

SAMPLE PLAN VICTORY PERK

1.0 EXECUTIVE SUMMARY:

The Xavier Coffee Company was formed in the winter of 2004 with the purpose of creating a student owned organization that will assume and operate the existing coffee shop, Victory Perk, as well as serve as the gourmet coffee retailer to Xavier students, parents, faculty, staff and alumni. Our goal is to provide quality coffee beverages from our main store located on the first floor of the Gallagher Student Center, while also implementing an internet-based retail forum through which we will sell our various blends of coffee beans specifically chosen and marketed towards Xavier alumni. Our main headquarters will be located out of the Hamilton County Business Center (HCBC) in association with the Xavier University Entrepreneurial Learning Lab located on the premises. The company will be formed as a limited liability partnership in order to protect the assets of its founders as well as provide for succession agreements when the current management team transfers ownership upon graduation.

As noted previously, our business is geared towards a dual level revenue structure. First, the café will serve the immediate beverage and pastry needs of Xavier students and staff by providing a range of both coffee and non-coffee beverages in addition to associated baked goods. Our goal is to provide fair pricing, excellent customer service, efficient order turnaround, convenient hours of operation and an overall atmosphere of relaxation and goodwill.

The second level of our business, that which provides the most opportunity for scalability and growth is the proposed internet-based retail website, which will support the sale of our various blends of coffee to alumni. Furthermore, there is additional Internet market potential in the form of parents of current and prospective students and Xavier staff members who buy in bulk for home consumption.

Our product is our most important asset in both levels of operation. Through research into the history and traditions of Xavier we intend to create a product line of memories to be marketed to those how can most appreciate them. Our coffee beans will represent the finest quality in gourmet coffee, chosen with care to provide the best flavor. More significantly, each blend of coffee we sell will be supported as Fair Trade, meaning the farmers who grow and harvest our beans will be guaranteed fair payment for their product and a living wage for their families. As a company, we are focused on upholding the Xavier tradition of justice for all people, and will carry out such initiatives in choosing our products and suppliers.

Our management team is made up of _____.
Among the five students, there is a combination of multiple years of leadership experience and various educational focuses, including Entrepreneurship, Accounting, Finance and Marketing. The strength of the management team lies in the varied skill set and personal attributes, including commitment, creativity and thoroughness, which each member brings to the project. The team is driven towards the highest caliber of achievement, creating an open and supportive, dynamic and challenging environment.

The size of the immediate market for the store location includes all on-campus, off-campus, and graduate students, as well as all faculty and staff to include full time, part time, support staff and maintenance, which totals approximately eight thousand people. In addition, current alumni contacts provide an estimated market of approximately 30,000. Demonstrated by the enormous growth in number of coffee houses opening each year and exemplified by the expansion of companies such as Starbucks, the coffee industry is one of the three fastest growing industries, and one which the profile of the Xavier market best fits in terms of demand and potential for significant revenues.

We plan on financing our operation through a loan granted by Student Government Association of approximately \$12,500 to cover all initial equipment, construction, licensing, insurance and initial inventory costs for the store. Based on similar models of other local coffee houses both in the Cincinnati area and other universities, we expect the full amount of the loan to be repaid in approximately 48 months. Future financial planning for the Internet business has not yet been developed though the project is estimated to begin within six months of the opening of the store. The potential for additional products such as gift baskets, as well as the possibilities of starting an auction forum for historical Xavier paraphernalia opens up significant areas of expansion that can be passed on as the company moves from generation to generation of students.

1.1 Mission Statement

We are student entrepreneurs committed to satisfying the needs of the Xavier community, past and present. We gladly serve premium blend coffee beverages and complementary products, proudly supporting the Fair Trade initiative. We seek to create a gratifying experience, consistently striving for excellence in all endeavors.

2.0 PRODUCTS

Below is a listing of the products and descriptions of the items we plan to carry on our menu.

- **Xavier University Signature Blend Coffee:** This Nicaraguan grown, Fair Trade, medium roast coffee will serve as our signature blend bean, the most highly marketed and sold both in brewed and bean form by the pound.
- **Dark Roast:** This bean will fulfill the needs of those customers who prefer a stronger, deeper, heartier blend of coffee. It is also considered Fair Trade.
- **Decaf Komodo Blend:** This bean will serve as our signature decaffeinated blend coffee, with a medium roast taste. It is also considered Fair Trade.
- **Flavored Coffees:** We plan on featuring a new flavored coffee every two weeks, all of them being Fair Trade. Seasonal taste preferences will be taken into consideration such as “Pumpkin Spice” for Halloween. Other flavors to be featured include French Vanilla, Hazelnut, Streudel Cake, Caramel Nut Cream, Crème Brulle, Cinnamon Hazelnut and English Toffee. These coffees will also be available packaged by the pound upon assessment of the demand market.
- **Flavored Syrups:** Our DaVinci Gourmet syrups will be used to add flavor to all of our espressos drinks. They can also be used to add flavor to drip coffee should a customer

desire a flavored coffee that we are not carrying at that time. Sugar-free syrups will also be available.

- **Fruit Smoothies:** Our Jet Tea fruit smoothies are guaranteed to be the fruitiest and thickest smoothie available with each 16oz serving containing a half-pound of real fruit! Initial flavors will include Strawberry Bomb, Mango Mania and Strawberry Banana.
- **Chocolate Syrups:** For those drinks that require a mocha, white chocolate or caramel flavor, we will carry all Ghirardelli brand syrups to ensure the best and richest taste and quality.
- **Iced Coffee Beverages:** Our iced coffee drinks can be made with either coffee or milk depending on the customer's taste preference. Initial flavors will include Mocha and Vanilla Latte.
- **Teas:** Our Numi brand teas are all considered 100% organic. We will offer eight different kinds of tea, including Chinese Black Tea, Earl Gray, Ginger Oolong Tea, Gunpowder Green Tea, Orange Spiced White Tea, Rooibos Herbal Tea, Moroccan Mint Herbal Tea and Green Rooibos Herbal Tea.
- **Pastries:** Teaming up with Busken Bakery, we plan on offering a variety of danishes, muffins and bagels in the morning and cookies in the afternoon and evenings. In this area as well, seasonal opportunities and demand will directly affect the amounts and types of peripheral goodies that we will have available for sale.

Internet Product Line. We are planning on retailing our signature Xavier blend by the pound at both our store site and over our Internet business. The packaging of our coffee will be done by our supplier, stored in a resealable one-way valve bag that allows carbon dioxide out while prohibiting oxygen from entering and aging the coffee beans. Labeling and distribution will also be serviced through our supplier.

Long Term Products. In the future, we plan to expand our product line to include gift baskets specifically tailored to seasonal occasions as well as general gift giving opportunities. These gift baskets will not only include our signature blend or a cookie assortment, but also other Xavier paraphernalia such as mugs, flags, stuffed animals, and assorted trinkets. A retail price and market for this particular product has yet to be decided as it is a part of our long-term planning and not included in our initial cost and revenue data.

3.0 TECHNOLOGY

Internet Retail Forum. The scalability of our business is linked directly to our ability to reach the larger Xavier alumni community through the Internet. We feel that, with aggressive marketing and a focus on recreating the nostalgic value of the Xavier experience as well as generating support for current and future student endeavors, we can open up a very profitable and lasting revenue stream characterized by customer loyalty and satisfaction.

Our initial step in accessing this market is to hire a web site designer who will then be responsible for choosing a design software and Internet host. Examples of software include FrontPage and Dreamweaver. After creating an account with our web host at a cost of \$25 to obtain a domain name and approximately \$25 additional per month, we can implement our previously designed software package to input our product line. In order to set up the credit card

payment system we must first set up our merchant account. For our purposes, Paypal will most likely provide the most cost effective option for a new business. The next step is to set up a secure environment (Secure Sockets Layer – SSL) that will enable us to accept orders securely. This service is provided free of charge from the web host. Having completed the initial steps of setting up our web-based retail forum, the promotion of our site will be through a direct marketing campaign in line with the National Alumni Association, Xavier Magazine and Xavier Newswire.

4.0 MARKETING STRATEGY

The Xavier Coffee Company has identified with and gained insight on the needs of the Xavier community through several surveys.

- Due to the overwhelming response and need for Fair Trade coffee, the company finds it necessary to incorporate exclusively Fair Trade Coffee products. The shop's two main competitors, Starbucks and United Dairy Farmers, rarely, if ever, offer such products. T
- The setting of the company also proves accommodating for students. Located in the Gallagher Student Center, the coffee shop is conveniently positioned among the four dormitories and within walking distance of on-campus apartments.
- It will be possible for Xavier students to purchase their items from their student ID ("All Card"). The All Card contains a meal plan for use at the cafeteria and also additional spending money to be used at the Gallagher Center. This additional money on the ID will eliminate the students' obligation to pay with cash. Up to this point, the competition is unable to overcome this advantage.

Partnerships & Alliances. The alliances that the Xavier Coffee Company has formed will assist in creating an edge over its competition. The company has joined with Flix, the first student-run movie rental store on campus. In doing so, we plan on offering discount opportunities and promotional sponsorships of mutually planned marketing events. Also, the partnership with the well-known Busken Bakery will also facilitate in the success of the coffee company. Easily identified by the Xavier community, the various Busken bakery items will maintain the high level quality that we will achieve.

4.1 Defining the Market

The high growth potential above the current operations of Victory Perk lies in offering a better product, marketed directly to the needs and interests of students, and providing more convenient hours to fit the unique schedule of the college student community.

Considering the convenience of our space, the most penetrable market available to us is the direct on-campus Xavier community. However, this segment of our potential customer base represents only a fraction of the total number of students, faculty and staff that are located on campus at any given time during the day. The following breakdown summarizes our potential market size:

| Group | # of Potential Customers |
|------------------------------------|---------------------------------|
| On-campus undergraduate students | 1850 |
| Off-campus undergraduate students* | 2150 |
| Graduate students | 2600 |
| Faculty | |
| -Full time | 268 |
| -Part time | 330 |
| -Support staff | 279 |
| Administration | |
| -Dining employees | 159 |
| -Book store | 20 |
| -Maintenance | 36 |
| -Custodians | 21 |
| Total Sample Market | 7713** |

*This includes students commuting from within the Greater Cincinnati area as well as those students who reside within one mile from campus and spend more than 65% of their time utilizing campus resources such as the GSC, library, food services and campus events.

**This is only a sample market size. Market size to the store may potentially increase if Xavier student enrollment or number of employees increases. Also this estimate does not take into account the various guests, visitors, alumni and parents that could potentially buy our product when on campus.

Though the numbers show a significant number of potential customers to which we could directly market and serve, we would be naïve to assume that 100% of these people would buy from us on a regular basis. However, certain circumstances within each sub-segment give us confidence that the response from the market will be significant.

For example, coffee-buying behavior and potential needs and wants of a sample of 138 undergraduate students were assessed. Of that number 80% expressed that they currently buy from coffee shops, with 72% expressing interest in buying coffee-related beverages including mochas, lattes & cappuccinos, and 90% expressing interest in buying non-coffee beverages such as smoothies, hot chocolate and teas. Even taking into account the necessary cautions needed to interpret statistical data, this information demonstrates that the market demand exists and that change is necessary to exploit that demand. Our first survey, focusing on the demand for certain products we were potentially considering, demonstrated that demand is highest for iced coffee drinks and related beverages such as smoothies and teas. It is important to note that the largest profit margins come from these related beverages, as opposed to straight coffee.

On a more qualitative level, the nature of the college experience and the general trend of the gourmet coffee industry currently (it being the 2nd largest commodity in the world next to oil, and championed by the growth of companies like Starbucks, which grew from \$57.5 million in total revenue in 1991 to over \$6.4 billion in 2005¹), shows that young Americans, especially

¹ Yahoo!Finance

those under the age of 21 are seeking out coffee houses as a place to hang out and spend time with friends. In addition, locating a coffee shop on a college campus, where countless hours are spent studying, represents a high potential for growth. Our second marketing survey showed that 80% of students would buy coffee-related beverages while studying.

Another sub-segment with a large potential for growth includes the graduate student market. Most MBA students attend class at night, from 6-8:30pm, Monday through Thursday after already working full-time jobs during the day. Needless to say, MBA students not only come to the market with a constant and larger discretionary income than undergrads, but they demand greater product sophistication and have a demonstrated need for an evening energy boost. In a similar sense faculty and staff resemble the graduate student market in terms of discretionary income and willingness to spend it on coffee-related products.

Although the on campus market is extensive, our business is looking to expand into areas of greater scalability and revenue potential. In order to do so, we plan to target the Xavier University alumni and parent market through an online retail forum. According to the National Alumni Association for Xavier there are approximately 30,000 active alumni with which the university is in contact.

4.2 Competitive Analysis

Our competitive analysis identified five potential competitors within our direct market segment, all of which pose a high threat to our success. Our analysis of each competitor follows.

| <i>COMPETITOR</i> | <i>LOCATION</i> | <i>STRENGTHS</i> | <i>WEAKNESSES</i> |
|---|---------------------|---|---|
| United Dairy Farmers and other gas stations in local area | .5 miles | - Cheap - Fast - Predictable product | - Limited coffee options - Low quality - Lack of variety |
| Starbucks and other local coffee shops | 2.6 miles | - Quality - Reputation - Variety of beverages - Coffees shop environment | - Expensive - Inconvenient for some students - Taste preferences based on length of bean roasting |
| Kroger | .5 miles, 2.6 miles | - Cheap - Greater customer control of purchasing | - Little opportunity for premium beverages - Personal labor - Lower quality |
| Coffee Break | On-campus | - Accessibility within faculty offices - No cost | - Lack of fresh coffee - Low quality - Lack of variety |
| Sodexo | On-campus | - Accessibility within cafeteria and Gallagher Student Center - Low to no cost | - Lack of fresh coffee - Low quality - Lack of variety |

In short, the main competitive segments include local gas stations that sell generic coffee and cappuccino products, local coffee houses that are already established with similar menu and pricing structures, Kroger and other local grocery stores where customers can buy ground coffee to make at home, Coffee Break Roasting Co. that provides free coffee to faculty around campus and Sodexo which sells a low grade coffee on the ground level of the Gallagher Student Center and in the cafeteria.

Despite the advantages that these competitors possess whether it be price leadership or product predictability, we believe that through superior customer service, product quality, convenience to students, inclusion on the Sodexo board point system and our Fair Trade initiative, we will be able to provide enough incentive to the various sub-segments of our market to establish our product and create customer loyalty among the Xavier community.

4.3 Marketing Plan

Our company plans on offering a superior tasting, better quality, premium Fair Trade coffee in various roasts including a dark, decaf and flavored varieties. In addition, we intend to sell gourmet teas, hot chocolate and real fruit smoothies in addition to offering a full line of espresso-based drinks such as mochas, lattes and cappuccinos. Iced coffee drinks, steamers, and Italian sodas will round out our beverage menu. We plan on joining with Busken Bakery, a well-known Cincinnati bakery, to provide our peripheral snacks, including bagels and danishes in the morning and cookies during the day and throughout the evening.

Promotion Strategy. Benchmarking other local coffee shops, we seek to raise the level of quality and service provided to Xavier students higher than they have yet to experience on campus. First, our product is of the guaranteed highest quality available, grown in Costa Rica and roasted locally by the Seven Hills Coffee Co. located in Blue Ash. Second, all of our coffee is Fair Trade, assuring the farmers from which we buy will be given a fair price for their product and a living wage for their families, which aligns with the Jesuit tradition of social responsibility. Third, our non-coffee beverages and syrups are also guaranteed to be the best tasting product available to Xavier students in the immediate area. Finally, because our business is owned and managed by students, we are best equipped to serve the needs and wants of our peers. Our goal is to provide Xavier students, faculty, staff, parents, alumni and guests with convenient hours, friendly service, and a fair price all while continuing the Entrepreneurial Scholarship endowment efforts to encourage other student ventures around campus.

Our strategy for entering the market will focus initially on location and revived look as our main marketing vehicle. We seek to create an impression of freshness and newness to our space to signal to students that we are an entirely new operation dedicated to the service and satisfaction of the Xavier community. Construction on the space, including new menu boards, equipment and lighting changes will help to brighten the space as well as give it a more approachable, swanky feel. Target markets will include the initial freshman class upon move in to encourage them to explore campus and provide a place to come and gather as they form new friendships. A large-scale flyer campaign will announce to faculty, staff, and returning students the changes that have taken place and draw in groups looking for a place to catch up, having been gone for a

number of months. Our reputation as a student-run operation and our high quality product will encourage support from faculty and staff.

Another positive publicity tool, which we will use to draw both students and faculty, is our Fair Trade coffee. Currently operating on campus are various faculty and student clubs devoted to the promotion of fairly traded and organic foods throughout the Xavier community. Our connections with these organizations will provide a symbiosis for both their educational motives and our sales goals. Our second survey showed that about 51% of students are aware of what Fair Trade coffee is all about, showing a large opportunity to use our product to educate students on a level of social awareness.

As our organization comes closer to opening its doors, newspaper and magazine announcements in both The Newswire for students, and the Xavier Magazine for parents and alumni will create a powerful buzz within the Xavier community regarding our operations. In addition, the potential for local news coverage of our opening will provide a much larger forum by which we can promote our store and the University as a whole. Our most successful marketing tool, however, will be word of mouth as students, faculty and staff begin to include making a visit to our store a part of their daily routines. We plan to seek out opportunities for partnerships with other student organizations and events and promote ourselves as the quality impact that all Xavier students have the ability to make.

Pricing Strategy. Our pricing and sales strategy will be comparable to other local coffee houses. Our goal is to provide a fair price for a premium product, but not necessarily the lowest in the area. Because the coffee market has been so heavily penetrated, the range of willingness to pay has been well established within the demand sector. Our products will be sold on a sliding scale with the most complex drinks, smoothies and espresso-based beverages averaging around \$3.00 down to our drip coffee and teas selling for approximately \$1.25.

Scalability. As mentioned previously, the highest growth potential lies in our Internet business that captures a specific niche audience, the Xavier University alumni. We plan on connecting to this alumni network in partnership with the Alumni Association to get our name into their mailings as well as be a presence at alumni events. Also, publication in the Xavier Magazine will provide another large-scale publicity opportunity. In addition, the newly created Xavier Portal system will provide a no-cost, web-based forum for students to access our website through their personalized set of channels. We seek to create an online forum that will connect alumni with their memories of Xavier, specifically titling our blends of coffees to significant people, places and events throughout Xavier's history. In that sense, our coffee will provide a connection to the past, while supporting the present students and helping to build toward future student endeavors.

5.0 MANAGEMENT

The management team that has been constructed is committed to excellence in all of our endeavors from the care and thoroughness we take in all of our planning and implementation strategies to how we will carry out the everyday service to our customers. We approach the

project from varied backgrounds and skills set, though we share a common talent for leadership, initiative, and follow-through. A more detailed presentation of each member's strengths and goals follows below.

(Insert detailed descriptions here)

Key Roles. Upon the opening of our business the roles of each individual group member will become more solidified. Examples of certain management tasks that will be delegated include overseeing inventory and purchasing duties, cash flow, payroll and financial duties, marketing strategies and implementation, employee and equipment management, and research and development into new products and markets including the development of our Internet based retail forum.

Additional Members. Currently missing from our team is an information systems and creative web design specialist that will aid us in opening our web-based retail coffee site. As with all of the members of our team, we would be interested in bringing on a team member from the Information Systems Department of Xavier, more specifically a student who has their own entrepreneurial visions for developing and running a dot.com business. Just as this venture has been a huge source of learning for the rest of the team, we would like to continue our mission of education through experience into this particularly scalable and important phase of our business.

6.0 IMPLEMENTATION

Once received by Xavier's Student Government Association (SGA), the loan will be allocated toward equipment purchases, renovation, legal issues, and orders made in the weeks prior to opening.

Equipment & Training. Coffee equipment to include a dual pot brewer plus six air pots, two standup grinders, and the Jet Tea Blender will first be purchased from Seven Hills Coffee Company at cost (in early June) and received approximately one month later. Other equipment to include a dual-head espresso machine will be purchased from Bush & Ennis, Inc. Once the equipment is received, Seven Hills will be training our group on the specifics of machine operation. This training is expected to last several weeks. After initial training is complete, we will hire approximately six paid employees, unless there is a possibility for students to receive co-op credit as an internship. The few weeks that remain before and after school begins in August will be spent training employees extensively on machine operation and knowledge of coffee products.

Construction. Also beginning (early June) is the reconstruction of the coffee shop space. Physical Plant will install a larger sink along with a new icemaker to be completed by (the end of June). In addition, the signs that surround the back wall of the shop will be removed and replaced with large chalkboards and posters. New lighting fixtures will replace the existing halogen lights and other fixtures. Together, this renovation is expected to be completed by (early July).

Legal, Insurance & Accounting. Legal issues must also be finalized before the opening of the coffee shop. The Xavier Coffee Company will be applying for and receiving a new health permit separate from Sodexo Marriot Corporation by the end of May. In addition, we will be working

with our attorney, Bob Lucas, to finalize the details of incorporation and succession planning as well as negotiate our insurance coverage between the university and our own liability coverage. By (early June) these issues will be resolved. Finally, we will be setting up a payroll (outsourced through PayCorp on a pro-bono basis), cash flow, and accounting system that will be implemented at the beginning of the fall semester.

Inventory. Beginning (early August), we will begin our first order of supplies. Items such as smoothie mix, coffee beans, syrups, teas, etc. will be purchased from Seven Hills Coffee Company. Our bakery items will be purchased as well, and the order will include items such as cookies, pastries, and coffee cakes. Beginning in (August), orders from both companies will be placed weekly and managed by the designated Director of Inventory and Purchasing.

Operations. Once the coffee shop opens the week of (August 14th-21st), we will be completing the Internet phase of the business. Advertising for online sale of the Xavier Blend will appear in the fall edition of the Xavier magazine, sent out to the alumni and parents of students. In addition, an advertisement will be placed in the Xavier school newspaper's first edition to reach the attention of current students. The website from which customers can purchase coffee is expected to be completed by (the end of August). Seven Hills will be responsible for the fulfillment aspect of online ordering. Orders will be sent to us via the Internet and from there will be faxed to Seven Hills where they will package the coffee and ship it out directly to our customer. Beginning in September, customers will be able to place their orders.

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