

BUSINESS PLAN

**THE ☞ CAFÉ
AT PRINCESS MOTHER COMMUNITY**



PRINAPA ROAJ-USSAWACHAI

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Stamford International University
The Graduate School**

Title: Café at Princess Mother Community

Name: Prinapa Roaj-ussawachai

The Independent Study Committee:

Advisor



(Dr. Mark Rendon)

Committee Member



(Dr. Kate Hughes)

Committee Member



(Dr. Lavanchawee Sujarittanonta)



(Mr. Adam Tyler Thompson)

Asst. President, Academic Affairs &

Dean of Business and Technology

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Title: Business Plan
Café at Princess Mother Community

Researcher: Prinapa Roaj-ussawachai **Student ID:** 316130025

Degree: Master of Business Administration

Advisors: Dr. Mark Rendon

Academic year: 2017

Abstract

The objective is the feasibility of the café opens in the community.

Research Methodology: It was quantitative method, the questionnaire survey distributed to 100 local residents and 20 general tourists who come to the park. Most of the questions were asked their opinions about the new café in the community and their consumption behavior. From this survey, there is an opportunity for the start-up café business to operate and grow in the community.

Research findings were as follows: (1) Most respondents prefer to have food and drink at the café so it would be good if the café offers variety products including good services to impress consumers and initiate word-of-mouth. (2) Most respondents prefer sandwiches rather than cakes, therefore, the café decides to offer easy cooking and healthy menus to customers that they can have it at café or take away. (3) Most respondents paid much attention on taste and price so the café will ensure the quality of ingredients used and taste of products with reasonable and affordable price.

Keywords: Start-up business, Coffee Café, Café, Small business

Executive summary

It was the business passion and observation started almost three years, the business opportunity is to operate the coffee café in the community to offer social place for local residents and travelers to relax and enjoy themselves. The mission is to provide good quality products and best services with affordable price to create good impression and initiate word-of-mouth to promote the café. The supportive reason to this business idea is its location situates near the famous park and oldest Chinese shrine which are keys and benefits for the business to gain the attention from many customers like foreign tourists, general visitors and local residents.

The survey research was conducted to interview local residents and general visitors in order to study the market feasibility, market segmentation and consumer's behavior to determine and evaluate the business idea whether it is viable and worth pursuing.

The feasibility analysis applies to evaluate the business criteria such as target markets, desirability and financial at early stage, also analyzing strengths, weaknesses, opportunities and threats prior entering the market and applying Porter's Five Forces and PESTLE analysis to assess the café business whether there is an opportunity for business to be succeeded, and then, applies marketing strategies and AIDA model to create awareness/attention and promote café and its products by using pricing strategies to create desirability to buy products.

The café is a sole proprietor and it is a small business therefore, it does not require high financial investment and does not need to loan from banks. The return of investment expects in 2 years, the café will not reach the break-even point in the first operation year but will increase gradually each year.

Prinapa Roaj-ussawachai

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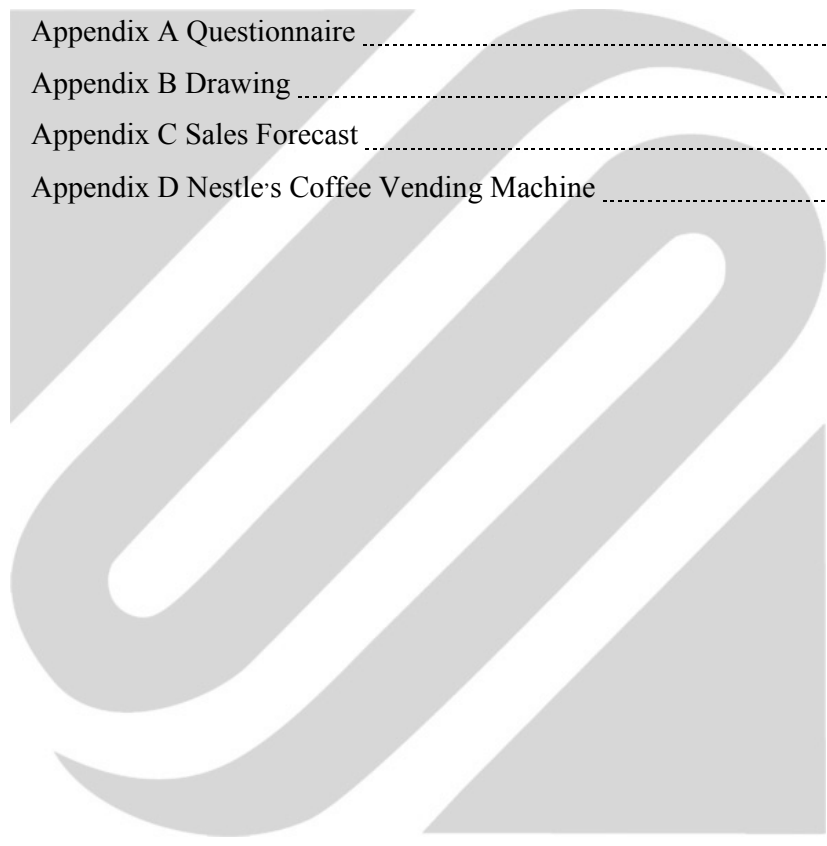
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CHAPTER 1

INTRODUCTION

In the past, Thais know only Kafee Boran and instant coffee (it is black or red Thai tea) that is rich, sweet and cheap from streetside vendors or so called streetside cafés. After decades, specialty coffee has emerged and changed coffee culture and consumer's behavior of Thais. (Kunavivattanon, 2015)

Today, the coffee cafés or coffee shops become the “place” that many people spend time frequently apart from home and work to socialize with friends or business matters. Figure 1.1 shows time spending by consumers at coffee shop in year 2014 and 2015 that was a bit different. Coffee cafés are the rising star in the eatery industry because they offer coffee, beverage, bakery and food including atmosphere. Small cafés if offering good service and high-quality products, they can be succeeded and growth in the market. (Reynolds, n.d.)

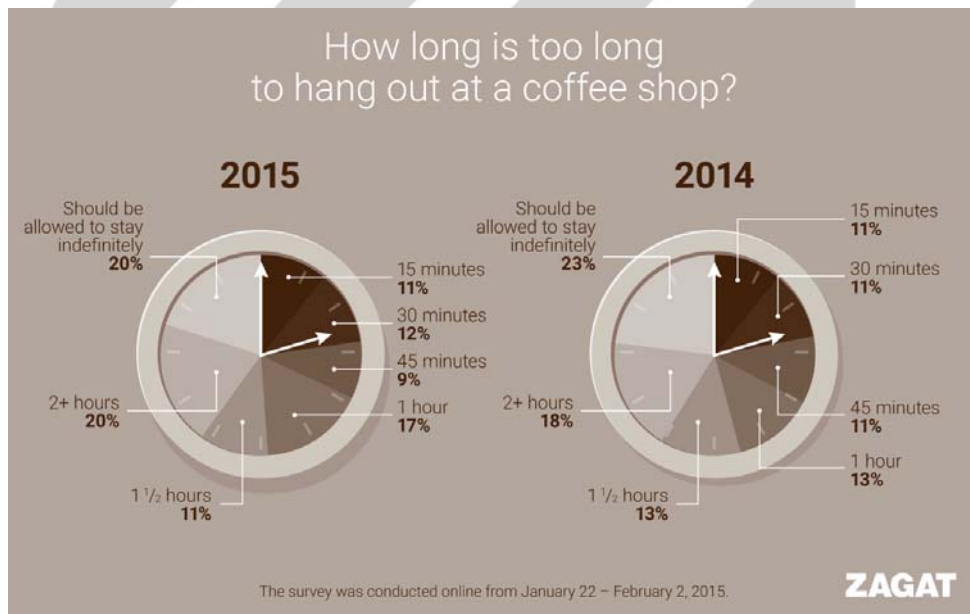


Figure 1.1: Time consuming at coffee shop

Source: James Protano, 2015

In 2015 and early 2016 coffee cafés are the fast growing in the restaurant category all over the world comprising emerging market in chained café concepts and increasing acceptance of international coffee-drinking culture. Asia Pacific is the largest growth opportunities and sales increase in specialty coffee shops from 2016-2020 when compare to North America and Western Europe over the same period. As competition is growing quickly and leading to rapid diversification, for example, Japanese chain “Doutor Coffee” expands across Asian market, South Korean chain “Caffe Bene” expands even wider into China and US. (Friend, 2016).

In 2017, Specialty Coffee Association of Thailand (SCATH) said coffee shops can be easily opened and seen as there are many new offices and condo buildings, and every corner in Bangkok and major provinces, he expected this business to grow 15% to 20% this year according to higher demand from coffee drinkers. Even last year about 30% to 40% of coffee shops closed because of lacking knowledge about coffee and café management skills but it does not decrease the number of new entrants each year. (Asia, 2017)

Restaurant consumer trend changes as consumer lives are getting busier and become more health conscious therefore quick-to-order, pre-made options and salad bowls that are high quality and healthy will be key attractive and keep café competitive. (Bella, 2017)

1.1 BACKGROUND

The idea of doing café has emerged after observing the community and screening the ideas, there is a “Princess Mother Memorial” park in the community which is an important place that attracts both local residents and tourists to visit and it is also a popular location for advertisement and Thai series shooting location as well.

Furthermore, the coffee café trend can be growth in the future and there is no café in the community so the coffee café is a good business idea to invest and will be the social place for local residents. Moreover, independent coffee shops always offering differentiations and adapt itself to local lifestyle, coffee flavor, nice decoration, comfortable seats, wifi service, signature foods/bakery and variety of products offering

(BangkokPost, 2014). A small coffee café offering first-class service and high-quality products can be effective competitors in the market and continues to grow.

The Café (“The Café”) uses Thai number as the name and signage of the shop because of its unique and relates to the history of the park that our King Rama IX purposed to build a park for the memorial of his Princess Mother who lived here when she was young. Also the number 9 is lucky number for Thai and Chinese people and easy to remember.

1.2 CAFÉ DESCRIPTION

The Café will be a small size and provides 4 tables by using ground floor of the premises to serve because it is near the park by walking and locates on a bike pathway so the café will attract and get attention easily. (See Figure 2)

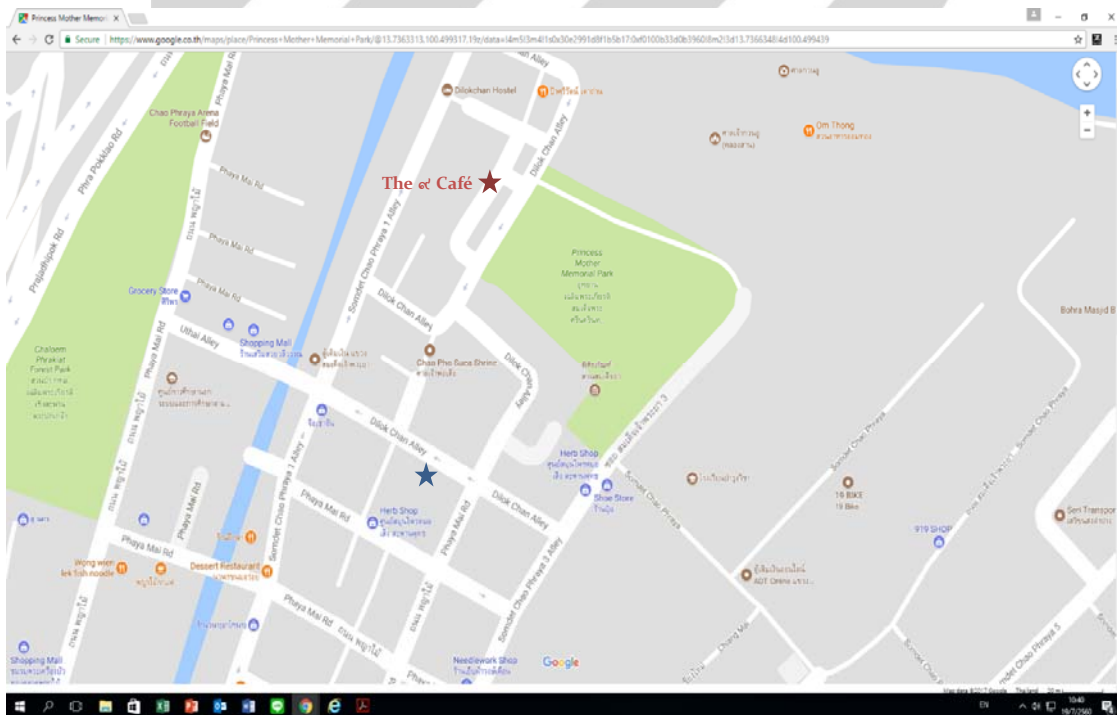


Figure 1.2: Princess Mother Community Map

Source: Bangkok Map, 2013

Food and beverage menus will be easy cooking but full of quality, taste and healthy that everyone can enjoy with reasonable and affordable price.

The decoration concept of the café will be simple, friendly and cozy, the picture below used as reference of the decoration as size and decoration theme is similar but the café will paint Bangkok map or community map on one side of the wall and the other side will quote the wise words from famous people.



Figure 1.3: The café decoration theme

Source: cedidas por Masif, 2013

CHAPTER 2

EVALUATION AND SELECTION OF PLAN AND ANALYSIS TOOLS

Prior starting the business, it is essential to survey local residents' opinions, therefore, the questionnaire research conducted within the Princess Mother community to interview local residents about a new café in order to study the market feasibility and their coffee consumption behavior by using quantitative research method. The questionnaire distributed 120 sets, 100 to local residents and 20 to general visitors who come to the park. (see Appendix A)

2.1 SCOPE OF RESEARCH

The scope of research is to identify the market segmentation, consumer's behavior for marketing mix (7Ps) factors as independent variables that may effect purchasing decision.

2.2 SIGNIFICANCE OF THE STUDY

This study helps to analyze feasibility of the potential market, also assess and identify what factors will impact and support the café when it operates, as the owner expects the café to be a hub of social interaction to make people in the community feel more connected and friendship.

2.3 SUMMARY OF RESEARCH

The samples of respondents are classified by age, gender, education, occupation and income as shown below:

Table 2.1 Frequency and percentage of respondents classified by Age

Age	Frequency	Percentage
Below 20 years	39	32.5
21-30 years	46	38.3
31-40 years	27	22.5
Over 40 years	8	6.7

Age	Frequency	Percentage
Total	120	100

From the above table, it can summarize that different age has different desirability as follow:

- Age below 20 years desired taste and quality products, services and price.
- Age 21-30 years desired decoration and atmosphere, services and variety of products
- Age 31-40 years desired taste and quality products, decoration and atmosphere and services.
- Age over 40 years desired taste and service.

Table 2.2 Frequency and percentage of respondents classified by Gender

Gender	Frequency	Percentage
Male	42	35
Female	78	65
Total	120	100

Male and female have different opinions, ideas, purchasing attitude and/or behavior.

Table 2.3 Frequency and percentage of respondents classified by Education

Education	Frequency	Percentage
Below Bachelor Degree	45	37.5
Bachelor Degree	62	51.7
Master Degree	13	10.8
Total	120	100

Different degree of education will have different attitudes, opinions, taste and desire. Education impacts purchasing behavior because consumers who have higher education will have more factors to decide their purchasing that is not only based on price as people who have less education.

Table 2.4 Frequency and percentage of respondents classified by Occupation

Occupation	Frequency	Percentage
Student	33	27.5
Employee	36	30.0
Government Officer	24	20.0
Self-employed	27	22.5
Total	120	100

Table 2.5 Frequency and percentage of respondents classified by Income

Income	Frequency	Percentage
Below Bt. 15,000	42	35.0
Bt. 15,001-Bt. 30,000	61	50.8
Bt. 30,001-Bt. 50,000	12	10.0
Over Bt. 50,000	5	4.2
Total	120	100

Both occupation and income have influences toward buying decision and defined that people who earn higher income they expect to obtain value from purchased product/service.

Table 2.6 Frequency and percentage of respondents' opinion about café

Opinion	Frequency	Percentage
Agree	111	92.5
Disagree	9	7.5
Total	120	100

From 120 samples of respondents, 111 respondents agreed to have a café in the community and expect good taste, quality products and services, decoration and atmosphere within café.

Table 2.7 Frequency and percentage of respondents use café service

Use café service	Frequency	Percentage
Yes	112	93.3

Use café service	Frequency	Percentage
No	8	6.7
Total	120	100

Table 2.8 Frequency and percentage of respondents how often they use café service

How often	Frequency	Percentage
Everyday	32	26.7
1-2 times per week	47	39.2
3-4 times per week	24	20.0
1-2 times per month	17	14.1
Total	120	100

Table 2.9 Frequency and percentage of respondents regarding the purpose of using café service

Purpose	Frequency	Percentage
Food and drink	58	48.3
Socialize with friends	21	17.5
Reading	13	10.9
Working	28	23.3
Others	0	0
Total	120	100

From Table 2.7 - 2.9 showed that most respondents use café services in daily life but frequency is depended on their lifestyle and behavior.

Table 2.10 Frequency and percentage of respondents about menus

Favorite Menu	Frequency	Percentage
Coffee / Tea	48	40
Cakes	6	5
Sandwiches	39	32.5
Fruit juice	27	22.5

Favorite Menu	Frequency	Percentage
Others	0	0
Total	120	100

Even café offers variety products but most popular menus are coffee and sandwiches.

Table 2.11 Frequency and percentage of respondents about the price

Price	Frequency	Percentage
Below Bt. 50	82	68.3
Bt. 50-80	38	31.7
Bt. 80-100	0	0
Total	120	100

The collected data revealed that price less than Bt. 50 is the best price for consumers that willing to spend for products and expect products and services will be:

1. Tasty and quality products
2. Reasonable and affordable price
3. Wifi service
4. Decoration and atmosphere of the café should be friendly
5. Staff service

After summary the results of survey, the café applies analysis tools to evaluate opportunities, threats, internal and external factors of the café.

2.4 PORTER'S FIVE FORCES ANALYSIS



Figure 2.1: Porter's Five Forces Model

Source: Gulzar Ahmed, 2014

5 Forces theory applies to analyze the level of competition and threats within an industry that can be summarized as below:

Industry Rivalry is low because international coffee chains which are Tom N Toms, Starbucks and Amazon including a convenient store 7-11, all of them locate 2 km away, therefore, there is no direct competitor in the community. In the future, there will be competitors want to penetrate the market, the café can prevent its business by developing its strategies, keep up business trends and offer new products to customers.

Threat of Substitutes is high as there are many kinds of drinks such as tea, juices, energy drinks, and coffee grounds for home-brewing readily available for customers. The café will use its advantages of differentiation, fresh ingredients, good quality of products, together with promotion and pricing strategies to compete.

Buyer Power is high because there are many substitute products around the area that causes buyers have more options to choose and easily switch from one brand to another brand. Therefore, the café has to offer differentiated products to attract customer's attention and offering promotion such as discount or bundling pricing to create their desirability to buy products and impress them with services to create their loyalty and initiate word-of-mouth.

Supplier Power is low as ingredients used are not rare materials so the café will not dependency on suppliers and able to buy ingredients anywhere that offers cheaper price or convenience.

Barriers to Entry is low because it is easy to enter and exit the market, so there are many new entrants each year, but it is essential to analyze related factors and assess opportunities and threats prior enter the market to set good strategies to compete and to be succeeded in the business.

2.5 SWOT ANALYSIS

This analysis applies to evaluate four elements of the business venture by identifying internal and external factors that are advantages and disadvantages of the business to achieve the objectives.

Strengths:

- Offers differentiated, fresh and healthy products with good quality of ingredients used.
- Price is affordable and reasonable.
- Location is easy access and high people traffic as it is on a bike pathway
- Staff, service and atmosphere are friendly and comfortable

Weaknesses:

- New to market, therefore the café has to promote itself on social media and use traditional communication channels to create awareness and desirability to buy products.
- The café will not offer the premium blends coffee when the business starts because it costs a lot of investment such as coffee machine, coffee beans, maintenance cost and barista.
- Less experience in operating and marketing expertise
- Lack of staff means it is difficult to have a good and responsible staff.

Opportunities

- There is no direct competitor in the distance of 2 km. and it offers differentiated products that will be an opportunity to attract potential customers and gain market share.
- Thailand's economy grows 3.2% in 2017 and the working-age population begins to affect economy in particular strengthening the service sector. (TheWorldBank, 2016)
- Foreign tourists increasing when compare to the same period last year, it will be an opportunity for the café to welcome more bike tourists. (Languepin, 2017)
- Coffee café trend keeps growing
- Advance in technology will make coffee machines are cheaper and better.

Threats

- Lots of international brands and house cafés offer premium blend coffee and they may become the competitors.
- Fluctuation price in food ingredients that would affect cost, price and demand of products.
- Changes in economic variance that will cause spending power of consumers.
- Legal issues such as new tax rate, new regulations that would affect the business.

2.6 PESTLE ANALYSIS

PESTLE analysis uses to identify the external forces may facing the café as analyzed below:

Political: The coffee industry may affect by many political factors such as trade relationship between producing country and the country that the coffee is to be exported and if import tax rate increase that will affect to demand of product. Protest/demonstration would be risk or damaged to overall business.

Economic: For international coffee chains would concern the fluctuation of currency exchange rate that would affect pricing strategies, and the café would concern spending power, if the consumers spending more that would be more demand of products.

Sociological: This will be health conscious because coffee is high in caffeine that may lead to sleep disorders or irregular heartbeats and will affect sales negatively. However, some research believed that caffeine boosts metabolism and promotes weight loss. Either health or weight conscious, that would not affect much to coffee business if they consume both coffee and healthy products in appropriate portion.

Technological: In coffee business, it should be development in coffee machine and brewing techniques that can make coffee production more efficient and greater profits. Advance in technology will make coffee machines are getting cheaper and better, therefore, it will be an advantage for the café in the future.

Legal:

1. Require to apply for a business license/commercial registration for the coffee shop. Business license could be applied in the name of personal, partnership or company limited. In this case we would go for personal option which is easier to manage.

2. Require to pay the shop label tax and property tax annually.

3. Require to pay the business tax by annual basis based on revenue. In case of the annual revenue is over 1.8 Million Baht, additional VAT must be paid.

4. Require to pay the song copyright fee (just in case).

5. Require to provide social security for employees and the age of employees must be 18 years old or over for avoiding the legal & ethical issue.

6. Wage, working hours and conditions are required to follow with Thai Labor Laws.

7. The cooking and handling process of food and beverage products are required to meet with the food safety regulations and certified by Thailand's Ministry of Public Health, Clean Food Good Taste.

8. The café does not buy any franchise or using other products' patents, so there is no related issue.

Environmental: Consumption of food and beverage can be influenced by weather, for example, people consume coffee to keep them warm in winter or have cold drink to make them fresh in summer. Many businesses concern about environment and use material or equipment that are eco-friendly or can reuse. (Adamkasi, 2015)

CHAPTER 3

BUSINESS DESCRIPTION

3.1 BUSINESS DESCRIPTION

The core strategy of The ∞ Café:

- Mission is offering high quality of products and services with affordable price, also connecting people and creating the memorable experience for customers.
- Vision is to support and promote the café to the community with positive experiences
- Value will be products and services offer to every customer beyond their expectation.
- Goal is to create awareness and reputation of the café and desirability of the products to customers.
- Objectives are return of investment and expand the business within 3 years.

The café considers the strategic directions since the idea emerged and need to cover all major directions as below:

- It is essential to observe the location and study local resident's opinion. Therefore, questionnaire survey is an important method to collect data from local residents and tourists to analyze consumer's behavior, trend, and assess feasibility of the market, market situation and market segmentation.
- Use analysis tools such as 5 Forces, SWOT and PESTLE to analyze, assess and identify opportunities, threats, internal and external factors which are advantages and disadvantages to the café to achieve its objectives.
- Market Feasibility analysis applies to assess the proposed café whether it has opportunities to gain market share and growth. There are 4 components of feasibility to study i.e. market, technical, financial and organizational.
- Marketing Mix (7Ps), AIDA and pricing strategies apply to create products desirability and promote the café.

Princess Mother Community is the mixed culture as there are Thais, Chinese and Muslim live together in the community. There are many visitors come to exercise and relax themselves at the park and/or enjoy events organized by the community.

It will be more convenience for visitors if there is a nice café near the park offering foods/beverages and services. As there are only typical Thai food and noodle vendors in the community so there are limited options and will cause troubles when food vendors are not selling on weekend and long holiday that is difficult to find food in the nearby area.

After observing the location and found the problem so it will be a good opportunity for the café to solve the problem and attract consumer's attention, and will help other local vendors generate more income when tourists come to the community.

Targets of the café are both local residents and tourists, it will offer variety of healthy menus such as rice burger, egg cup or sun egg rice for who have flour allergy so they can have it.

From collected data, most respondents prefer tasty products with cheap price so the café decides to rent Nestle's coffee vending machine (see Appendix D) as it offers 6-8 menus, it is worth for the start-up business and not necessity to employ barista. The café has to pay for Procure 2 years and buy Nestles' products at Baht 2,000 every month (the buying expense will change as it depends on the vending machine model, the café chooses the small model).

3.2 BUSINESS MODEL

<i>Key Partners</i>	<i>Key Activities</i>	<i>Value Propositions</i>	<i>Customer Relationship</i>	<i>Customer Segments</i>
<ul style="list-style-type: none"> • Local coffee brewer • Supermarket • Grocery shop 	<ul style="list-style-type: none"> • Train employee • Ensure quality of ingredient used 	<ul style="list-style-type: none"> • Quality products and services • Friendliness • Affordable price 	<ul style="list-style-type: none"> • Recognize regular customers • Be aware of special 	<ul style="list-style-type: none"> • Locals • Bike tourists • General visitors

	<ul style="list-style-type: none"> • Maintain quality of products and services • cleanliness 	<ul style="list-style-type: none"> • Healthy 	needs of customers	<ul style="list-style-type: none"> • Hostel guests
	<p>Key Resources</p> <ul style="list-style-type: none"> • Quality of ingredients • Qualified staff • Location 		<p>Channels</p> <ul style="list-style-type: none"> • Signage • Word-of-mouth • Leaflets • Social Media i.e. Facebook 	
<p>Cost Structure</p> <ul style="list-style-type: none"> • Rental • Raw material costs • Staff salary • Advertising • Utility expenses 		<p>Revenue Streams</p> <ul style="list-style-type: none"> • Direct sales of products to customers 		

3.3 COMPANY'S VALUE PROPOSITION

The café will ensure the quality of ingredient used in order to make high quality products to customers and will pay more attention of their special needs with friendly attitude to make them feel comfortable and impress. The café will have friendly and cozy atmosphere and will show price tag on menu and products to attract customer's attention and create their desirability.

CHAPTER 4

INDUSTRY ANALYSIS

4.1 FEASIBILITY ANALYSIS

Feasibility analysis is the process of determining whether a business idea is viable and worth pursuing or not. The proper time to conduct the analysis is in the early stage of thinking and screening ideas for a new business. To analyze the strengths and weaknesses of proposed venture, also opportunities and threats of the present environment including required resources to carry through for the success of potential project for investors. There are four components of feasibility analysis help to evaluate the opportunities of the proposed business and success. (Entrepreneurship Course Reader: Venture Ideation, 2012)

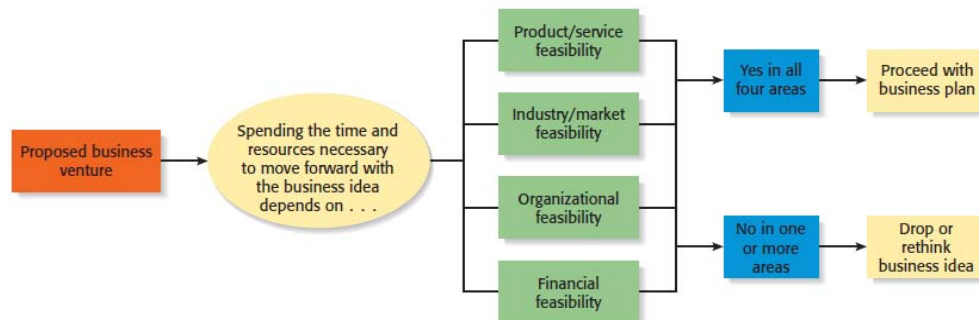


Figure 4.1: Feasibility analysis components

Source: Pearson Education, Inc. (2012)

The feasibility analysis was observing the location and conducted quantitative research to collect local resident's opinion about the café, products/services and consumer's behavior.

4.2 PRODUCT/SERVICE FEASIBILITY

This feasibility helps to assess the appeal of proposed product/service right at the first time and estimate the potential market share.

- Product/Service Desirability

As the first café in the community, it has to attract potential customers by offering differentiated and good quality products and first-class services to impress them. It will be the memorable experience for customers and will be beneficial for the business if they initiate word-of-mouth to promote café and develop relationship with customers. The characteristics of café will be:

- Comfortable and relaxing atmosphere
- Differentiated products
- Affordable price
- Friendly staff and services
- Easy access location
- Cleanliness
- Free wifi

As most people concern about health so the café will ensure quality of ingredients used and offer healthy menus to attract customer's attention with reasonable and affordable price and create their desirability to buy products by offering attractive promotions.

- Product/Service Demand

The coffee culture in the country has changed since there are international coffee chains emerged and growing, Thai consumers has more choices to enjoy coffee not only consume as a stimulant in the morning or during working. Also the number of coffee consumers are increasing that will be an opportunity for coffee café business growth.

The coffee café is a business with high margins and could have long duration of profitability if the owner manages the operation effectively and create good marketing strategy in response to customers' need.

Based on the location and environment, the coffee café is the best fit as it will attract more tourists to visit the park to see mixed culture and traditional in the community. The theme of decoration is simple and cozy that blends with the community environment but will catch people attention.

From the survey, the result revealed that most respondents' interest in products and services so the café will offer differentiated menus with reasonable price to create customer's desirability to buy products.

4.3 INDUSTRY/TARGET MARKET FEASIBILITY

This feasibility assesses the overall industry and the target market for the proposed café.

- Industry attractiveness

The coffee shop industry is low costs of entry and exit, therefore, it attracts many people to start the business, but the revenue from coffee sales alone is not much to support the business except quantities sold each day are high, so the coffee shop should have other products sales in order to generate more revenue and make profit. (Jennifer J., 2010)

In 2015 and early 2016, the specialty coffee shops were the fastest growing business with consistently growing demand for modern café experiences and competition all over the world and the largest growth opportunities is in Asia (Friend, 2016). The growth of coffee chains is stronger than the growth of independent coffee shops, to be successful, independent coffee shops have to be differentiated and adapt themselves to local lifestyle (BangkokPost, 2014).

The coffee shop business is a people business, it is all about physical and psychological needs which means initial attraction base on hunger or thirst or may be some place they need to comfort themselves from stressful situation (Baskerville, 2015).

From Figure 4.2 shows some customers prefer to buy coffee from small chain/independent shop 22% and other 9%, this is an opportunity for new entrants to enter and grow in this industry.

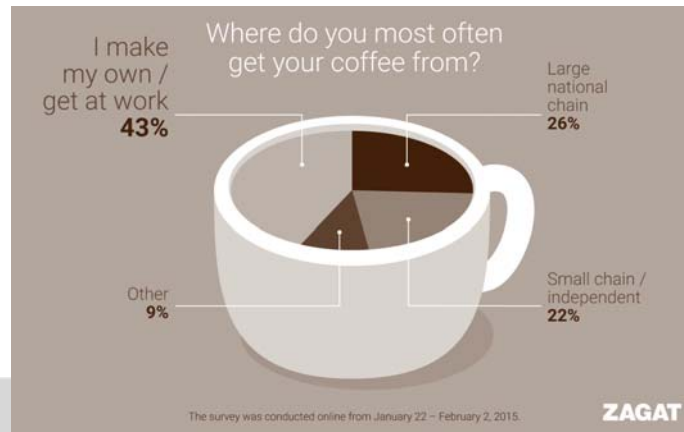


Figure 4.2: Where do you most get your coffee

Source: James Protano, 2015

- Target Market Attractiveness

Trend of coffee drinking became popular and coffee market has expanded, so customers enjoy spending time at the coffee shops as the third place. Therefore, the café ambient is also important to offer warm, comfort, relaxation and revitalization atmosphere to customers (Euromonitor, 2016)

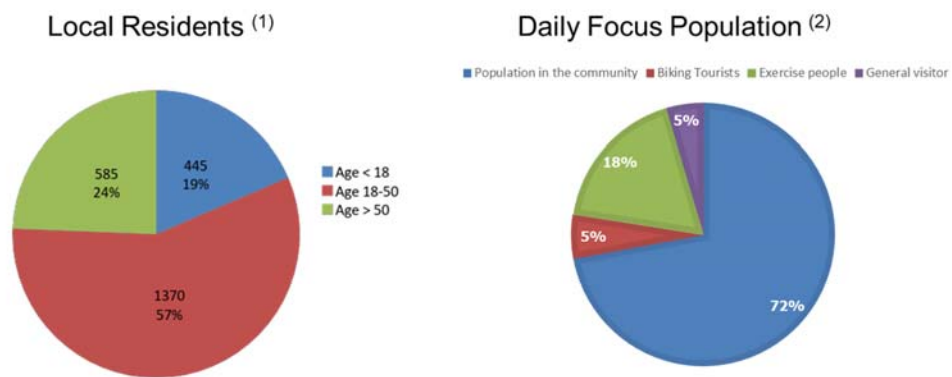
The target markets are:

- People who come to exercise at the park.
- Biking tourists: three trips per day, age range is varied, for example, 2 years old, teenagers and 20-50 years old.
- University students who come to do activities in the park.
- General visitors come to join the activities that the park or the community organize such as live music in the park, walking street etc.
- Local residents who need some place to relax in the walking distance.
- Advertising companies or Thai series team – popular location for shooting commercial advertising or series.

Therefore, the café has to offer friendly atmosphere, good quality and healthy products including first-class services to impress customers during they spend time at

the shop. Even it is a small café but its services can compare with international coffee chains, if it keeps offering new promotions and new products to attract customers.

From Figure 4.3 (Princess Mother Memorial Park Community, 1995), the café expects 2-5% of local residents and other targets come to use the café service and become customers.



Population in the community 2,400 people in average

- (1) www.charoensuk4.com/รายชื่อชุมชนใน-กทม/ชุมชนสวนสมเด็จย่า
 (2) Roughly counting on site July and August 2017

Figure 4.3: Population Chart

Source: ข้อมูลชุมชนที่จัดตั้งตามระเบียบกรุงเทพมหานคร, 1995

The café will open from 6.00 a.m. to offer coffee, breakfast and other products to students, working and exercising people, and will close at 6.00 p.m.

Figure 4.4 shows coffee consumption and preference difference according to genders, in which male consume coffee more than female. The owner needs to understand human psychology and culture in order to respond to their expectancy.

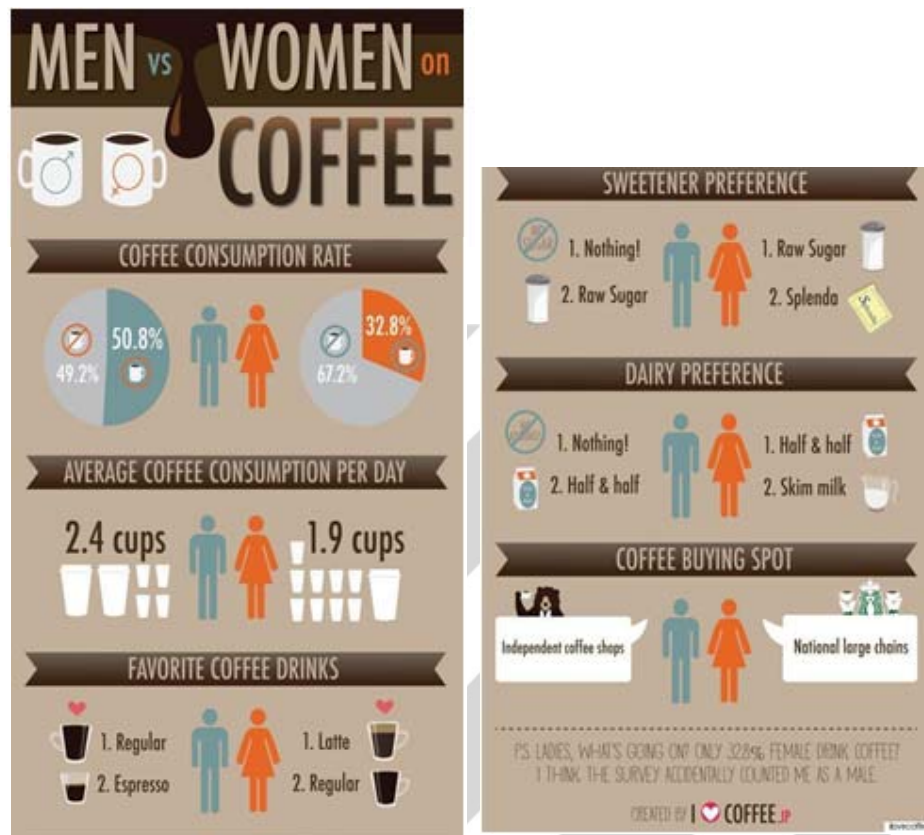


Figure 4.4: Coffee consumption rate by genders

Source: Huffpost, 2015

In marketing, create value for customers do not mean money or discount but it is about customer experience and the unmet needs will be good impression for customers to initiate word-of-mouth to promote the café.

CHAPTER 5

MANAGEMENT PLAN

5.1 ORGANISATIONAL STRUCTURE

The café is a sole proprietor but will not operate as the company, the owner will responsible all of the business especially risks and failures that may happen in the future. The reason to run business on behalf of the person because it is less complex than the company and in case of the café fails, it can close itself anytime.

If the café operates under the company terms, there are many processes to do and unable to close itself immediately in terms of law, it has to declare and submit documents to Revenue Department for 5 years, and then the café can close appropriately.

The owner will manage every process in the café and family members and staff will help to manage and operate the café as structure below. As the owner has working experience in restaurant industry and able to cook therefore it is not difficult to manage the café.

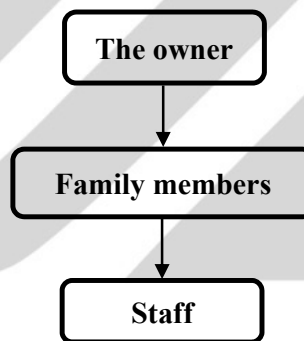


Figure 5.1: Organisation Chart

5.2 MANAGEMENT SUPPORT

The owner will do basic accounting and will hire outsource auditor to help in preparing tax, revenue income, legal issues etc.

The owner, family members and staff will help to look after customers and there is no salary will be charged from family members, therefore there is no effect to start up and fixed cost expenses.

This management plan is the preliminary plan and can be adjusted. The organization chart below will show the structure of the café.



CHAPTER 6

MARKETING AND SALES PLAN

It will divide a market into small segments with distinct needs, characteristics or behavior to set marketing strategies.

6.1 MARKET SEGMENTATION

Geographic

- Local residents and nearby area
- Bangkok people

Demographic

- Male and Female
- Thais and Foreigners
- All ages
- Middle and high class
- Single, Married and Family

Psychographic

- Price, quality and health conscious
- Coffee drinker

Behavioral

- First time guest
- Use café service often

6.2 MARKETING MIX (7Ps)

Marketing mix (7Ps) tool helps to analyze and determine the products and services offering.

Product: Products will be easy cooking, fresh and healthy, including good quality of ingredients used and will keep offering new tasteful products to customers.

Price: The café will charge reasonable and affordable price by using penetration pricing strategy because most respondents prefer to pay for products less than Bt. 50

and will use bundling pricing to attract customer's attention and create desirability to buy products as promotion campaign.

Place: The café is located near the park that is easy access by car, bicycle, or walk and high people traffic in the morning and evening. The café will use Facebook as communication channel to promote products and services and convey messages, promotions or new products to customers.

Promotion: The café will use bundling pricing campaign or discount to promote products by using social media (Facebook) and traditional methods which are word-of-mouth and distribute leaflets to convey marketing messages. These methods are able to deliver messages directly to attract customer's attention and obtain their feedback immediately.

AIDA model will help creating attention and desirability for first products awareness to customers: (MindTools, 2013)

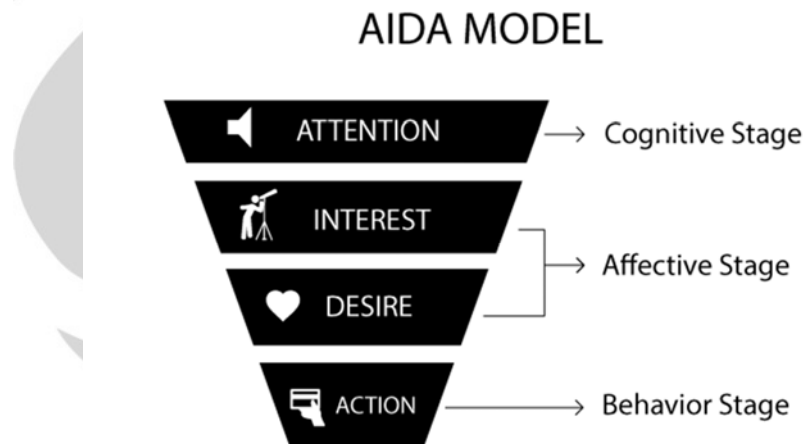


Figure 6.1: AIDA Model

Source: Sneha Mishra, 2017

- **Attention/Awareness:** Create attention or awareness to potential customers by conveying messages via word-of-mouth, distributing leaflets and use social media i.e. Facebook as communication channel to introduce and promote cafe. The location of the café is on the pathway of bike tour so it is easy to be seen and get

attention. The café will offer free food testing on pre-opening day(s) to attract both locals and tourists' attention.

- **Interest:** At this stage, the café will ask customers' opinions and comments about products and services, to allow them share ideas that will make the café more interesting.
- **Desire:** Offers variety and differentiated products which are full of quality, healthy, tasty and affordable, as a new option for customers to try and create customer's desirability to buy products.
- **Action:** The café will offer promotions to attract customer's attention, for example, a set of products or get extra collecting points to get free products and often offer new menu.

People: The most important part of service-oriented business are people i.e. customers, employees or competitors, therefore, creating positive experiences to customer is important, the café will train staff to provide good services to customers.

Physical Evidence: People will evaluate products and services, therefore, the café offers easy access location with friendly and cosy atmosphere, friendly staff and service, signage and webpage look professional and attractive, including differentiated, healthy, tasty and good quality products.

Process: It relates to the physical evidence that the process focuses on people to ensure the quality of delivery services that can strengthen and build up café reputation which is important. The café may have customer's feedback or survey as part of service to make sure that it can be managed and conveyed messages such as promotion to customers successfully through social media as marketing communications to promote and advertise the café.

6.3 SALES MANAGEMENT

Sales Planning

As customers are expected good quality of products and affordable price so the café will use penetration pricing strategy and offer promotions to attract customers, for example, offer special price for a set of products, collecting points or discount.

The café will distribute leaflets to locals, pedestrian and tourists to promote the business and invite them to try products and services one week prior the business starts, and leaflets can use as discount coupon on opening day to encourage them buying products and supporting the business.

Sales Approach

The café will use networking from neighbors, customers, key partners, friends or anyone to promote the café.

Also the café will create Facebook to promote the café 3 months prior the business starts and may advertise on popular website for travelers.

6.4 MARKETING PLAN BUDGET

This is a marketing plan budget for the café:

- Color leaflets size A5 (250 x Bt. 3) = Bt. 750.-

These leaflets will distribute to people in community including bike tourists, general visitors to introduce the café and the commence date, also encourage them show leaflet when buying products as it will be a discount coupon on the operating day.

- Give free products testing – costs Bt. 1,000 – Bt. 3,000.-

To introduce and promote the café and products, the café will give free products testing to locals and tourists at the community prior the real business operates.

CHAPTER 7

OPERATIONAL ANALYSIS

The café is a small business and will employ 1 staff to help operating the café, therefore it does not require human resources department. The owner will provide day-to-day functioning to staff and the owner will responsible for basic account and hire outsource auditor for preparing tax and legal advice.

The café will provide a computer and wifi to serve customers but will limit usage time.

7.1 SUPPLY CHAIN MANAGEMENT

Supply chain management is important to deliver products to customers as quickly as possible to impress them and increasing sales. Supply chain function will be:

- Inventory management - stock will be checked every two weeks in order to have ingredients available at all time to cook products so the owner will buy all ingredients and materials used at the supermarket and these will be at the café in few hours. For coffee products, it has to order from supplier that will take 2-3 days to deliver to the café.
- Order processing/service will take a short period of time to provide good services and make customers impress, for example, food cooking will take about 5-7 minutes and coffee and drinks will take less than 5 minutes.

7.2 IMPLEMENTATION TIMETABLES

The business plan for the proposed café will implement in mid of 2018 or 2019 as there are many factors involve and need to be considered at early stage before the business starts.

CHAPTER 8

FINANCIAL PLAN

The owner will provide the café with sufficient start-up capital by using its own funds.

The cost structure of the café will be:

8.1 START UP EXPENSE

Decoration / Renovation	Bt. 50,000
Equipment	Bt. 20,000
Procure for coffee vending machine (2 years)	Bt. 15,000
Marketing (leaflets and food testing)	Bt. 3,000
Total	Bt. 88,000

8.2 FIXED COST

Space rental expense	Bt. 3,000
Utilities expense	Bt. 1,500
Staff salary	Bt. 10,000
Wifi expense	Bt. 2,500
Coffee vending machine rental	Bt. 2,000
Miscellaneous	Bt. 3,000
Total	Bt. 22,000

- Variable costs are the costs that change with production rate, according to quantities of demand.

8.3 BREAK-EVEN ANALYSIS

$$\begin{aligned} \text{BEP calculation} &= \text{Total Fixed Costs} / (\text{Price} - \text{Variable Costs}) \\ \text{Coffee} &= \text{Bt. } 22,000 / (27 - 4) \\ &= 957 \text{ units per month} \\ &= 32 \text{ units per day} \end{aligned}$$

$$\begin{aligned}
 \text{Food} &= \text{Bt. } 22,000 / (45 - 20) \\
 &= 880 \text{ units per month} \\
 &= 29 \text{ units per day}
 \end{aligned}$$


From BEP calculation, the café has to sell products 31 units per day in order to reach break-even point. Refer to www.charoensuk4.com, Princess Mother community has approximately 2,400 population, the café expects 2-5% of local residents and tourists to be its customers and to reach break-even point.

Traditional Break-Even Analysis

$$\text{Break-even point (units)} = \frac{\text{Total fixed costs}}{\text{Price} - \text{Variable costs (per unit)}}$$

$$\text{Break-even point (sales dollars)} = \frac{\text{Total fixed costs}}{\frac{\text{Price} - \text{Variable costs (per unit)}}{\text{Price}}}$$

These formulas are derived from the equation: $\text{Price} \times \text{Quantity} = \text{Total fixed costs} + (\text{Variable costs per unit} \times \text{Quantity})$



Copyright Altamir Dig Publishing, 2007

Figure 8.1: Break-even Formula

Source: Worker Resume, 2017

8.4 PROJECTED PROFIT AND LOSS

The Table 8.1 shows the estimated figures of the café profit and loss in four years which starts with the first operation year.

Table 8.1: Projected profit and loss

	Year 1	Year 2	Year 3	Year 4
Income	฿ 292,320	฿ 388,800	฿ 544,320	฿ 650,160
Net Sales	฿ 292,320	฿ 388,800	฿ 544,320	฿ 650,160
Expenses				

	Year 1	Year 2	Year 3	Year 4
Rent	฿ 36,000	฿ 36,000	฿ 36,000	฿ 36,000
Staff salary	฿ 120,000	฿ 126,000	฿ 132,000	฿ 138,000
Utilities	฿ 18,000	฿ 18,000	฿ 18,000	฿ 18,000
Internet	฿ 30,000	฿ 30,000	฿ 30,000	฿ 30,000
Coffee machine rental	฿ 24,000	฿ 24,000	฿ 24,000	฿ 24,000
Marketing	฿ 3,000	-	-	-
Miscellaneous	฿ 36,000	฿ 36,000	฿ 36,000	฿ 36,000
Total expenses	฿ 267,000	฿ 270,000	฿ 276,000	฿ 282,000
Profit before tax	฿ 25,320	฿ 118,800	฿ 268,320	฿ 368,160
Tax (Personal Income Tax)	฿ 1,266	฿ 5,940	฿ 13,416	฿ 21,816
Net Income	฿ 24,054	฿ 112,860	฿ 254,904	฿ 346,344

However, the café anticipates the first operation year products selling will not reach break-even point but it will gradually increase.

Marketing expense will pay once prior the business starts to promote the café within the community and nearby area. Marketing expense will be adjusted in the future to increase sales or promote new branch.

For revenue tax, the café will pay tax as personal income tax under Section 40 (8) because the owner derives income from the business apart from Section 40 (1)–(7). Taxpayer will apply Section 40 (8) to calculate tax to the assessable income and compare with the amount of tax calculated by progressive tax rates and is liable to pay tax at the amount whichever is greater by using tax rate table below for calculation: (The Revenue, 2014)

2017 Net taxable income (THB)	Tax rate (%)
0 - 300,000	5
300,001 - 500,000	10
500,001 - 750,000	15

2017 Net taxable income (THB)	Tax rate (%)
750,001 - 1,000,000	20
1,000,001 - 2,000,000	25
2,000,001 - 5,000,000	30
5,000,001 and Over	35

Figure 8.2: Personal Tax Rate of 2017 onward

Source: Sherrings Tax & Business Advisors Limited, 2017

8.5 SALES FORECAST

As mentioned earlier, the first operation year, the café will not reach break-even point because it is a new business that will take time to create reputation and to be well-known, also depends on economy or trends. From table 8.1, the net sales of the first operation year are started at 20 pieces per day and forecasts sales will increasing 10% in next years as the café becomes well-known.

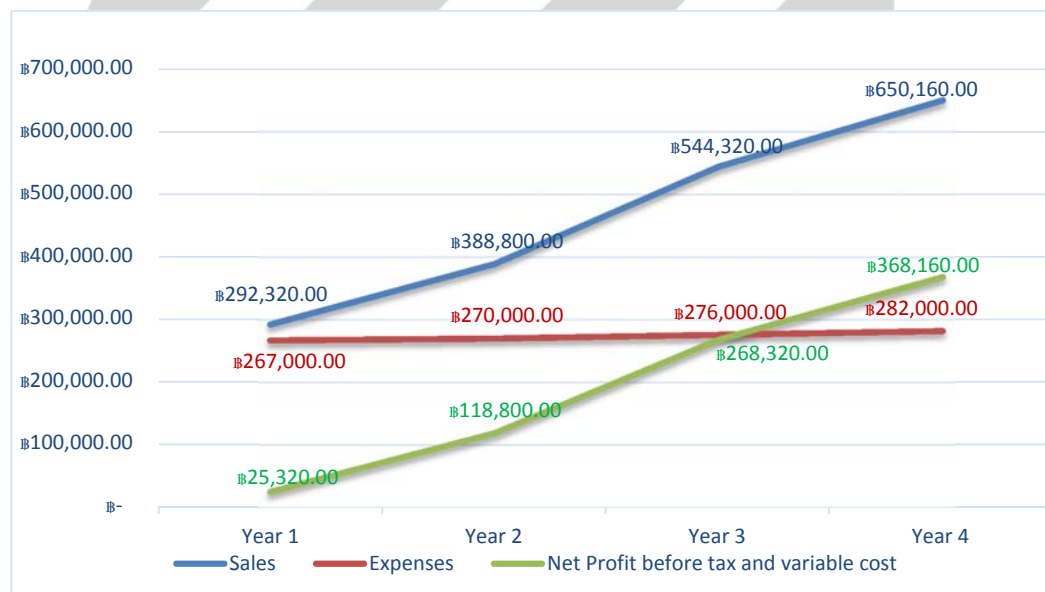


Figure 8.3: Sales Forecast and Income Projection

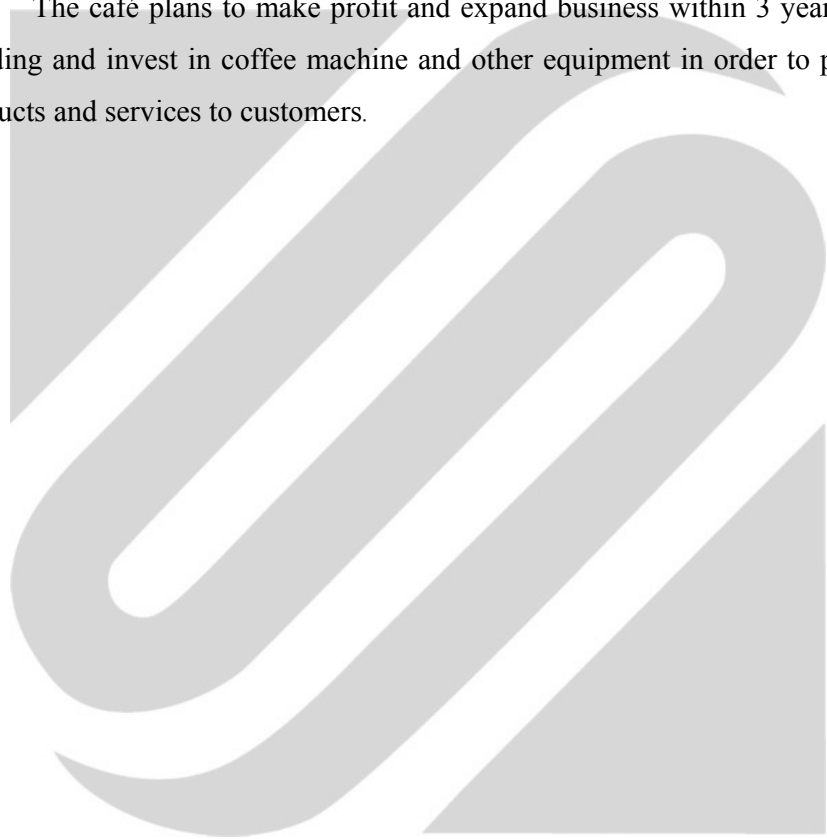
Source: Table 8.1

8.6 INCOME PROJECTION

The café expects sales will increase 10% or more in next years, therefore, the café will keep growing and expanding the business in year 3 or 4.

8.7 MILESTONES

The café plans to make profit and expand business within 3 years by owning building and invest in coffee machine and other equipment in order to provide more products and services to customers.



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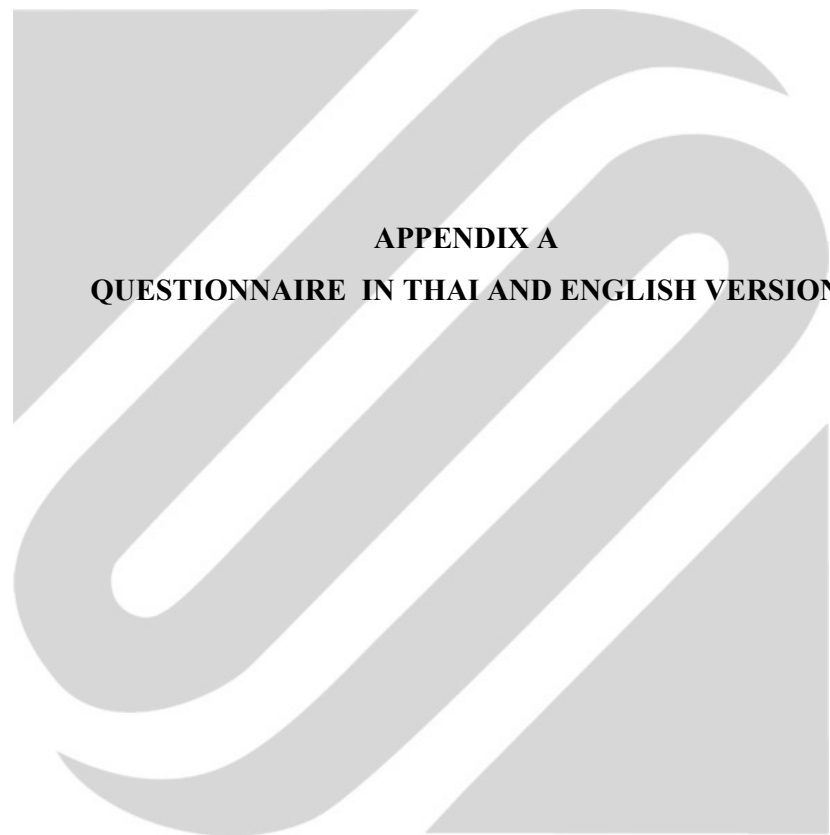
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APPENDIX A
QUESTIONNAIRE IN THAI AND ENGLISH VERSION

รบกวนช่วย ตอบแบบสอบถามสั้นๆ ไม่เกิน 5 นาที

1 อายุ

- ต่ำกว่า 20 ปี ปี 30-21 ปี 40-31 มากกว่า ปี 40

2 เพศ:

- ชาย หญิง

3 ระดับการศึกษา

- ต่ำกว่าปริญญาตรี ปริญญาตรี สูงกว่าปริญญาตรี

4 อาชีพ

- นักเรียน/นักศึกษา พนักงานบริษัทฯ ข้าราชการ
 เจ้าของกิจการ อื่น ๆ (โปรดระบุ)

5 รายได้

- ต่ำกว่า บาท / เดือน 15,000 บาท / เดือน 30,000 - 15,001
 30,001 - บาท / เดือน 50,000 มากกว่า บาท / เดือน 50,000

6 หากมีค่าไฟฟ้าแก๊ส เครื่องดื่ม อาหาร มาเปิดใกล้บ้าน ท่านคิดเห็นอย่างไร

7 ปกติท่านใช้บริการร้านกาแฟหรือไม่

- ใช่ ไม่ใช่

8 ความถี่ของการใช้บริการ

- ทุกวัน ครั้งต่อสัปดาห์ 2-1
 ครั้งต่อสัปดาห์ 4-3 ครั้งต่อเดือน 2-1

9 วัตถุประสงค์ในการใช้บริการ

- รับประทานอาหาร/เครื่องดื่ม อ่านหนังสือ
 นัดพบเพื่อน นั่งทำงาน
 อื่น ๆ (โปรดระบุ)

10 เมนูที่ชอบสั่ง

- กาแฟ/ชา น้ำผลไม้ แชนวิช
 เค้ก อื่น ๆ (โปรดระบุ)

9 What is the purpose of using café service?

- Food / Drink Reading
 Socializes Working
 Others

10 Favorite Menu

- Coffee / Tea Fruit juice Sandwiches
 Cake Others.....

11 What is the reasonable price for you?

- Less than Bt. 50 Bt. 80-50
 Bt. 100-80

12 What do you expect from a new café (more than 1 answer)

- Taste of food and beverage Reasonable price
 Atmosphere Staff service
 Wifi service Others

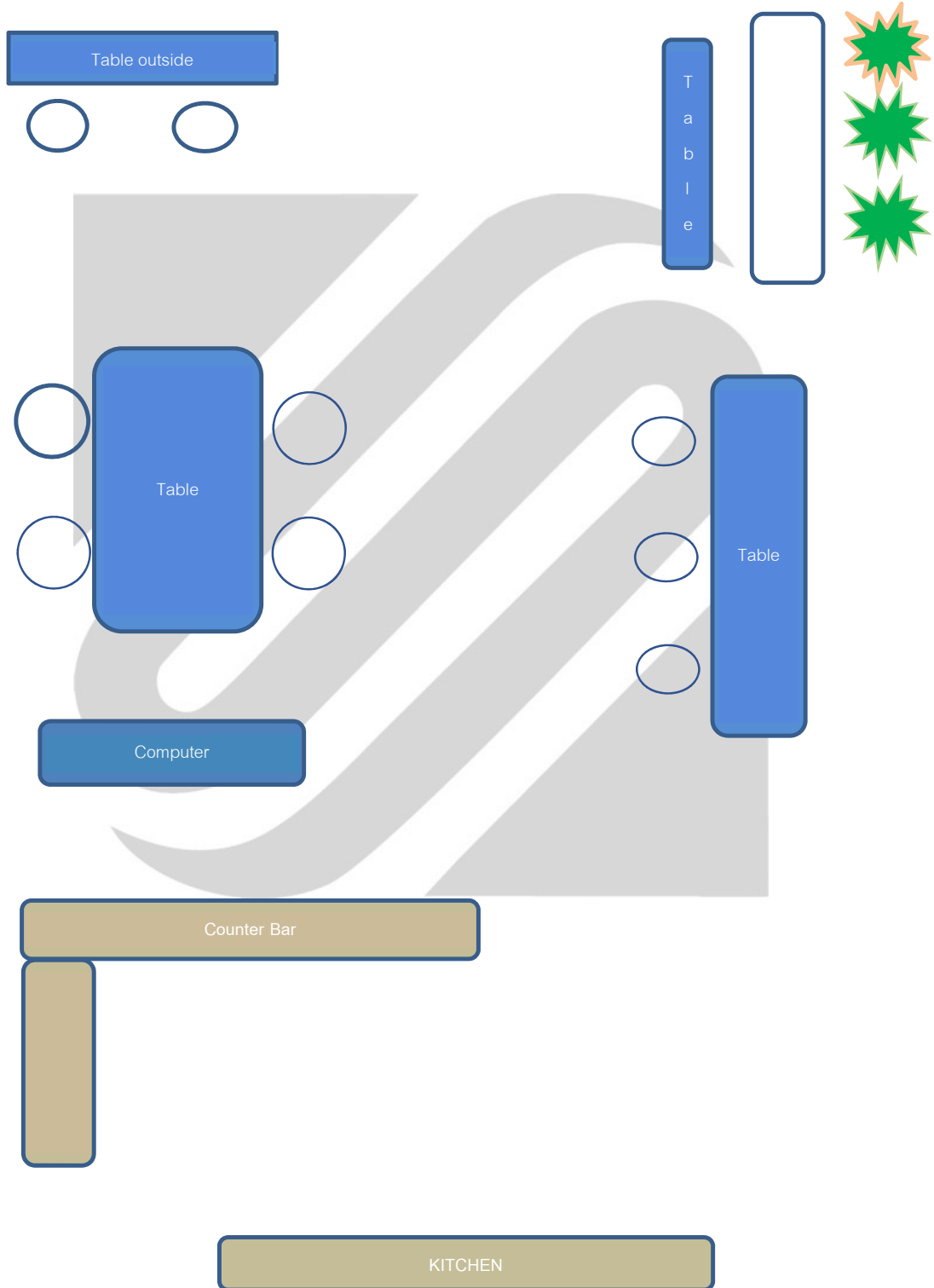
Comment:

Thank you



APPENDIX B
FLOOR PLAN - DRAWING

WALK/BIKE PATH





APPENDIX C
SALES FORECAST



APPENDIX D
NESTLE'S COFFEE VENDING MACHINES



BIOGRAPHY

NAME	Miss Prinapa Roaj-ussawachai
DATE OF BIRTH	12 August 1969
NATIONALITY	Thai Thailand
EDUCATION	
2016	Master of Business Administration Stamford International University Asoke Campus Learning Centre
2012	Bachelor of Business Administration Western University
HOME ADDRESS	518/22 Soi Talad Baan Somdej Somdejchaopraya 1 Road, Klongsan Bangkok 10600
WORKING ADDRESS	SC Films (Thailand) Ltd.
POSITION	Personal Assistant
EMAIL ADDRESS	prinapa@yahoo.com