

- Family
- Girl friend/Boy Friend
- Friends
- Alone

6、 If you go travel in Dali, will you go to coffee shop?

- Yes
- No
- Not Sure

7、 Would you like to choose local coffee shop or international chain coffee shop when you traveling in Dali Old Town?

- Local Coffee Shop
- International Chain Coffee Shop

QUESTIONNAIRE (Cont.)

8、 Please tell me the reason of your choice

- Go travel must try local taste
- International chain more trust worthy
- No reason



BIOGRAPHY

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